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America's Rôle

THE anxieties of the free world are concentrated on the coasts of England, where watch is being kept against the new Armada; but the hopes of the world are more and more directed to the outer continents. Our rôle here in Great Britain is to hold the bastion; for victory we shall need aid from overseas.

The turn of events in the United States has served as an encouragement to hopes that the necessary aid will be forthcoming. The evolution of American public opinion is as exasperatingly slow and illogical to us as our own has so often been to those on the Continent of Europe who looked to us for support, rescue or avenging. We are too quick, in our anxiety, to read a declaration of war into an expression of hatred for the Nazis; too apt to underrate the American's hereditary desire to escape from Europe. But when all the necessary qualifications are noted, it is still true that such an event as the nomination of Mr Wendell Willkie as the Republican Party's candidate for the Presidency is at once convincing evidence of the extent to which American opinion has already evolved and a guarantee that it will continue to evolve rapidly during the months immediately ahead.

Judged by the available evidence, Mr Willkie would make an able and distinguished President. But his historical importance lies less in his possible future virtues as a President than in his actual present character as a candidate. The strong probability is that the next President of the United States will be Franklin Delano Roosevelt; Mr Willkie's service to humanity—it is a very large one—will be to save the United States from its usual election-year predicament of having no foreign policy. Until very recently, it seemed almost certain that isolationism and intervention would be an issue, perhaps the main issue, of the Presidential campaign. The leading Republican candidates were all more or less isolationist—or at least neutralist—in their outlook. True, the great revulsion of popular feeling after May 10th had led to some entertaining displays of agility; but until the Convention met at Philadelphia last week the prospect was that the Republican Party would either oppose Mr Roosevelt's policy of aid for the democracies or, if it did not have the courage or political obstinacy to come out in formal opposition, that it would snipe at him in detail. Congress supplied an example of the delays and obstructions that such an unavowed but splenetic opposition could create by passing a Bill designed to delay and reduce, rather than prevent, the flow of surplus war material to England. The "platform" adopted by the Republican Convention appeared to confirm this forecast, for, while approving of the principle of aid to countries "defending their liberty," it made such aid subject to American defence needs and the requirements of international law—qualifications which, in the hands of an isolationist, could easily be made to nullify the main principle.

The balloting for a Presidential candidate to interpret this ambiguous platform, however, entirely upset the calculations of the trimmers, for it resulted in the nomination of a candidate whose views on foreign policy, if they differ at all from the President's, do so by being more strongly in favour of aid to Great Britain. Moreover, the circumstances of Mr Willkie's nomination were such that he is under no obligation to any section of the party that would lead him to place any but his own interpretation on the platform. Mr Willkie is a very remarkable candidate. His nomination has been compared to that of William Jennings Bryan in 1896, and though he was by no means as obscure before the Convention as Bryan was, he was nevertheless a very dark horse, with no entry in the political form

book. Bryan had at least served a term in Congress (and, incidentally, rehearsed there his famous "cross of gold" speech); Mr Willkie has never held any political office, national or local, whether by election or by appointment, and he is still listed in the reference books as a Democrat. What little was publicly known of him might have been thought to have been to his disadvantage as a politician, for he is the head of a great public utility holding company and an outspoken opponent of the Tennessee Valley Authority, the grandiose idealism of whose task has seized the imagination of the public, even if its commercial methods have been condemned by those whom they affect. To have secured the nomination in spite of these disadvantages and in the face of opposition from the party managers, is a triumph of personality and a demonstration of the enthusiasm that can be aroused by Mr Willkie's political philosophy, which might be called either Liberal Capitalism or Progressive Private Enterprise. His nomination is not, of course, such a triumph of spontaneous and unorganised popular enthusiasm as it has been made to appear. Though he condemns "Big Business," he is the business man's candidate, and if he were elected it would be interesting to discover to what extent he could dissociate himself from supporters less progressive than himself.

From the point of view of domestic American politics Mr Willkie has undoubtedly imported into the campaign a degree of colour and popular interest that would not have been there if any of his rivals had been successful. The personality will not all be on one side; it will not this time be a contest of F. D. Roosevelt *vs.* A. N. Other. But from the point of view of world politics (which even the American politician must now concede a primacy of importance) Mr Willkie's nomination is a guarantee of continuity. Whatever happens in the election, the foreign policy of the United States in the remainder of 1940 and for four more years will be based on assistance to Great Britain. Mr Roosevelt had already taken what precautions he could before the Convention opened by nominating to his Cabinet two such eminent Republicans as Mr Stimson and Colonel Knox—a clear hint that the Republican Party would be split if it turned to isolation. But the precaution has proved to be unnecessary. If the President's foreign policy is criticised at all during the campaign, it will be for not moving far enough and fast enough in support of Britain.

All this, of course, is very much to the good. But we in this country should beware of reading too much into recent events. It was not primarily because of this advocacy of support for Britain that Mr Willkie was nominated, but because on a combination of personality and domestic policy he seemed the most likely man to beat Mr Roosevelt. We cannot go further than to say that Mr Willkie's interventionism did not prevent his success. Moreover, there are severe limitations on interventionism even of the Willkie type. American opinion has followed much the same evolution as British opinion, with a time-lag of from one to three years, and many of the illusions from which we have awakened are still prevalent on the other side of the Atlantic. For example, there is the almost universal qualification that aid must stop "short of war"; that is the delusion that afflicted many here who paid lip-service to collective security—the delusion that hostile acts can be taken with limited liability. Or there is the determination of Americans that, even if they are dragged into war, they will not send an army to Europe. That is the equivalent of the British decision to concentrate on a six-division army, the disastrous fruits of which we are still reaping; in its French context, it is the delusion of the Maginot Line.

Clearly, many of the implications of American policy still require to be thought out on the other side of the Atlantic. The basic fact that wars—even non-belligerent ones, cannot be fought without doing distasteful things has yet to be learned. There is still no sign, for example, that the restrictions of the Neutrality and Johnson Acts are to be removed; until they are, though the American people say that they intend to give us all the material assistance they can send, what they mean is that they intend to sell us all the material assistance we can pay for. These hesitations and inconsistencies will disappear; events can be relied upon to bludgeon them out of existence. As has so often been pointed out in these columns, it is not the direction in which American policy is evolving, or even the goal at which it will arrive, that is in doubt, but only the speed with which it is moving. The great gain from last week's events is that we, Britain and America alike, are not now faced with the hideous danger of a six months' hiatus, during which the underlying unity of purpose might be obscured by the formalities of a rigid constitution. This is what Mr Willkie has achieved by the mere fact of being nominated. If he and the President between them, while preserving their domestic antipathies, can now give some formal expression to their unity on foreign policy, they will be doing no more than their duty to America and to the cause in which they both believe.

Japan Turns South

JAPAN'S policy towards the war in Europe is that of "*non-involvement.*" Nevertheless, she has not been able to escape the consequences of the upheaval, and the last few weeks have brought a great renewal of diplomatic activity directly caused by events in Europe. In May, the over-running of Holland by Germany raised the question of the status of the Netherlands Indies. Japan immediately expressed her "interest" in the future of the Indies and her determination to see that "peace and the *status quo*" were maintained in East Asia.

Since these statements were accompanied by lurid descriptions in the extremist Press of Allied troops landing in Java and by appeals from the fire-eating sections of the armed forces for direct intervention and occupation, Mr Cordell Hull thought it wise to announce the interest of the United States in the status and fate of any parts of the Pacific area. On this, the excitement in Japan subsided and official spokesmen confined themselves to declaring that Japan would not tolerate any interference with her supplies coming from the Netherlands Indies.

A month later, the collapse of France raised in a more acute form the future status of lands lying within the sphere of potential Japanese control, an area for which the Japanese have coined the phrase "East Asia." Japan immediately demanded that all supplies passing through French Indo-China to the Government at Chungking should cease. The French authorities were ready to meet the demand, but Japan was not satisfied with their assurances and insisted that Japanese military "inspectors" should supervise the Indo-Chinese frontier while Japanese warships were dispatched to Haiphong.

These moves were barely completed when Japan turned to Great Britain with a peremptory request that all supplies going to General Chiang-kai-shek through Burma or Hongkong should cease and the situation at Shanghai be "regulated." At the same time, Japanese troops were moved to the 25-mile frontier of Kowloon, Hongkong's leased hinterland, and a land blockade of the Concession began.

These moves have an obvious and straightforward ground in the Japanese Government's intense desire to settle the "China incident" which every statement of Japanese policy admits to be the Government's first preoccupation. All the recent campaigning round Nanning has been directed towards cutting Chungking off from outside sources of supply, and the demands on France and Britain are simply diplomatic adjuncts to the central military plan of campaign. Nevertheless, it is significant that the policy of the last two months, taken as a whole, shows a marked extension of Japan's diplomatic activity towards the South, and the possibility that the new orientation has a wider significance than a straightforward

attempt to blockade Free China into submission was borne out by the Japanese Foreign Minister's broadcast of June 29th in which Mr Arita outlined in general terms Japan's conception of a new order, "united under a single sphere" of Japanese hegemony, which would cover "East Asia and the South Seas." A species of Monroe Doctrine for Japan, China and Manchukuo has, of course, been in existence ever since the term "East Asia" was coined in 1934, but Mr Arita's statement widens the earlier definition to include a vast unspecified area which may cover anything from Java to Tahiti and, coupled with the recent diplomatic moves against Holland, France and Britain, whose colonies all lie within the new extended "East Asia," the statement may be taken to represent a new southward orientation of Japan's expansive energy.

In point of fact, expansion southwards has long been the policy of an influential section of Japanese opinion and a good deal of quiet spadework has already been done. The Navy have never been as enthusiastic as the Army over Continental expansion in which they were not called upon to play a predominant part. Moreover, they could point to the meagre economic yield of the new conquests and maintain that Japan's destinies, like those of Britain before her, lay on the sea. Big business was prepared to give the Chinese scheme a trial, but it is heavy industry, profiting from the development of a war economy, that primarily supports the Army's China policy. Textiles and light manufactures, the bulk of Japan's export trade, are suffering under the drain of war; thus a section of industry has backed the Navy and is active in demanding a "forward" policy in the South. Accordingly, in the last few years, a policy of economic permeation of the South Seas area has been going quietly forward; Japan has constantly pressed the Netherlands Indies to grant leases of territory to Japanese concerns, and at one point even offered to lease Dutch New Guinea in perpetuity. The Dutch Government have so far resisted Japan's commercial penetration, imposing quotas on imports from Japan and refusing to grant concessions. In the last week, however, Japan has again come forward with demands for greater business facilities, and the Netherlands Government is hardly in a position to resist the proposals.

Japan has steadily increased her share of the shipping in the Southern Seas. Practically all the coastal shipping round New Guinea, the Barrier Reef and Northern Australia is in the hands of Japanese luggers, and, by an agreement reached in 1936, Japan secured over 60 per cent. of the carrying trade between Japan and the Netherlands Indies. Another aspect of the southern drive was the drawing up in 1935 of a Ten-Year Development Plan for the island of Formosa and the establishment in the following year of two semi-State corporations, the Taiwan and the Nanyo Development Companies, to direct and co-ordinate Japan's commercial penetration of South China and the South Seas.

The war in China has given a new significance to expansion to the South. The need to build up a heavy war industry almost entirely on the basis of imported raw materials has told severely on the Japanese economy. Imports other than those required for heavy industry had to be curtailed. Unfortunately, Japan's export trade is also largely built up on imported materials, and any falling off in exports meant that Japan could not obtain the foreign exchange necessary for financing her war material imports. Were the necessary war materials to be found within the yen *bloc*, the problems of foreign exchange would not arise, but they are not. Thus Japan must apparently choose between reducing her imports of materials or widening the yen *bloc* to include more fertile producers of vital supplies. The Netherlands Indies with its resources of rubber, oil, iron and gold, Indo-China with its unexploited reserves of coal, wood, tin and phosphates and its possibilities as a rubber producer are obvious candidates for the yen *bloc*, and this at a time when the European war has brought the whole question of their sovereignty into dispute.

A final argument is concerned with the question of settlement. Japan's population is increasing at the rate of nearly one million a year. There is no immediate prospect that the average rate of increase will fall, and the Mother Country is already desperately overcrowded. The early hopes of agricultural settlement in Manchuria have been blighted since the Japanese could not stand the climate and the creation of a Manchurian puppet State has not toughened the Japanese skin. Settlement in China proper is limited by the presence of 400 million overcrowded Chinese. It is only when Japan looks South that she sees lands which are empty and climates in which her people can flourish. The further South she looks, the more land she sees, and on the periphery lies Australia.

Japan's attitude towards a policy of expansion to the south is and will remain a question of expediency. When, early in 1937, the Japanese Government was urged to state definitely whether Japan's future development would be to the north or south, the Prime Minister, Mr Hayashi, replied, "Japan cannot always concentrate in one direction. We have to use our power in accordance with prevailing circumstances." Hitherto, the "prevailing circumstances" have favoured a northward drive. China was weak and torn by civil war, and Russia's Far-Eastern Army inspired little terror, whereas to the south expansion risked a conflict with the world's two greatest navies and three greatest empires.

Japan's policy to-day will depend on the extent to which this situation has been modified by the war in Europe. One of the great empires, France, is obviously in process of disintegration. Another, Great Britain, is in a serious, if temporary, position of military jeopardy. It is difficult to estimate at the moment how far Japan intends to push her recent demands on us. When a year's patient diplomacy was crowned with a real compromise in the Tientsin agreement, it was felt that Japan was not immediately concerned to use our embarrassment to force unpalatable decisions on us. The tone of the new demands suggest that the collapse of France has encouraged the extremists, and through them the Government, to new intransigence. Arms have not passed along the Burma road for some time past for the simple reason that the British Empire has no arms to spare and has imposed a general export embargo. The same applies to Hongkong. There is every reason to suppose that the Japanese know this, but have determined to raise a rather pointless issue in the hope of squeezing concessions which in a less troublesome period we should certainly not be prepared to consider.

However, the British Fleet, strongly based on Singapore, is by no means negligible, and behind the British stands, even if somewhat equivocally, the United States, which has not been materially weakened by the events of the last six months. On the degree of its active interest in the Pacific and of its co-operation with Great Britain the next phase of Japanese diplomacy largely depends. This is not merely a question of naval action. In the threat of sanctions or of an embargo, the United States possesses a formidable weapon of pressure. The war in Europe has vastly increased Japan's dependence on the United States as a source of war materials, and, since 1937, between 50 and 60 per cent. of these vital supplies has come from the United States. In 1939, the percentage was even higher.

The United States has shown no sign of disinteresting itself in "East Asia," especially now that Japan has enlarged the concept to cover an area which may well include Guam and the Philippines. The trade treaty which lapsed in January has not been renewed, the fleet remains at Honolulu, and the recent hint of trouble at Shanghai brought two destroyer squadrons and six submarines to the spot. It is clear that Japan still cannot risk changes in the *status quo* without fear of adding to her battlefronts. There is thus every likelihood that an uneasy state of non-war will continue for the time being in the Southern Seas. The next phase will be determined by the fate of Europe.

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The half-yearly index to *The Economist* for January to June, 1940 is now available. 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

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The Minimum

WAR is admittedly no time for increasing the cost of social services. Yet the view is spreading that the time has come for the State to guarantee to every individual—as it never has done explicitly in peace—a sufficient quantity of food, clothing, shelter and the acknowledged necessities of life. The proposal is not anomalous, even where siege is impending. It arises, quite naturally, from the fact that one feature of wartime is a steady increase in the cost of living, an increase which bears heavily upon people, and especially families, at the lower end of the social scale; and it is proposed in this article to set out in general terms the case for the establishment of a national minimum as a necessary part of war policy, leaving the administrative and quantitative aspects to be dealt with in a later article. It is not a question of extra outlay so much as one of guiding expenditure in the most needed direction.

Actually, it would not be entirely an innovation thus to recognise in practice the principle of a national minimum. Bit by bit the advance guards have filtered into social policy already. Free education, health and unemployment insurance, unemployment and public assistance, old age and other pensions, housing regulations and minimum wage machinery have established the State's duty to ward off the worst effects of poverty upon individuals. Since the war broke out, all these piecemeal precautions have been reinforced to counter increases in the cost of living. Unemployment allowances have been raised. Workmen's compensation payments have been increased. Extra aid has been given to pensioners; and, in the last week or so, higher war pensions have been granted and the scales of benefit under unemployment insurance have been made more generous.

That the principle of an irreducible minimum for all is not actually recognised makes adjustment difficult. There are individuals and families who do not fall neatly into the many separate services which exist to insure against and ward off hardship. Most often, apart from the large class of casual and itinerant workers of all ranks who seldom qualify for the help of State services, these are found in the independent middle class of office workers. Their income may normally be above the £5 a week hitherto regarded as the upper limit for the bulk of State aid. But they are frequently liable to unemployment and their distress is commonly made more serious because of their attempt to establish a moderately high standard of living—and of education for their children—entirely from their own resources. It is an overdue recognition of this problem that Mr Bevin's new Unemployment Insurance Bill brings into the insurance scheme incomes from £250 to £420.

Moreover, the fact that there were gaps and inadequacies even in the provision that was made before the war means that simply to increase payments in proportion to the rise in the cost of living will not prevent hardship. Nutrition experts have repeatedly pointed out that the diet of perhaps half the population lacks, in one way or another, the balance needed for proper nourishment. The allowances given to unemployed, sick or injured people have fallen short of the minimum sums calculated by social researchers to be necessary for the indispensable necessities of life. Health insurance covers only people in gainful employment and not their dependants.

The picture would be falsely coloured if it stopped short with this record of shortcomings. The number of people (outside the unemployed) dependent upon social services for the difference between a decent standard of living and destitution is not large. The point is rather that too many people live too near to the borderline of economic difficulty for separate and scattered services to guard securely against the impoverishing effects of war conditions.

In the main, the chief determinant of the condition of the people is wages, and the rôle of wages in the establishment of a national minimum is crucial. A chief feature of the wartime campaign to counter increases in the cost of living has been a widespread rise in both wage rates and earnings. In the first nine months of the war there was a net increase of £[illegible] million in weekly wages, and (counting more than once the workers who secured two or more increases) [illegible] millions benefited.

The trouble is that wages, too, are not adequate as a means to maintain a minimum standard of living. In the first place, they are not based on needs, but are determined by the strategic bargaining power of workers' organisations. They are not related to the *family* obligations of wage-earners, and there is little or no uniformity between the earnings of one class of wage-earners and those of any other. This means that, even in so widespread an advance in wages as has taken place since last September, many of the workers in most danger of falling below the minimum, low-paid and ill-organised workers, may very well have been left out altogether. Their only protection is the trade board system, whose minimum wages may possibly suffice for single men, or even for men with small families, but not for men with large families. The experience of the Unemployment Assistance Board, not allowed to pay out more than "normal" earnings to applicants, and of the Unemployment Statutory Committee, disturbed by the "overlap" between wages and benefit, underlines the serious problem set by the poorly-paid family man. The establishment of a minimum standard of living involves looking first at the actual requirements of the most needy; no way of fixing wages does this; and any general scaling-up of all wages, high or low, so that poverty was rooted out at the bottom, would be vastly too expensive in peacetime and even more impossible now.

As a method of social defence, wage increases tend to defeat their own ends. If wages continue to go up at a time when civilian consumption has to be cut down, the result can only be higher prices and further rises in the cost of living. The task of keeping the heads of the poorest workers above water is merely made more difficult; they benefit least from the advance in wages and suffer most from the increased cost of living.

The only possible conclusion is that the normal way of mitigating the effects of rising prices, namely, the adjustment of social service payments and wages in proportion to the rise, is not effective to deal with real hardship. This is not the fault of war conditions. It is inherent in a system which is not avowedly committed to setting up a minimum standard of needs for every individual, man, woman and child, which must be met from one source or another—wages, insurance, payment in kind and so on—a system which, on the wages side, is even in wartime more interested in the money wages of the better paid workers than in the real income per head of the genuinely impoverished.

What is needed is a new means test, not to restrict workers' incomes in this case, but to expand them on proof of need. One integral part of the solution, in one way or another, must be family allowances due to all from the State and given either directly or through industrial organisations. Mr Keynes has suggested 5s. a week, even in wartime. The establishment, by law or by bargaining, of a decent minimum wage in all trades is an indispensable foundation, but it cannot ensure a decent minimum standard of living unless special allowance is made for the varying size of workers' families. The simple fact is that the burden of increases in the cost of living depends almost entirely on the size of the family.

The amount of necessities that poor people can buy does not depend simply upon how much money they have to spend. Clearly it depends very largely upon prices. Equally clearly, it depends upon supplies, upon the quantity and kind of goods exposed for sale. Hardship cannot be warded off in wartime merely by pushing up incomes to keep pace with prices. For one thing, rising prices will always tend to be a length ahead in the race. For another, incomes and prices are not independent runners; the faster incomes are pushed up, the quicker the spurt of prices. Moreover, the quantity of goods for civilian consumption will in any case be reduced. It is important to see that the reduced quantity is made up mainly of proved necessities, cheap and durable. This is the case for a basic ration of food and clothes at low and stable prices. It involves State subsidies to keep prices low, in conjunction with rationing, and even differential prices so that poor people with needy families are assured of their minimum.

It involves more. This is wartime. The corollary to establishing a minimum below which none should fall is to set up maxima above which none should rise. The policy of adjusting all, or even a large part, of incomes to counter rising prices is wholly wrong. It is not even effective. If by minimum wages, family allowances, rationing, price control, subsidies and the co-ordination and extension of social insurance and social services, it is guaranteed that no individual and no family should fall into real want, then justice and expediency are satisfied. For the rest, as the siege tightens and the war develops, consumption must be steadily cut down—by rising prices, by taxation, by saving and by restriction. These are two halves of the same policy. Without sacrifices everywhere above the minimum, the minimum itself is unattainable.

Debits and Credits

FAR-REACHING economic and strategic implications arise from the defeat of France and the decision of the French Government to collaborate with Hitler and Mussolini—which seems to have been accepted, though not unconditionally and certainly *à contre-cœur*, by some of the important French colonial Governments. As Italy has lost what freedom of movement she retained before throwing in her lot with Germany, the Nazis now either control, or are in a position to control, virtually the whole of Continental Europe between Russia and Gibraltar. Britain, on the other hand, has lost her foothold on the Continent of Europe. She has been deprived of the military support of France and of most of her Continental sources of supply which, in recent years, made up about one-third, by value, of her total imports. The new alignment has profoundly changed the nature of the war; but the shift in economic strength has not been nearly as dramatic as Germany's military gains.

While it is not yet possible to assess the ultimate effect of the past month's events on the outcome of the war, their broad significance is not in doubt. Germany's immediate gains, both economic and strategic, are large. The precise terms of the armistice do not matter, for it can be taken for granted that France's resources will be utilised to the full for the purpose of strengthening the Axis. All the military equipment, all the gold and foreign exchange and securities, as well as all the food, raw materials and industrial plant available in metropolitan France, save that part of it which is absolutely necessary to the subsistence of the people, will be taken over by Germany by one means or another. The loot is substantial. At the outbreak of the war France had large stocks of food, oil, metals and other materials of which Germany is short. The stocks of oil, for example, must have amounted to several million tons at the outbreak of war. Although some of these stocks may have been used up or destroyed, a large proportion of them will probably fall into the Nazis' hands. The size of the gold and foreign exchange reserve and of the foreign securities remaining in metropolitan France at the date of the armistice is not known; but while they might be used as a counter for purchases in Russia and the Balkans, their value to Germany will depend on the effectiveness of the British blockade.

Germany's immediate strategic gains are also very considerable. The occupation of the northern coastline of Europe has provided her with numerous points from which she can attack Britain's sea communications and industrial vitals by sea and by air. Moreover, the occupation of the northern coastline of France and the transition of General Franco's Government from the stage of neutrality to that of non-belligerency has not only given the Nazis access to Spain's iron ore and other resources, but it has also provided them with a potential jumping-off ground for an incursion into North Africa.

But while Germany's immediate position has been vastly strengthened by France's surrender, that unfortunate country cannot furnish all the resources necessary to consolidate a hegemony over the whole Continent of Europe. Neither France nor Europe as a whole is normally self-sufficient in food and in the raw materials required by agriculture. Moreover, this year's harvests in Europe are likely to yield less than usual owing to the severe winter, the withdrawal of manpower from agriculture and the destruction caused by the invasion of the Low Countries and France. There will be a very serious food problem all over the Continent next winter.

Nor can France and the rest of Europe provide Germany with an adequate supply of the raw materials necessary to maintain the munition and other industrial plant in full operation. Thus, France normally produces only about two-thirds of her requirements of coal, and Germany will have to supply her with about 25 million tons per annum if industry is not to suffer dislocation. Again, with the exception of bauxite (the raw material of aluminium), metropolitan France does not produce in any quantity the non-ferrous and steel alloy metals that Germany lacks. So far as iron ore is concerned, on the other hand, the French deposits in Lorraine, together with supplies from Norway, Sweden, Luxemburg and Spain, are sufficient for Germany's needs for a long time to come. The metal content of the iron ore produced in France, for example, reached no less than 18 million tons in 1929, the best of the past ten years. Germany's steel problem is solved in quantity, though there will still be difficulties of quality owing to the lack of alloys. In the other metals, however, her position is substantially unchanged. Again, France's textile industries will be of little value to Germany without imported raw materials.

One of the chief economic weaknesses of Continental Europe, however, is its lack of oil. And here France can contribute virtually nothing. In normal circumstances the European countries for which the Nazis are now directly or indirectly responsible consume about 27 million tons of oil per annum, inclusive of bunkering requirements. The approximate distribution of consumption is shown below:—

CONTINENTAL EUROPE'S OIL CONSUMPTION

(Including bunkers; thousands of metric tons)

Germany*	8,000	Norway	600
France	7,000	Switzerland	500
Italy	3,500	Finland	300
Roumania	1,900	Hungary	300
Holland	1,600	Jugoslavia	200
Sweden	1,200	Baltic States†	200
Denmark	900		
Belgium	700	Total	26,900

* Including Austria, Czecho-Slovakia and occupied Poland.
† Estonia, Latvia, Lithuania.

Even if consumption is prohibited except for essential purposes, it is doubtful whether it can be cut below about 18 million tons without crippling industry and trade. But apart from Russia, Europe is not in a position to produce anything like this quantity. Roumania, the biggest source of supply, is now producing at the rate of about 6.2 million tons per annum, while, on the most favourable assumption, Greater Germany's output from all sources and methods cannot exceed 5 million tons per annum for some time to come. France, Albania, Hungary and Estonia can probably produce about 300,000 tons each per annum. Even if the whole of the Roumanian output were retained in Europe, Germany would have at her disposal only about 12 million tons.

The Nazis are therefore compelled to seek access to non-European supplies of foodstuffs, fertilisers, raw materials and oil. In which direction will they turn? North and Central Africa produce fertilisers and edible fats as well as

cotton, iron ore, copper, tin, cobalt and other metals, while the Near East is an important source of oil supplies. Iraq's output of oil, which is carried by pipelines to the coasts of Syria and Palestine, is about 4 million tons per annum, while Iran produces more than 10 million tons per annum. But neither North and Central Africa nor the Near East can fully make up Europe's deficiency in food. Germany is therefore probably casting envious glances upon the Russian granary. Broadly, however, the control of North Africa and of the Near East would considerably relieve Germany's difficulties in the coming winter. It is possible and likely that she will attempt to reach her objective by an invasion of North Africa through Spain, followed by powerful thrusts to the South and along the coast towards the Suez Canal. If this plan (whose success will be powerfully, but not decisively, affected by the fate of the French Navy and the attitude of French North Africa) can be frustrated, and if direct landings on a large scale in Egypt, Palestine and Syria can be prevented by the British Navy, Germany may be driven to gain access to the Near Eastern oilfields across the Dardanelles; but this would almost certainly bring her into conflict with Russia.

Thus, while Germany has gained enormous short-term advantages from the surrender of France, her position is by no means secure. And Mr Churchill has solid grounds for his belief in ultimate victory, *provided* Britain can withstand Germany's forthcoming onslaught upon herself and deny Germany access to non-European supplies of food, raw materials and oil. Unlike Germany, Britain still has access to ample supplies of essential commodities by reason of her sea power. Most of the materials hitherto obtained from Europe can easily be derived from America and from other sources of supply. The transition of the United States from benevolent neutrality to non-belligerency will enable Britain to draw to an increasing extent on the vast raw material and industrial resources of that country. And a change in Russia's attitude in the opposite direction, which is not impossible, would considerably diminish the assistance Germany can expect from her powerful neighbour. In sum, while it is true that Germany's military strength is immense at the present moment, she is not in a position, for geographical reasons, to deploy it to the full against this country, or, for economic reasons, to maintain it indefinitely at the level it has now reached.

NOTES OF THE WEEK

The Nelson Touch

No one could have prophesied, on the entry of Italy into the war, that the first naval battle in the Mediterranean would have been engaged between the British and French fleets. Yet such was the grim fact announced by the Prime Minister to the Commons on July 4th. In a fortnight, the British Government used all their powers of persuasion to prevent so tragic an end to a naval collaboration which had withstood the rigours of winter convoys and contraband control, of engagements off the rocky coasts of Norway and of the crowning ordeal of the beaches at Dunkirk. In the week of surrender, the First Lord visited Bordeaux and received the most solemn assurances that the French Fleet would not be permitted to fall into the hands of Germany in circumstances which would permit the Nazis to make use of it against us. When the terms of the armistice became known, the British Government learnt "with grief and amazement" that the French leaders were prepared to accept the Fuehrer's promise—Adolf Hitler's promise—not to use the fleet against Britain as a sufficient fulfilment of their guarantees to us. In spite of this devastating exhibition of a complacence which, if it was not plainly stupid was purely criminal, the British Government continued its efforts to prevent by every means short of force the transfer of the French Fleet to German control.

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When, on July 3rd, it finally became clear that our efforts were unavailing, an ultimatum was delivered which, although it still gave the French officers commanding many honourable alternatives, including internment in the United States, made it clear that if they attempted to return to France the British Navy would forcibly prevent them. At Oran, our fleet was obliged to open fire, and in a very rapid and apparently brilliantly successful action, a battle cruiser, two battleships, some destroyers, an aircraft carrier and a number of other craft were either destroyed or so severely damaged that they will long be unfit for service. Boarding parties have taken control of French ships in British harbours. In Alexandria the position is still obscure. Nevertheless, there is enough evidence to suggest that only a fraction of the French fleet will ever fall into Germany's hands. We regret from the bottom of our hearts the cruel necessity which has impelled us to turn our fire upon our friends and one-time allies; yet we need have no scruples about the rightness of our action. A French fleet controlled by Hitler might have been the determining factor in the success of an attempted invasion of this country. It was a risk which in our own interests and in the ultimate interests of France we could not afford to take. In this war of haunting historical analogies we may recall the fact that when Napoleon secured the co-operation of Denmark, and we were faced with the possibility that the Danish fleet might be used against us, Nelson destroyed it at Copenhagen. Oran is our Battle of Copenhagen. Now we are ready for Trafalgar—and ready at the Nile, too.

Cabinet Unity

The position of Mr Neville Chamberlain as a member of the War Cabinet and of several of his colleagues from the last Government is under fire from two sides. A rumour that obtained currency in America to the effect that he was plotting to replace Mr Churchill and conclude a treaty of appeasement with Hitler has had to be taken seriously enough to warrant an interview given by Mr Chamberlain to the American Press and a broadcast which was relayed across the Atlantic. Mr Chamberlain's words were as firm and resolute as the most exacting could desire. In this country, however, the attack upon him takes another line: it casts doubt not upon his sincerity, but upon his capacity to hold high office. There is plenty of evidence for the prosecution. Indeed, it would not be too much to say that the country is in a state of high indignation over the continuance in office of men who have been responsible for so many blunders as Mr Chamberlain, Lord Simon, Lord Caldecote and Sir Kingsley Wood. None who moves about among his fellow electors, whether it be in the London clubs or in the bar-parlours of the provinces, can remain unaware of the fervour and virtual unanimity with which this opinion is held. If Mr Chamberlain and those of his colleagues who have been named were to consult either a representative panel of their own countrymen or the record of events and, concluding that they had been mistaken in their judgments, frivolous in their policies and lax in their administration, were of their own free will to retire from public life, their decision would meet with nothing but applause from the public.

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But if Mr Chamberlain is consulting the recording angel, this is apparently not the answer that he is receiving. Moreover, the House of Commons, which is close on five years old, is not an accurate reflector of the public's judgment of personalities. Mr Chamberlain is still leader of the largest party in the House, and if he were, as on a previous occasion, to appeal to his friends he could rally a very sizeable block of votes. The paramount task of the House of Commons in the present emergency is to provide Mr Churchill with the most solid political backing that can be contrived and it is an unfortunate fact that an attempt to remove Mr Chamberlain and his friends, whether it were successful or not, could hardly fail to complicate the Prime Minister's task. At the very best it would compel Mr Churchill to devote a very large part of his energies to the political game. At the worst it would create an Opposition which, seeking, as every Opposition must, for a policy, would inevitably offer itself as an entering wedge for Nazi propaganda. It is admittedly a difficult situation, born of the illogicality of wartime politics, but the only short cut to a solution lies through Mr Chamberlain's conscience.

The New France

Each day brings fresh evidence of the extent of France's collapse. This is no simple military defeat. It is the extinction of the spiritual force we knew as France and the appearance in its place of an unknown entity whose mind and language we find it difficult to understand. With half France under the occupation of the enemy, the French Government speak of France's "freedom and independence." With solemn pledges broken and an ally betrayed at the crisis of the struggle, the French leaders talk of "honour and integrity." It is not France that speaks, but that part of France which has shown itself almost eager to accept German domination and whose "ambition is only to be admitted to a more favoured class in the order of servitude under that domineering power." Thus wrote Burke in the early days of the Napoleonic wars, when, as now, Britain was left to face alone the menace of a continent united against her under the domination of a military autocrat. Hitler's victory in France is a victory in every sphere. The Pétain regime, which has moved its seat to Vichy, is now apparently preparing under the guidance of MM. Laval, Marquet and Déat to set up a pale French imitation of the Spanish, Italian and German dictatorships—strong wine watered down with Vichy. The new France is to seek an "authoritarian regeneration" under the direct inspiration of the men who have bombed and machine-gunned the people, destroyed their towns, ruined their harvests and reduced them to the servitude of police rule. It is not an exhilarating spectacle.

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It is clear that the present French leaders are fundamentally hostile to us. The British Government has drawn the logical conclusion and has given its full recognition to General de Gaulle "as leader of all free Frenchmen wherever they may be who rally to him in support of the Allied cause." Vice-Admiral Muselier, a close associate of Clemenceau, has been appointed officer commanding the Free French Navy and Air Force, and a centre for scientific research into armament production and war industry generally has been set up in London under M. André de Barthe. It is still too soon to estimate what measure of support General de Gaulle will secure. Several thousand French pilots are known to have flown their planes to this country, and the position of the French Fleet has at last been partially clarified. It is good that strong measures have been taken, for it is now clear that the French colonies are abandoning the struggle. The first enthusiasm died away in Syria for lack of proper support, and General Weygand's great personal prestige was sufficient to secure General Mittelhauser's submission. In Morocco, no specific statement has yet come from General Noguès, but General Gouraud has been dispatched by the Pétain Government on a "special mission," and Italy's complete and skilful passivity has left the British Government without any concrete fact upon which to base their plea for co-operation. The French generals would still, it appears, resist an attack, but demilitarisation, not cession of territory or occupation, is what Italy asks of them. If they accede to the terms—and there is no reason to suppose that they will not accept Pétain's lead—then, once again, attack is not in question. Italy will merely walk in.

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The Mediterranean War Zone

The defection of the French colonies creates an awkward military and diplomatic position for Great Britain in the Mediterranean. The tone of the Pétain Government is so hostile (and is likely to become more so once we have secured control of the French fleet) that we may have to count on a "non-belligerent" France. Then, if the French colonies follow suit, the whole of the Western basin of the Mediterranean will be ringed round with hostile States and our passage to and from our Near Eastern positions will be extremely hazardous. Fortunately the Suez route to India and the Pacific Dominions remains open to us, and in this context, India's plans to increase her armament output are of obvious importance, yet our Near Eastern Army is in a much less favourable position than in recent months when it could count on the collaboration of France's large Near Eastern forces. We have reassured Turkey and Iraq by declaring that Syria will not be allowed to pass under enemy control, and the guerilla and raid warfare which has developed in Italy's East African possessions seems to be going entirely in our favour, so much so that one may entertain a shrewd suspicion that Italy is still only passively belligerent. The French in Jibuti are fighting with us and the new Sabry Cabinet in Egypt is pledged to a more resolute fulfilment of its treaty obligations. But the debit account is heavy, particularly at a time when a great part of our resources are urgently needed at home.

However, any policy of withdrawal is inconceivable. Across the Eastern Mediterranean lies Hitler's route to the inexhaustible oil supplies of the Near East. Our Mediterranean fleet outnumbers anything the Axis can spare if they are attempting to combine the manœuvre with an invasion of Britain. Turkey is a non-belligerent on our side and is, moreover, our link with Russia. It is in the Near East that Russian and British interests most obviously coincide. Neither stands to gain by a revival of the German drive to Baghdad, and Russia has practically exhausted the concessions she can wring from Germany short of war. There is no likelihood of an immediate conflict but, short of complete disaster, there is also no likelihood of an immediate end to this war. If we are thinking in terms of next year or the year after, the Eastern Mediterranean is of crucial importance. Russia and Turkey share our hostility to Italy. Germany, after a vain attempt at invasion, may by that time be turning her eyes to the East. Above all, the great arsenals which are being built up in India and Australia will be pouring armaments into the Middle East. A situation will thus develop in which we shall have an opportunity to turn Germany's flank. In the Near East, as in Britain, our determination must be to hold out at all cost. Once again we have a short-term, our enemies a long-term, problem to solve.

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Russia Takes Another Outpost

Russia's occupation of Bessarabia and Bukovina has been carried through with surprisingly little friction. On the face of it, it seems incredible that in the midst of a European war involving all the major Powers, the *status quo* of an area as rent as the Balkans by territorial ambitions, claims and discontents should have been altered without the conflict spreading to the entire peninsula. Yet the incredible has happened. The Russian ultimatum was accepted by the Roumanian Government after a vain plea for negotiation, and on June 28th the occupation of Bessarabia and the Bukovina began. Russian troops advancing ahead of their schedule overtook the retiring Roumanians at some points and at others the line of demarcation was overstepped; in these cases, a number of serious clashes occurred. In general, however, the whole occupation was carried through without

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disorder. The Soviets were able to secure their latest strategic outpost without plunging themselves and the Balkans into war simply because the Axis is still anxious to keep South-Eastern Europe clear of the conflict. It is not certain whether there was an actual Axis sanction for the Russian move, and the distinct traces of irritation in Berlin and dismay in Rome suggest that the Kremlin did not take much advice before delivering its ultimatum. But at least Germany and Italy had agreed in advance that a Russian move to the Danube did not immediately damage their interests and was not enough in itself to divert them from the major purpose of destroying Britain, after which, they could argue, the account with Russia would be quickly settled. Only if Russia had demanded the Roumanian oilfields or had secured complete control of the Black Sea Coast, would Axis intervention have become likely, and Russia understands not only the extent but also the limits of German complacence.

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Germany and Italy have, nevertheless, gone through some awkward days of diplomatic activity. It was one thing to wish to localise the conflict, another to hold off the small revisionist States whose ambitions were roused to fever pitch at the prospect of Roumania coming under the hammer. Hungary's armed forces have been mobilised for some weeks, and as soon as the news of the Russian ultimatum reached Budapest, reinforcements were rushed to the Roumanian frontier. Bulgaria, too, openly pressed her determination to recover the South Dobrudja and reinforced her frontier. King Carol ordered a general mobilisation on June 28th, but clearly at that moment the fate of Roumania depended not on her own exertions but on Berlin. The King sent direct appeals to both the Axis Powers, renounced the Allied guarantees, and proclaimed a foreign policy in line with the "new Europe." The response of Germany and Italy to these desperate attempts to secure their backing was by no means generous. Germany has made it clear that she can undertake no military commitments or guarantees and that she will take no step to cloud her—rather uncertain—relations with Russia. Italy has naturally adopted the same line. However, both Powers have given Hungary and Bulgaria to understand that they cannot back their revisionist claims now and that they would be well advised to wait. Thus the Balkan situation, always excepting Roumania's loss of territory, has returned to roughly what it was a fortnight ago, an uneasy balance between the Axis Powers' unwillingness to provoke Russia and Russia's chariness of provoking them.

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Before the Attack

The time for planning the defence of Britain has gone. The attack itself is almost certainly imminent, and success or failure in warding it off will depend upon the dispositions that have already been made. The daily task now while the blow is withheld is to strengthen the planned structure of British resistance at every point—more men, more equipment and more materials; and it is still puzzling to the lay observer that constructional labour and materials should be being used in these crucial days on any but defence (or armament) work. But defence means more than merely holding a line or a series of fortifications in depth. It means weakening the enemy's power to attack by striking at him. It means cutting off invasion at the source by assailing the new armada in its ports or shattering it *en route*. On Wednesday, in the Lords, Lord Mottistone made a striking plea for an offensive spirit in the defence of Britain, and he was well answered by Lord Croft, who stated the Government's hope that the enemy would be intercepted and destroyed on the sea and from the air. The one fatal error would be to resume the defensive psychology that brought France to suicide. The existence of the Maginot Line lured that unhappy country's would-be fortress dwellers to their own ruin. The existence of the British Navy must not do the same for us. We must be prepared to defend everywhere and to attack everywhere—from the production centres of Germany already dazed by British air raids and the Continental shores where the foe is gathering to the remotest inland places as well as the cliffs and beaches here at home. If we are prepared for everything with fully manned firepower, the Nazi scythe can be blunted and broken—but only if at every place where Germans come within our reach, in France, in Britain or in Ireland, they are ceaselessly attacked.

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The Western Front

Even Irishmen are apprehensive about the German danger. Eire's slender defences are fully ready, and her three ports that face the battle zone have been placed under military command. But the wrangle between North and South goes on. A week ago Lord Craigavon told an Orange audience his definition of the sort of compromise that would enable him to concert defence plans with Mr de Valera. He himself would be no party, directly or indirectly, to any change in the constitution of Northern Ireland, but he would agree to co-operate with Eire's leaders if they took their place in the war on the side of Britain and the Empire and undertook "not to raise any issue of a constitutional nature." "I have never been a stumbling block," he concluded. This is fiddling, with a vengeance, while Rome burns. As a basis for co-operation in a task upon which the very existence of Ireland, orange or green, may hang, Lord Craigavon asks Mr de Valera to abandon the entire case for a united Ireland. It is to be hoped that Lord Craigavon's is not the voice of the British Government. After all, the issue is one for Mr Churchill, not Lord Craigavon. All matters of defence and armed forces in Northern Ireland are constitutionally the concern of Westminster, not Belfast. The defence of Ireland is a main bulwark in the defence of Britain, and it is surely the duty of the British Government to cut the knot and organise the united defence of Ireland by direct negotiation and agreement with Eire. True, Mr de Valera might very well be intransigent, too. He has not helped notably so far. But he must know as well as Hitler that Eire cannot be defended by Eire. The presumption is that he is anxious to co-operate provided he is not asked to make the impossible sacrifice of accepting partition even temporarily. The most sensible solution would be for both sides to co-operate on a *de facto* basis with all rights reserved. If that is impossible, it should not pass the wit of British statesmanship to find a solution that would guarantee Ulster's rights without perpetrating the present regime, which is neither very democratic nor very well in accordance with the principle of self-determination.

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Here and in Germany

In one branch of the war Britain is far ahead of the conquering Reich. That is in air raids. Bombing from the air, as a separate operation and not in conjunction with other armed forces (the department in which the Germans have shown greatest skill and method), above all needs planning. First of all, there must be continuous and widespread reconnaissance of every possible target—and of their defences. Then the data must be collated and appraised. Finally, in accordance with an expert master plan, based on the relative strategic or economic importance of the targets to be selected from, bombing begins and goes on relentlessly. For weeks the R.A.F. have been engaged in the final and destructive stages of the process. In the western half of Germany, in Holland, Belgium and France, factories, refineries, bridges, roads, railways, marshalling yards, junctions, sidings, canals, storage tanks, aerodromes, seaplane bases, harbours, warships and troop concentrations have been methodically attacked day after day. The German people are well used by now to air raids and do not like them. More important, the effect on production and distribution is reported to be very noticeable; there, as more recently here, it has been decided to dispense with warnings whenever possible. The *Luftwaffe*, on the other hand, is still in the tentative stages of raiding over Britain. In the last fortnight or so, German planes have flown over most parts of England, Wales and Scotland. The North-East, Eastern and South-Eastern coasts have been visited regularly. So, too, have South-West England, the Bristol Channel, South-East Wales and parts of the South Coast.

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But the German raiders have flown in very small parties, and while some bombs have fallen on or near docks, steelworks, factories and aerodromes, most of those dropped have hit open country or militarily unimportant towns. The planes have given the impression of groping their way about and, in view of the thin, unintensive nature of their attacks, their losses have been appreciable. Clearly this is reconnaissance, and in no sense the *Blitzkrieg*. It may be that the German faith in air power as an auxiliary and not a separate striking arm (a faith well out of line with conventional German sentiment and Goering's threats) will hold to the end, and that these desultory forays are the prelude to the full use of bombing in support of attempted blockade and invasion from the sea and air. It may be that the Nazi leaders do not wish to risk their air fleet until the struggle is joined—brutal excursions like those against the defenceless Channel Islands incur no risk. Or it may still prove that these raids are the prelude to continuous intensive bombing. Whatever the truth may be, one thing is certain—and encouraging. The German people have felt the might of British air power first.

The Treasury's Advisers

The Treasury is the most powerful department of State. Its ingrained habit—and it is a valuable constitutional safeguard in normal times—is to say "No." It enforces its code of strict rectitude over all Ministries. But many have become convinced that conscientious rigidity of thought and policy, useful perhaps in peacetime, may represent a postive danger in wartime. It constitutes an impediment to action over a far broader range of policy than the Treasury's own affairs, and in those, equally, examples of delay and indecision in technical matters have been frequent enough. For these reasons, general approval has been given to the appointment of Lord Catto as Financial Adviser to the Treasury, and of a Special Consultative Council of eight members to advise on "special problems which confront the Treasury as a consequence of war conditions." Lord Catto's appointment, to which he brings great ability and long financial experience, will provide a permanent source of practical advice on the financial aspects of the Treasury's work. The Council, on the other hand, will be consulted from time to time on special problems confronting the Treasury in wartime. It is not a body for the drafting of economic policy; nor do its terms of reference extend to the Treasury's ordinary problems, or to its broad relations with other departments. And its personnel will ensure the widest expression of views. It includes representatives of banking and finance (Mr Colin F. Campbell, Sir Bertram Hornsby and Lord Riverdale), industry (Mr S. R. Beale), trade unions (Sir Walter Citrine), the Co-operative movement (Mr George Riddle), and two distinguished economists, Mr H. D. Henderson and Mr J. M. Keynes. Such a body is calculated to produce heterodox discussion; but is there not a danger that the careful counterweighting of opinion in its composition may limit the decisiveness of action which may follow its deliberations? Is this a body, to quote examples, which is capable of effective agreement on compulsory saving or exchange control? Both are special problems which fall within the Committee's terms of reference, though both are matters on which the Stamp Committee would doubtless have views which are directly available (unlike those of the Treasury and its advisers) to the War Cabinet. In principle, the Consultative Council is a useful instrument. The extent of its usefulness in action will depend upon the problems placed before it, and upon its power to reach recommendations with the minimum of compromise and dilution.

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Second Budget Realities

The June quarter's revenue return puts the war Budgets of September and April in their true, insignificant perspective. We have now begun to spend on a scale consonant with modern war, and the dramatic rise in supply costs during June suggests that Lord Simon's April Budget understated the burden of expenditure for the current year by £750 millions to £1,000 millions. Supply costs for the four weeks to June 30th totalled £248.4 millions, compared with £166.5 millions for the preceding four weeks. Hence, although the total supply expenditure for the past quarter, at £613.1 millions, represents little more than the Budget rate of expenditure for the full year, it considerably understates the current rate of expenditure. Ordinary revenue showed a satisfactory increase of £44.1 millions at £188.2 millions. Income tax has provided already one-quarter of the expected increase—and that in the quarter of lowest collection—while Customs and Excise, with a joint increase of £18.6 millions, have yielded a similar proportion, though the reverse of that medal is excessive consumption. The 1940-41 revenue estimates might be fulfilled, but for the certainty of another Budget. But the deficit will be far in excess of the original estimate. For the past quarter, it already amounts to £506.7 millions, compared with the Budget figure of £1,432.4 millions. If the recent advance in supply costs is maintained (actually some part of the increase may merely reflect under-spending in April and May) the cost of defence will have been under-estimated by about one-third. Expenditure since the war began is converted into a yearly rate in the following table:—

ANNUAL RATE OF EXPENDITURE

Four weeks ended:	(£ mns.)	Four weeks ended:	(£ mns.)
Sept. 30, 1939	1,701	Feb. 17, 1940	2,423
Oct. 28, 1939	1,682	Mar. 16, 1940	2,592
Nov. 25, 1939	2,100	Mar. 31, 1940*	3,406
Dec. 23, 1939	2,481	May 4, 1940†	2,308
Jan. 20, 1940	2,244	June 1, 1940	2,411
		June 30, 1940	3,476

* Two weeks. † Five weeks.

Even if there were no further increase in the rate of expenditure during the remainder of the year, total expenditure would be little short of £3,300 millions; but a higher rate of spending than this is, in fact, inseparable from the expanding war effort. Uncovered expenditure, on the minimum assumption, would amount to £2,000 millions, and on the basis of recent spending the deficit might well be increased by a further £250 millions. Figures of this magnitude justify the dogmatic assertion that increased ordinary revenue and voluntary savings will be insufficient to fill the gap. Sir Kingsley Wood's first Budget must produce draconian measures, before the economy is irretrievably headed for inflation.

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The Purchase Tax

Ten weeks have elapsed between the announcement of the Purchase Tax and the publication of the Bill. They have been spent in discussion with trading interests, rather than in any fundamental reconsideration of principle. In fact, the Bill can best be summarised in Lord Simon's outline in the Budget Speech. The tax will be collected from unregistered retailers by registered wholesalers. Hence the first task (involving further delay) is to define and register the wholesalers and manufacturers who will be responsible for collection. These will form, in future, a separate trading community, whose internal transactions will not attract the tax. But every sale to retailers outside this fiscal stockade will be taxable; the basis of the wholesale value on which tax is to be charged is defined; an entry of the amount of tax charged must be shown on invoices; and the collections will be payable to the Revenue each quarter. If, indeed, it is a simpler administrative problem to levy the tax at the wholesaler-retailer stage rather than the retailer-consumer stage, the provisions of the Bill seem adequate and (after the administrative machine has been erected) workable. The scope of the trade chargeable is restricted by exemptions, most of which have already been announced. They include food, drink, fuel, light, water and rent; goods already subject to heavy duty (such as beer, tobacco and petrol) escape; agricultural machinery and supplies, medical supplies "of an exceptionally costly character" and vehicles other than private cars are also exempt. The tax, therefore, may make an appreciable difference to the actual cost of living (as distinct from the official index) for the only concession for clothing and footwear is limited to "young children's" wear—a phrase which obviously requires stricter definition.

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It is on this aspect of the Bill that Labour opposition is most likely to fasten. Moreover, although retailers will not be allowed to include a profit margin on the amount of tax (as distinct from the normal wholesale cost of the goods) in their selling prices, protection will be afforded only by the Prices of Goods Act, and action will be rendered more difficult since a retailer will not be compelled to show the amount of tax included in the retail price. The tax will clearly apply to many necessities as well as luxuries. If it is imposed at a high rate, its incidence will be the more regressive, and its inflationary impetus the more marked. But if it is limited to a low rate, it cannot produce more than a puny revenue. On this vital point, Parliament will be legislating in the dark, for both the rate and the date of application of the tax will be fixed by the Treasury and subject to resolution by the House of Commons. Doubtless this procedure is necessary to limit forestalling, but the order of magnitude of the tax must be known before even qualified approval can be given to the Bill. Already the area of retail transactions covered by the tax has been appreciably reduced by restriction of supplies of many non-essential manufactures, from, say, £950 millions at retail, to perhaps £825 millions. To produce £100 millions revenue

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at the wholesale stage, a tax of 15 to 17½ per cent. would be required. But our present financial problem runs into thousands, and not hundreds of millions, and the case against the tax argued in last week's issue of *The Economist* is not modified in any particular by the Bill.

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The Subject Peoples

Germany's policy in her occupied territories appears to run along certain general lines. As far as possible the civilian population is not interfered with, provided, however, that they fully accept German domination, without comment or recrimination, and are prepared to "co-operate" with Germany in her mission of conquest. The advantage of the method is that a large part of every community asks nothing more than to be left in peace and after a few weeks of the Nazis' "peace" they begin to argue that, after all, things are very much the same, that the Nazis are at least efficient and that, anyway, the worry of being about to be invaded has gone. Where the subject peoples are not silent and hardworking, the Gestapo takes charge. Himmler is always first to arrive after the shock troops and for a few days the firing squads are busy until the dossiers of "suspected dangerous" persons have been worked through. For those who are afterwards foolhardy enough to become suspect or dangerous, there is the Nazis' penal code; for example, that of Paris where the death sentence has been instituted for attacks of any sort on Germans. At the same time, the Nazis carry out a thorough campaign to root out all possible rallying points of opposition. In Norway, under threat of placing the whole country under an even more "total" German rule, the Storthing is to be summoned and pressed to decree the abdication of King Haakon. In Holland, General Winckelmann, the Commander-in-Chief, who led the Dutch in their magnificent resistance, has been taken to Germany as a military hostage to ensure that the process of demilitarisation shall be completed according to Germany's specifications. In France, M. Reynaud has been critically injured in a motor accident which, significantly, recalls the attempt on the Austrian Chancellor, Schuschnigg, in 1935. Denmark appears so far to have suffered least, but the astonishing news that this small but courageous country has arrested some of its own Nazis must surely lead to melancholy reprisals. Germany's tactics of conciliating the mass and removing the leaders may succeed for a brief time. One winter of rationed starvation will convince the man in the street that things are not "very much the same" in Nazi Europe.

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Agenda for Sir William Beveridge

Sir William Beveridge has been appointed to make a survey of labour resources. In his presidential address to the Royal Economic Society last Thursday, Sir William claimed that our difficulties in solving the manpower problems of war—and peace as well—arise mainly from the nature of our social organisation. Neither the Government itself nor any public department or local authority is free to solve the main problem by its own actions. Any Government action, under these conditions, must be compatible with the continued profitability of the private concern. Under the new Emergency Powers Act, the Government has power to create 100 per cent. Socialism overnight. It has power to control all labour and all property. If it could be assumed that these powers would be utilised without hesitation for the solution of any problem of manpower, Sir William's task would be straightforward. It would be possible for him to go directly to the technical problems involved. It would be a question simply of gathering information about the possibility of finding substitute labour for war work; and his proposals, if approved on technical grounds, could at once be put into effective operation. But as yet there is no certainty about the degree of control over property (that is, employing power) that the Government intends to introduce. Unless Sir William knows with some accuracy in advance the types of control which the Government regards as acceptable, many of his suggestions must take a very tentative form. Many thousands more women might be taken on by employers for three weeks' training in single-purpose machine operating, well in advance of immediate requirements. To some extent this is already being done by employers on their own account, but to make the system universal, however, would involve taking new powers. The optimum utilisation of man and woman power means solving swiftly and comprehensively, qualitatively as well as quantitatively, this problem of finding and training substitute labour and of transferring workers from one job to another.

Rationing

In the early months of this war rationing was generally regarded as a sign of weakness. This attitude was part of our propaganda against blockaded Germany, and it was fostered by manufacturers, dealers and advertisers who did not want the normal course of their business disturbed by controls and restrictions. Proposals for the pooling of tea and margarine stocks were hooted out of court, though not until the unbranding and pooling of margarine had actually started. These are sterner and wiser days. It is realised now that, properly regarded, rationing in the wider sense of the term, with all its associated devices for controlling manufacture and distribution, is an indispensable principle of war economy, where the central task is to mobilise all available resources for war use and demobilise them from all civilian uses that can be spared. For the immediate future this task is made more urgent by the imminent prospect of intensified counter-blockade measures and attempted invasion. The Margarine Manufacturers' Association have announced that all manufacturers' supplies of margarine and compound cooking fats are to be pooled and sold in a few unbranded varieties. Marcom, Ltd., the company that will distribute these varieties, is an appropriate symbol of the new sanity, and both varieties of pooled margarine, at 5d. a lb. as well as 9d., will, under an instruction laid down earlier in the war, be vitaminised. Margarine is not rationed yet. But, as in the case of tobacco and matches which have been put under control in the last few days to ensure equitable distribution, the arrangements now exist for eking out supplies in the future as circumstances may require. It is a proof of strength, not of weakness, that the need for widely regimenting resources is now being recognised.

* * *

Evacuation, Old and New

The Government's revised evacuation plans, announced at the end of last week, have been drawn to include the danger, unforeseen last September, of military invasion. Against the danger of air raids, schoolchildren in the existing evacuation areas, registered under the second scheme, will still be evacuated when the Government decides that the order for the areas concerned should be given—those in Greater London, the Medway towns, Southampton, Portsmouth and Gosport have already gone. But in these towns and in all other evacuation areas registration will remain open until further notice, and evacuation will take place, in parties, as the children are registered. But owing to the invasion danger, the Government has given warning of a possible compulsory mass evacuation for military reasons, so that in effect, under the new plans, three sorts of evacuation are in process or contemplated—first, the evacuation of schoolchildren registered under the February scheme; second, the "trickle" evacuation of those whose parents may in the future want them to leave; and, third, the "military"—and compulsory—evacuation of whole families. Akin to this decision of mass evacuation is the declaration of certain parts of the country to be defence areas in which movements of all persons are controlled—to be distinguished from protected areas where the restrictions apply to aliens only. The first defence area was a strip, twenty miles wide, along the coast from Hastings to the Wash. At the end of last week, this was extended to Berwick-on-Tweed, though at present the control of movement in this new strip is limited to a width of five miles from the coast. Anyone going into these defence areas must produce, when they reach their destination, good reasons for their visit or they will be required to leave.

*

Evacuation in this country is an essential part of the Government's civil and home defence policy, though it is still mainly on a voluntary basis. The sending of children overseas, debated this week in Parliament, is a personal decision for parents, who must decide for themselves between the dangers of enemy action here and on the high seas. The Government's part is one of organising and assisting, once the parents' decision has been made. So far applications have been received in respect of 52,000 children in England and Wales, 40,000 being in grant-aided schools, and 14,750 in Scotland. To fill the 20,000 vacancies at present offered in the Dominions, the children will be selected in the proportion of 3 to 1 from grant-aided and private schools, respectively (in Scotland, 49 out of 50 will be from local authority schools), but owing to lack of shipping facilities no more than 7,000 will leave in a month. These figures exclude private arrangements and offers from the United States, but even so they represent a very small proportion of the fortress's children. Commendable though the scheme is, it will contribute very little to the problem of defence.

THE WORLD OVERSEAS

The Defence of Ireland

(From Our Dublin Correspondent)

THE events of the last few weeks have profoundly changed Ireland's attitude towards the war. Until the spring offensive, the operations of the belligerents appeared very distant, except for occasional submarine exploits off the Irish coast which did not affect the fortunes of those on land. The conquest of Norway and later of France has aroused an uncomfortable feeling that to be the last outpost of Europe in the Atlantic is not the best position in which to avoid the onward sweep of hostilities centring around the neighbouring island of Great Britain. Those who remember the last war have vivid memories of the thousands of Irish soldiers who gave their lives for the Allies, but at no time during those fateful and crowded days did the spectre of war approach our own shores. The nearest we got to it was the Rebellion of 1916 and this experience was quite enough. The longer memory of the historian, however, could recall that, before the predominance of English sea power, Ireland was attacked more than once by France and Spain, as a base from which England could be approached from the West. So long as Britannia ruled the waves, Ireland was safe from invasion by any foreign Power, but we have recently been reminded that "there are no islands in the present war." The development of aerial warfare and the improvement in the submarine have radically altered the strategical position and problems of Ireland.

A House Divided

Moreover, there is a vital difference between the political position of Ireland during the last war and to-day. Prior to 1921, Ireland formed an integral part of the United Kingdom. Irish ports were used as bases for the Navy and Irish camps as training grounds for the Army. During the war large numbers of "Kitchener's Army" were trained in Ireland, to the great profit of shopkeepers and others in the garrison towns. No independent Irish political authority was in existence. By the Treaty of 1921, Ireland was partitioned into two sections, which were given different degrees of self-government. The Irish Free State (later called Eire) had full powers to provide for its own defence and the British troops withdrew from that part of the country. Northern Ireland, on the other hand, received no powers of defence, and it has continued to the present day to be garrisoned by British troops. The Treaty reserved to Great Britain the right to use Queenstown, Berehaven and Lough Swilly as naval bases, but these ports were handed over to the Government of Eire by an agreement made in 1938. The ports in Northern Ireland still are, of course, at the disposal of the Navy. The result of these arrangements is that the defence of Ireland is divided between two authorities, and to that extent weakened in the event of any attack from the sea or air.

The division in defence is one symptom of the great evils caused by the partition of Ireland, which is the real blot on the Treaty settlement and the most serious stumbling-block in the way of a lasting friendship with Great Britain. Indeed, since the abolition of the oath of allegiance and the Governor-General, there is no barrier except partition to the attainment of the full status of an independent republic, which is so dear a dream to many advanced nationalists. In the face of the resistance that would be encountered in Ulster, it is very doubtful whether the British Government could end partition, however they might desire to do so. The difficulty is that a large number of people in Ireland believe that it could do so, and its failure to make any visible move in the matter is the ground of a new grievance with which the flames of discontent can be fed. Without this grievance the activities of the new I.R.A. would be pointless, as their *casus belli* against England would have disappeared. As it is, the possibility of internal disturbance caused by this body necessitates considerable military and police activity even in peacetime, and the existence of such an "army" would complicate the defence problems in the event of invasion. Thus partition is responsible for dividing the responsibility of defending Ireland from attack from abroad and for creating an internal problem of considerable magnitude, North and South.

Immediately on the outbreak of war, Northern Ireland, as part of the United Kingdom, assumed the status of belligerency. Eire, on the other hand, in pursuance of her powers of independence in foreign affairs, elected to remain neutral and, indeed, any other decision would have been politically impossible. Up to the present that neutrality has been correctly maintained, a German and an Italian Minister remaining in Dublin side by side with the diplomatic representatives of the Allies. Until recently, the maintenance of neutrality presented few difficulties. Now, however, that the war has swept westwards, the question is on everybody's lips what Eire should do if any belligerent were to invade the country. Mr de Valera has made the answer perfectly plain—that invasion will be resisted from whatever side it comes. This attitude has obtained the support of all constitutional political parties, and, although a National Government has not been formed, a party truce has been arranged and an all-party defence conference established. On this occasion Irish democracy has shown up very well. For the first time since the Treaty all parties have rallied in the face of a national danger. The Government has been unanimously endowed with the widest possible powers to deal with any emergency and, on Sunday, June 16th, at a monster meeting in Dublin, the leaders of the three parties mounted the same platform to appeal for recruits.

Success of Recruiting Campaign

The response to this appeal has been very encouraging. Both the regular Army and the volunteer force have been joined by many young men, who would, had the treaty not been passed, have joined the famous Irish regiments in the British Army, and by many others who would not have been willing to serve under any but an Irish flag. The Local Security Force has attracted very large numbers of older men. One way or another, the defensive machine against invasion or rebellion has been considerably strengthened, although the training of the new recruits will take some time. It is obvious, of course, that it would be inconsistent with the status of neutrality for the spokesmen of the Government to express their intention to resist invasion except in general terms, and that they could not be expected to state that they would resist invasion by one belligerent but not by others. This has had the unfortunate result of holding back from enlistment a number of British ex-service men and people of similar sympathies who are unwilling to risk the possibility, however remote, of having to fight against England.

At the moment of writing, Ireland is in a state of anxious expectation. The spectacle of the fate of other small neutral countries has awakened public opinion to the fact that modern warfare pays scant regard to the niceties of international law. While the country has been very correct in the observance of its neutrality, private individuals naturally have their views and preferences. An amazing diversity of opinion is to be found in discussing the war. Large numbers of people unquestioningly accept the justice of the Allies' cause and are entirely pro-British. On the other hand, there

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are many who cherish memories of the unfortunate relations between England and Ireland in the past, and would not be too grieved if the "hereditary enemy" experienced a humiliation. Then there are others who are pro-German because they admire the social achievements claimed by National Socialism and believe that a similar discipline would do a lot of good to their happy-go-lucky fellow-countrymen. There are even a few extreme I.R.A. sympathisers who would welcome a German invasion as a step towards reconquering Ulster. This group though numerically small is potentially dangerous. Another widely held view is that, if the exigencies of defence do anything to break down the barrier of partition, the war may prove a blessing in disguise. Recent utterances by responsible politicians do not furnish much ground for such hope. The one point of almost unanimous agreement is the desire that Ireland should be left alone and our integrity and independence respected.

July 1st.

The Importance of Transylvania

[BY A CORRESPONDENT]

UNTIL 1918, Transylvania had been linked with Hungary for longer than the Channel Islands with Great Britain, but the argument from history is here deceptive. Bessarabia, though an integral part of Moldavia, apart from a brief interval of 100 years, can change hands without serious harm to the mother country and possible economic benefit to the province itself; Roumania could not now lose Transylvania and remain the nation she has become.

The size of the country (62,229 square kilometres) is about the same as that of Eire, and the position a close parallel—a native population working for foreign landowners of different religion, then reversal, expropriations of the estates of former masters and a revolution, social as well as national. There was a similar drop in agricultural yields on the transition to small holdings and a decline in administrative standards owing to the comparative inexperience in government of the former subject race. The Roumanians are not emotionally attached to Bessarabia—the Black Sea coast seems still to be as mournful a place of exile to the Latin temperament as it was in the days of Ovid—but with Transylvania their whole national tradition is inextricably bound. Some of the best known Roumanian statesmen come from Transylvania, and the general level of the Roumanian population there is higher than in the Old Kingdom. It is invidious to say whether this is due to Hungarian administration or to mountain air, but the fact remains that without Transylvania Roumania would be as impoverished as England without Scotland.

Hungary's Losses

Hungary's grievance is obvious. At the Treaty of Trianon she lost more territory to Roumania alone (102,282 square kilometres) than the total left to her (93,000 square kilometres), and now has a population density of 96 to the square kilometre against Roumania's 64. The economic loss is serious. The forest area of Trianon Hungary is only 11.8 per cent., whereas the average for Europe is 31 per cent. The recovery of Carpatho-Ukraine will have helped to reduce this shortage, but Transylvanian timber will still be missed.

Hungary is short of coal, and the Transylvanian mines produce about 2,500,000 tons (including brown coal and lignite) annually, but as this is 73.4 per cent. of total Roumanian production, the argument cuts both ways.

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The methane gas of Transylvania was not used on a wide scale by Hungary until the last war necessitated economising other fuels. The 1936 production was 204,721,172 cubic metres. The Bihor bauxite deposits (visible reserves 6,000,000 tons, probable reserves 20,000,000 tons) are more important to Roumania than to Hungary, who is an exporter of bauxite. Finally, gold production from Transylvanian mines has risen from 2,924 kilogrammes in 1913 to 4,367 in 1937.

Transylvania's Gains

Transylvania itself, unlike Bessarabia, has gained economically by union with Roumania. Under the Habsburg Empire the concentration of industry in Austria and Bohemia restricted Transylvanian development, whereas Transylvanian industry has complemented Roumania's predominantly agricultural economy. The gain has, of course, been to the province as a whole and not to individuals.

The million Hungarians left in Transylvania proper are the most vocal, but in fact after the Germans the best treated, of all Roumanian minorities. The land reform which has aroused such bitter protest was admittedly more severe, both on paper and still more in practice, than in the Old Kingdom—in Transylvania landowners could only keep 250 hectares, whereas in the Regat they were allowed 500—but it was a much needed measure of social justice and Magyar peasants also benefited. Hungarian estimates give 36,000 as the number who received land and Roumanian figures 45,000 Magyars. Before the reform 37 per cent. of the land was in the hands of 6 per cent. of the population.

The community of 250,000 Saxons have also complained of the reform, though it was not so much personal property that they lost as the endowments of their Church and charitable institutions. They have been well treated and allowed great liberty by the Roumanian Government, but they are now strongly Nazi, after eight centuries of quiet domestic and commercial development. However, they feel themselves in better care than the Germans of Hungary and may thus provide Hitler with an argument for not pressing Hungarian claims.

Minority Grievances

The Roumanisation complained of by the minorities is but the counterpart of the Magyarisation which preceded it, and is less systematically applied. There are certain genuine grievances over schools. Roumanian teachers who know no Hungarian are sometimes appointed to village schools, and the children thus learn nothing; but instruction in German and Hungarian is freely carried on in the confessional schools. Telegrams cost more if sent in Hungarian and an extra tax is payable if Hungarian names on a sign are printed in larger letters than the Roumanian, but these pinpricks are not surprising after a thousand years of subjection.

Hungary's claims could with more justice be satisfied in the Banat, which is more highly industrialised than Transylvania and was more directly centred on Budapest, and also in Crisana and Maramures, than in Transylvania proper. The western frontier in Crisana is admittedly unsatisfactory, for it includes such purely Hungarian towns as Arad and Oradea in Roumania. A truer ethnic frontier would run 20 kilometres to the east, and a new railway would then have to be built.

Transylvania is an almost perfect economic unit. In ordinary years she produces enough wheat for her own needs; the mountain streams provide ample electricity and the mineral resources are sufficient for the needs of a small community. In a reasonable world some form of autonomy would seem to be the best solution. Transylvania achieved her greatest prosperity in the period of her independence from 1540-1690; the three nations, Magyars, Szekely and Saxons then lived in harmony; and Hungarians, Saxons and Roumanians should be able to do so now if none was before or after the other. As it is, though Roumania's concessions to the minorities in 1939 eased the tension for a time, it is doubtful if they can satisfy appetites now so sharply whetted.

July 2nd.

The War and American Business

[FROM OUR NEW YORK CORRESPONDENT]

PRODUCTION turned upwards in May; but as the upturn started only in the middle of the month, the actual change is not fully reflected in the May data. So far this change has

been the strongest in steel and in certain textiles. It is increasingly clear that our economy is taking its shape from the war, and this makes it difficult to appraise. Relatively, war orders have not been very large, but they have been focused at a few points (such as the steel industry) where they have a great deal of influence on statistics. Probably, activity in residential building (which is now developing something of boom proportions) is a much larger factor in our economy than war orders, but it is not so conspicuous.

Our own defence appropriations are now assuming substantial proportions, but these still represent prospective activity. It is understood, however, that commercial users of steel, etc., are somewhat disposed to buy or contract beyond current needs in anticipation of the possible creation of priority schedules. Yet, with all these considerations in mind, it is probably true to say that the war has had less influence on our economy than was generally expected last September; probably it would also be a reasonable forecast to expect that, one way or another, it will have a direct or indirect influence on our future economy beyond what might have been foretold, say, in April.

BUSINESS INDICES

(Unadjusted) [1923–25 = 100]

	May, 1939	April, 1940	May, 1940*
Industrial production (total)	**94**	**104**	**109**
Manufactures (total)	94	103	107
Durable	*78*	*99*	*107*
Non-durable	*107*	*106*	*107*
Minerals	97	111	120
Construction contracts (total)	75	73	78
Residential	*65*	*73*	*76*
All other	*84*	*74*	*79*
Factory employment (total)	93·0	99·6	...
Durable	*84·0*	*96·0*	...
Non-durable	*101·6*	*103·0*	...
Factory payrolls (total)	85·0	96·3	...
Durable	*78·8*	*97·2*	...
Non-durable	*91·9*	*95·3*	...
Freight car loadings (total)	62	67	71
Miscellaneous	*73*	*76*	*80*
Department store sales	87	86	89
Department store stocks	68	71	...

* Preliminary.

The great change from a year ago is the increase in durable goods activity, and this, as usual, has been accompanied by a much greater change in payrolls than in employment.

The Consumption Goods Industries

The following table shows the index of non-durable goods production, employment, and payrolls in the non-durable goods industries (all without seasonal adjustment):—

NON-DURABLE GOODS

	Production	Employment	Payrolls
1939:—			
April	106	103·0	92·2
May	107	101·6	91·9
June	108	101·8	93·0
July	106	103·5	93·8
August	111	108·0	99·0
September	119	110·2	100·5
October	122	110·8	103·9
November	122	109·2	102·4
December	114	108·0	102·8
1940:—			
January	116	105·3	98·5
February	114	106·0	99·0
March	108	105·0	99·0
April	106	103·0	95·3

Statistics of this sort do not lend themselves to very close reasoning, but at least they serve as a restraint upon loose thinking, or raise questions as to the samples taken. Looking at these data as they are, it appears that over the past year the production of consumer goods has averaged a little above 110. As the base period is some fifteen years back, and as population has increased less than 1 per cent. a year cumulative, it seems that the production of consumer goods has not quite kept pace with the growth of population. But making allowance for the rather wide sweep even of the past year, one could offer the amended conclusion that the production of consumer goods per consumer has been in recent months about the same as it was half a generation ago.

As the index of employment consistently runs a little under that of production, it appears that the number employed per unit of production of non-durable goods is slightly fewer than fifteen years ago. There is scarcely a vestige of evidence that technological change has caused unemployment in the industries represented; but it must be remembered that fifteen years ago the working week was about 48 hours, and is now more like 40 hours. That is, technological change has not caused unemployment, but it has compensated for the shortening of the week. Payrolls run consistently less than employment, and this argues that the labour cost per unit of output has fallen slightly. But as the cost of living has declined statistically, the statistical real payroll has risen a bit.

Technology *versus* Legislation

Altogether, the record is rather remarkable. The shortened working week has not caused (so far as one can see) either an increase in the labour cost per unit of output or a reduction in real wages. Curiously enough, these data are completely blank as to the effect of the "social legislation" of recent years. Within their limits (and they are very sketchy) they provide little evidence that the legislation has had a discernible influence on employment or payrolls. The tangible gain of the period is the shortening of the week, and this is more closely associated with technology than with legislation. But, as was said above, the data are more useful in checking loose statements than in forming positive conclusions.

June 20th.

Sterling Clearings with South America

[BY A CORRESPONDENT]

STERLING Payments Agreements concluded by the British Government with Argentina and Brazil have come into force since June 14 and June 24, 1940, respectively. Henceforward, all payments from residents in the sterling area to residents in these two countries, in respect of imports and current financial transactions, are now made in official sterling to the credit of an Argentine or Brazilian Special Account with a duly registered bank; conversely, all payments from Argentina or Brazil to residents in the sterling area are debited to the appropriate Special Account. The announcement of a similar arrangement with Uruguay is imminent, and it also appears likely that Chile and Peru may be among the countries with which negotiations for further Payments Agreements are known to be proceeding, in view of the fact that the balance of trade with the United Kingdom has consistently been in favour of these two republics.

In effect, a Payments Agreement embodying the opening of a Special Account is a form of clearing, and, insofar as it ensures that trade between the two participating countries shall be reciprocal, it is an extension of compensation trade. But the fact that the currency in question is not artificially depreciated distinguishes, in an important respect, this form of compensation trade from the *Aski* mark system which was used by Germany, together with other kinds of export subsidies, to penetrate so deeply into the South American markets before the present war, chiefly to the detriment of British trade.

Britain's trading position in South America to-day is strong. The Continental markets for South American products are cut off by our blockade, while the U.S.A. is a buyer only of those commodities which she cannot herself produce in sufficient quantity. Britain is, therefore, the only important outlet for meat, wheat, wool, cotton, sugar, etc., which the South American Republics supply in abundance.

July 2nd.

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THE BUSINESS WORLD

Investment Trust Trends

THERE is a certain irony in the fact that America's "discovery" of the managed investment trust, in the 1920's, should have occurred when its international background was changing unfavourably. The Golden Age of the investment trust movement was, broadly, the period between the American Civil War and the Great War of 1914, when the New World was being opened up economically and when Great Britain, at the height of her commercial supremacy, had surplus capital to invest abroad. The typical British investment trust stood for such general principles as corporative investment under expert management and the spreading of risks, and also for the organised export of capital. Much the larger part of the money invested in trust company stocks was re-invested in foreign bonds or in the stocks of companies operating abroad. The relatively high income thus secured was indispensable for paying generous debenture interest and preference dividends on a highly geared paid-up capital. And the equity for the ordinary capital was steadily enhanced by the ploughing back of surplus profits.

The period between the two Great Wars of 1914-18 and 1939 began as a kind of Indian Summer. There was a recrudescence of foreign lending, mainly for European economic reconstruction. Many new investment trusts were formed, but they had hardly paid their maiden dividends before the Great Depression ushered in the era of nationalism and dictatorship, which was not merely inimical to the trusts' further development, but the antithesis of all that they stood for. Britain's domestically-based industrial revival of the middle and later 'thirties produced very few new managed trusts. The unit trusts of that period borrowed some of the movement's more obvious features, but essentially they were a medium for investment in home equities rather than in a balanced portfolio of gilt-edged, fixed interest and ordinary securities.

A large-scale inquiry into the fortunes of the investment trusts in this difficult period, on the lines of our Investment Trust Supplement published on December 1, 1934, is impracticable under present conditions, but a general outline may be put together from an analysis of the figures of ten of the largest investment trust companies between 1930 and 1939. The ten companies chosen have a total issued capital (including debentures) of £52 millions, and they are representative of the movement's best traditions. Their average date of registration is in the late 'eighties. Five have registered offices in London, four in Edinburgh, and one—the largest of all—in Dundee. Their names are:—

Alliance Trust, British Assets Trust, British Investment Trust, Debenture Corporation, Industrial and General Trust, Investment Trust Corporation, Scottish American Investment, Scottish Mortgage and Trust, Sterling Trust and United States Debenture Corporation.

The aggregate earnings and dividend experience of these companies in the last decade is given below:—

PROFITS AND DIVIDENDS

Totals for Ten Large Trusts*	Nearest Date to End of					
	1930	1933	1936	1937	1938	1939
Total earnings† (£'000)	4,538	3,268	3,626	3,895	3,657	3,709
Earned for ordinary‡—						
Amount (£'000)	1,956	949	1,296	1,493	1,304	1,262
Per cent.	*19·5*	*9·6*	*12·8*	*14·7*	*12·9*	*12·5*
Paid on ordinary‡—						
Amount (£'000)	1,760	1,050	1,146	1,220	1,247	1,213
Per cent.	*17·6*	*10·4*	*11·3*	*12·1*	*12·3*	*12·0*
(1933=100)—						
Total earnings	*139*	*100*	*111*	*119*	*112*	*114*
Earned for ordinary	*206*	*100*	*136*	*157*	*137*	*133*
Paid on ordinary	*168*	*100*	*109*	*116*	*119*	*116*
Percentage of total earnings—						
Taken by pre-ordinary payments	56·9	71·0	64·3	61·6	64·3	66·0
"Ploughed back"	4·3	−3·1	4·1	7·1	1·6	1·3

* Aggregate present paid-up capital: Debenture £25·3 millions; preference £16·7 millions; ordinary, £10·1 millions. † After writing back income tax on ordinary dividends. ‡ Before tax on dividends.

The record is much more encouraging than might have been expected. Earning power, admittedly, has never regained the level of 1930—the best pre-depression year. But an appreciable recovery in earnings has been made and maintained since earnings touched bottom in 1933. Further, although ordinary dividends in the last four years have averaged only about two-thirds of the rate paid in 1930, the return of about 12 per cent. compares not unfavourably with the average for all industrial companies included in *The Economist's* profits surveys. Pre-ordinary payments still absorb a little less than two-thirds of available earnings. But profits are now divided more nearly up to the hilt.

How far have the companies succeeded in maintaining the capital value of their security holdings? The answer, again, is relatively favourable:—

SECURITY VALUATIONS AND CAPITAL

Totals for Ten Trusts	Nearest Date to End of					
	1930	1933	1936	1937	1938	1939
Book value of securities (£'000)	63,662	64,921	66,403	66,141	66,315	64,832
Market value, in excess of (£'000)	62,109	61,736	68,661	61,983	61,596	62,263
Percentage + or − of book value	*2·5*	*4·9*	*3·4*	*6·3*	*7·1*	*−3·9*
Issued capital—						
Percentage of total market value of portfolio—						
Debenture capital	39·7	39·1	37·9	41·9	41·5	40·7
Deb. *plus* preference cap.	66·2	65·9	62·2	68·8	68·7	67·5
Deb., pref. and ord. cap.	82·3	82·1	77·0	85·2	85·0	84·4
Earnings as percentage of book value	*7·1*	*5·0*	*5·5*	*5·9*	*5·5*	*5·7*

Note.—In computing "market values," portfolios have been taken at book values in cases where the existence, but not the amount, of a surplus above book values has been disclosed. True market values, consequently, exceed the aggregate figures given above.

Even in 1930, the year of maximum revenue, there was a slight net depreciation in market values compared with the book value of the £60 millions odd of securities held by these ten companies. The true extent of the depreciation is difficult to measure, since most trust companies state the extent of any deficiency, but merely report a surplus, when it exists, in general terms. It seems safe to say, however, that, even in the depressed year 1933, the average depreciation in the case of these ten companies was less than 5 per cent. Three years later, when Stock Exchange prices as a whole were near their peak, market values were 3½ per cent. or more above book values. In the two following years, the problem of falling values returned, but at the end of 1939 the downward movement appeared to have been checked. In view of the fact that the latest valuations were made after the war had been in progress for some months, the result was definitely encouraging. Certainly the companies could claim to have weathered the storm up to the end of their latest financial year, and to have kept their capital virtually intact.

This protection to capital values, accompanied by an inevitable reduction of income which, though appreciable, has not been over-severe, during a decade of profound change, suggests a degree of dexterity in "switching" from the less to the more attractive types of investment which, it must be admitted, was not greatly in evidence in the period immediately preceding *The Economist's* detailed Trust Survey, six years ago. Unfortunately, many trust managements do not publish regular particulars of the distribution of their investments, nor are figures, when disclosed, always on a common basis. Of the ten companies now under review, five, whose securities are valued at around £30 millions, have issued distribution figures throughout the past decade, while returns for a sixth company are available for the last three years. Of these six, three trusts state that their distributions are based on market valuations, two leave it to be presumed that the percentages are based on book cost, and the sixth specifically states that book costs are employed. Dogmatic conclusions regarding the extent of "switching" are impossible from such mixed evidence, but the following weighted average percentages based on the figures nevertheless have considerable interest:—

INVESTMENT DISTRIBUTION

	Nearest Date to End of						*Nearest Date to*		
	1930	1933	1936	1937	1938	1939	*1937*	*1938*	*1939*
Number of companies	(a)5	5	5	5	5	5	(b)6	6	6
Value of securities (£ mn.)	32·0	29·4	34·6	30·3	29·3	30·2	*36·6*	*35·6*	*36·0*
Geographical distribution—									
Percentage in—									
U.K.	*43·6	48·4	47·5	49·9	50·2	54·1	*48·4*	*47·9*	*52·5*
Br. Emp.	*11·8	13·8	13·6	14·5	15·2	16·0	*15·3*	*15·7*	*16·5*
U.S.A.	*10·1	9·4	17·8	15·7	16·5	12·4	*18·8*	*20·6*	*15·7*
Other	*34·5	28·4	21·1	19·9	18·1	17·5	*17·5*	*15·8*	*15·3*
Total	*100·0	100·0	100·0	100·0	100·0	100·0	*100·0*	*100·0*	*100·0*
Nature of Holdings—									
Percentage in—									
Ord. shs.	27·2	28·2	37·9	39·6	39·9	37·8	*44·8*	*44·4*	*41·7*
Gilt edged, etc.†	49·1	47·3	33·4	32·6	31·8	35·0	*28·3*	*27·9*	*31·5*
Other	23·7	24·5	28·7	27·8	28·3	27·2	*26·9*	*27·7*	*26·8*
Total	100·0	100·0	100·0	100·0	100·0	100·0	*100·0*	*100·0*	*100·0*

(a) British Investment, Debenture Corporation, Industrial and General, Investment Trust Corporation and U.S. Debenture Corporation. (b) In addition, British Assets.
* Four companies (excluding British Investment); total value of securities, £25·0 millions. † Including debentures and bonds.

A compound of fate and investment policy has produced some distinctive tendencies. The percentage invested in the United Kingdom and the British Empire has risen, over the decade, from a little over one-half to as much as 70 per cent. of the whole. Concurrently, the percentage of foreign holdings (excluding the United States) has been approximately halved, and in the movement of this category, policy has undoubtedly played a large part. At the beginning of the decade, American holdings were about 10 per cent. of the total. Between 1933 and 1936 there was a well-marked movement into Wall Street, but in the last three years this tendency, in its turn, has been reversed—voluntarily at first and now compulsorily by the requisitioning by the Treasury of American securities. Similarly, the movement out of gilt-edged stocks and high-grade bonds generally into equity shares—which occurred between 1933 and 1936, presumably for income reasons—has been succeeded by signs of at least an incipient reversal of this policy, and wartime conditions seem likely to accentuate this tendency.

The outlook for the investment trusts, in the near future, is not particularly favourable. The Treasury has already taken over some of their more remunerative American holdings, and re-investment in gilt-edged stocks, though a national duty in wartime, will not produce anything like an equivalent income return. In the home equity market, where distinctly more attractive yields are now obtainable, the trend of market prices is a barrier to extended commitments at the moment. Indeed, the slump in equity prices must already have involved considerable further depreciation of investment trust portfolios. The prospect of reduced dividends to stockholders has been alluded to by almost every trust company chairman at this year's meetings, with a proviso that the fall was unlikely to reach really large dimensions. The results achieved by the trusts considered in this article suggest that the best concerns could withstand the difficulties of any but an unconscionably prolonged war without any fundamental impairment of their position. Their post-war prospects will depend on what kind of economic world emerges from the peace treaties. Fortunately, perhaps, the movement's commitments on the Continent of Europe are now very small. It must be emphasised, however, that any conclusions suggested by this article are based on the experience of the oldest and strongest of British trust companies; the position and prospects of those at the other end of the scale may be much less favourable.

Finance and Banking

The Half-Year End

The turn of the half year passed off without the pressure which seemed likely from developments in the money market last week. The preparations made by the authorities proved in their cumulative effect more than adequate to meet the need for additional accommodation on the final day of June. These preparations followed recent precedent in that they consisted almost wholly of purchases of very short bills from the clearing banks. In some cases these institutions were given the option of swapping these short bills into longer term maturities after the turn of the month. If such preparations failed to bring adequate relief from the moment the seasonal pressure started last week, it was probably due to the unexpected persistence in the growing demand for currency. This movement has in its latest phase caught the authorities somewhat by surprise, and the remedial measures taken to counteract the effect of the expanding circulation on the money position may consequently have been applied rather late. But by last Saturday morning it was evident that any delay in this matter had been fully caught up, and the discount market found no difficulty whatsoever in financing its portfolio—which must now have reached substantial proportions—over the turn of the month. The position of the clearing banks was to some extent eased by large maturities on the final days of the month, and on Saturday they were not merely ready lenders of money, but were in some cases prepared to buy bills from the market.

★

With the turn of the month the position has become exceptionally easy. The large disbursements in respect of dissented Conversion 4½'s and the repayment of Canada 4's, which together amounted to some £120,000,000, introduced a powerful easing factor in the money position. To some extent this has been offset by subscriptions to the issue of War Bonds, but how inadequate has been this offsetting factor is shown by the latest Bank return which reveals a rise of £57,373,000 in bankers' deposits to the exceptionally high total of £140,121,000.

More Circulation Records

The active note circulation continues to create fresh weekly records. During the week to last Wednesday there was a further jump of £6,031,000 to the new record total of £608,184,000. Over the six weeks that now cover the period of rapidly expanding circulation, the total of notes issued by the Bank has risen by £61,687,000, or by just over 11 per cent. Little of this addition has actually gone into circulation. By far the greater part of it represents the strengthening of bankers' tills in the provinces and the precautionary maintenance of substantial amounts of cash which has been indulged in both by individuals and by commercial and

THE BANK AS
EXECUTOR
This is one of the many services which
BARCLAYS
BANK
LIMITED
renders to its customers.
Full particulars may be obtained from any Branch or from
THE TRUSTEE DEPARTMENT
37 KING WILLIAM STREET, LONDON, E.C.4
27 REGENT STREET, LONDON, S.W.1

industrial concerns in this country. The experience of the banks suggests that this abnormal demand for currency is now dwindling. Though the underlying trend in the real demand for currency is likely to remain upward owing to increased employment, higher wages and rising prices, any further expansion from this quarter should be readily satisfied for some time to come from the notes which will be returning from the unneeded hoards which have been so formidably strengthened in recent weeks. Unless this return movement occurs, the recent increase of £50 millions in the fiduciary circulation will be rapidly exhausted. On Wednesday of this week the reserve of unissued notes had again fallen to the very low figure of £22,052,000 and the "proportion" to 11.4 per cent.

* * *

Treasury Deposit Receipts

An interesting innovation in war finance was instituted this week. Deposits are being accepted by the Treasury through the Bank of England from clearing and Scottish banks. They are to be of six months' currency and for the time being will carry interest at 1⅛ per cent. The lending banks may require repayment before the due date, but subject to a rebate at Bank rate. The moneys so deposited will go direct into the Exchequer and will not appear in the Bank Return. The banks will regard these deposits as their fourth line of assets, after cash, short loans and bills. The cash requirements of the Treasury will be made known to the banks every Friday, and the deposits will be made in units of £500,000. This device repeats a method of short-term finance which was extensively used in the last war, and it will give the authorities far greater powers of control over the money market.

* * *

Maximum Deposit Rate

The task of controlling the whole structure of interest rates, and fitting it into the pattern ordained primarily by the needs of Government borrowing, has been assisted this week by limiting the rates which banks may pay on deposits. At the request of the authorities, the British Bankers' Association has announced that, for the time being, the maximum rate of interest on bank deposits should be 1 per cent. The new maximum has come into effect immediately, though it does not, of course, affect the rate on fixed deposits which are now running their course. These deposits will become subject to the maximum rate when they come up for renewal. Thus comes to an end a long period of competitive deposit hunting, which in its more exaggerated phases can have brought the banks little benefit other than the satisfaction of flaunting large balance-sheet figures. The fixing of the new maximum will have the effect of reducing the interest paid on quite a substantial volume of bank deposits. The timing of this move in the initial days of the War Bond issue is not altogether fortuitous.

* * *

Bank Accounts in the Channel Islands

Since the German occupation of the Channel Islands every British bank represented in the Islands has transferred the business of the branches concerned to "Channel Island Departments" domiciled, for the most part, in their respective head offices. Before the occupation, the banks removed from their Channel Island branches all securities and valuables deposited with them, and transferred records and in many cases a considerable part of the staffs to Great Britain. The accounts of persons still residing in the Islands have been blocked and are subject to the provisions of the Trading with the Enemy Act. The balances and securities of companies registered or carrying on business in the Channel Islands must therefore be reported to the Custodian of Enemy Property. The former inhabitants of the Islands, who have been evacuated to this country, are being given reasonable facilities for drawing on their banking accounts with branches of British banks. All credits and other facilities granted to concerns operating in the Islands have been automatically cancelled. The German occupation of the Channel Islands provides the first large-scale test of the machinery for duplicating all records which the banks set up last year in anticipation of an emergency. On the whole, the precautions have worked exceptionally well and, by reconstructing the Channel Island accounts from the records available in this country, difficulties which would otherwise have been insuperable have been reduced to manageable proportions.

* * *

Swiss Exchange

The London foreign exchange market received official instructions this week to suspend dealings in Swiss notes. This move is the inevitable result of the impossibility of transmitting such notes from this country to Switzerland. Although Switzerland is now entirely surrounded by enemy territory, telegraphic communications can still be maintained with that country from London and thus dealings in telegraphic transfers continue to be feasible. The official rate for such business remains unchanged at Sw. frs. 17.75-17.85, to the £, but the volume of transactions is rapidly falling to a minute fraction of what it was before the complete suspension of traffic between Switzerland and the sterling area.

* * *

French Banks in London

The armistice signed between France and Germany has placed the London offices of French banks in an invidious position. Their head offices are for the most part in Paris and thus in German occupied territory. Their activities have not, however, been hampered by the application of the full rigours of the Trading with the Enemy Act. The London offices in question have been requested to sign a declaration that they will obey no instructions received from France. In fact, no instructions are being received from France apart from certain exceptionally delayed cables mostly dating from the pre-occupation era. The London offices of the French banks are thus proceeding normally with the task of clearing up their sterling position. This position shows, in the aggregate, a substantial creditor balance. Most of the French banks have immediately taken up their acceptances from the market. They are naturally endeavouring to keep their position exceptionally liquid, and, therefore, the amount of French money employed in the short loan market has tended to increase since the German occupation of France.

* * *

Building Societies' Finance

By a Defence Regulation issued on Tuesday, building societies are empowered to require six months' notice of withdrawal of shares or deposits. The authority is permissive, and may be applied at the discretion of individual societies. Under the formal rules of these 960 societies, considerable variations exist in the period of notice required for withdrawal, but the normal period has hitherto been one month, and payment could frequently be obtained without insistence on full notice. Building society finance is founded upon regular saving by shareholders and depositors, a steady flow of new mortgage business, and the scrupulous repayment of existing advances. In wartime conditions the emphasis of the problem changes, to maintaining the volume of shares and deposits (which totalled £711 millions at the end of last year) to support a corresponding total of £705.6 millions of mortgage advances which may have, on the average, eight or more years to run. The movement may feel that such symptoms of uneasiness as may have become apparent among shareholders and depositors since the Nazi offensive began would have been alleviated by the existence of a comprehensive Government scheme of insurance and compensation against war damage. It is now faced with a dilemma, for while it needs to maintain share and deposit balances, it recognises the necessity for reducing the rate offered on shares (which represent nearly four-fifths of the societies' funds). Fortunately, the leading societies have now achieved, independently, uniformity on interest rates policy which was not reached by general agreement in recent discussions. The new taxation arrangement is still being negotiated with the Inland Revenue authorities, and it is certain to inflict a heavier burden than the rate of 2s.7½d. in the £ imposed by the tax changes in the first War Budget. The conjunction of higher tax charges with the need for bringing the return on building society investments more closely into line with national savings media clearly warrants the general reduction of the rate on new shares from 3½ per cent. to 3 per cent. tax free. Since the latter rate (with which the Abbey Road and Woolwich Societies are to fall into line on September 1st and October 1st next) still represents a gross rate of £4 16s. per cent., it cannot be regarded as unreasonable.

Investment

All-Round Recovery

Patients who recover by virtue of their own reserves of strength make doctors look rather foolish. The equity market, supposedly at death's door in the middle of last week, is now in a fair way towards health—still shattered by its wartime experience, but well able to function. In the dramatic change of spirits, the movement of the most respectable shares has rivalled the behaviour of the most erratic mining share. Lloyds Bank "A" shares, which closed at 33s. 6d. last week, were quoted at 44s. on Wednesday this week. In six dealing days, I.C.I. ordinary have jumped 23 per cent. and Guinness more than 30 per cent. In the same period, 3½ per cent War and Conversion Loans have advanced 3 points. The volume of business, once it became clear that prices had grounded, has improved steadily. For most of the week it has been concentrated on the first-class equities, on the very logical argument that, if any ordinary shares were cheap, the leaders certainly were. In some sections of the market the return of buying has caused no small discomfiture. Complaints of shortage of stock are heard, and dealers in senior home rail debentures and certain industrials have been willing to pay heavily to balance their

GILT-EDGED, RAILS AND INDUSTRIALS.

	May 9	June 26	June 27	June 28	July 1	July 2	July 3	July 4	Rise since June 26
Conv. 2½%	99¼	97⅝	97¾	97¾	97⅞	98⅛	98¼	98½	⅞
War 3%	100¼	99	98¾	98¾	99	99¼	99⅝	99¾	¾
War 3½%	101¼	96¼	96¼	96¼	97¼	98¼	98⅞	99¼	3
Conv. 3½%	102⅛	96½	96½	96½	97½	98½	99⅛	99½	3
Cons. 2½%	76¼	70¾	70¾	70¾	71	71½	71⅞	72½	1¾
F. News Fd. Int. Index	126·5	114·9	115·1	115·1	115·9	116·4	117·0	117·9	3·0
L.M.S. 4% Pref.	64	37	36½	38	40½	41	42½	42½	5½
L.N.E.R. 2nd Gtd.	71	41½	39½	40½	41½	42½	44	45	3½
Southern Pfd.	69½	37	37	38	38	38	41	42	5
G.W. 5% Pf.	101	61½	60½	60½	61½	61½	62½	63½	2
Brit. Oxygen	58/9x	43/9	45/7½	46/3	47/6	46/3	46/3	46/10½	3/1½
Brit. Am. Tob.	102/6	55/7½	60/7½	62/6	63/9	63/9	63/9	65/-	9/4½
Courtaulds	37/9	21/3	23/3	23/1½	25/-	25/3	25/6	5/9	4/6
Dunlop	34/-	20/6	22/-	22/6	23/3	23/3	24/-	24/10½	4/4½
Guinness	78/-	47/-	47/6	51/6	53/-	55/-	60/6	61/3	14/3
I.C.I.	31/9	19/3	20/9	21/9	23/-	23/6	23/3	23/7½	4/4½
Imp. Tobacco	111/3	68/9	73/1½	77/6	82/6	85/-	85/-	88/1½	19/4½
Marks and Spencer	40/6x	25/6	28/3	28/9	29/6	29/-	29/-	30/-	4/6
Tate and Lyle	53/3	36/-	37/6	39/-	40/-	40/-	40/-	40/-	4/-
Tube Invest.	92/9x	61/-	61/3	62/6	62/6	63/9	65/-	65/6	4/6
Turner and Newall	65/9	43/9	46/3	46/3	47/6	48/9	50/-	52/6	8/9
Woolworth	58/-	39/-	43/3	42/6	44/-	44/9	45/6	46/6	7/6
Financial News Ord. Share Index	74·2	49·4	51·4	53·3	54·4	55·3	56·2	57·9	8·5

x Ex dividend.

books. Thus the technical position of the market has been exactly the reverse of that which prevailed early last week, and the cumulative effect on prices equally dramatic. In these days of the imminent hazard of invasion, when it is almost impossible to take a 24-hour view, the market's behaviour has been remarkable. Re-investment of funds released by the repayment of dissented 4½ per cent. Conversion Loan and Canada 4 per cents. has played some part in the gilt-edged market, though the competing attractions of the new 2½ per cent. National War Bonds have absorbed £61 millions in the first eight days of issue. On Wednesday and again on Thursday this week closing prices did not retain the full advance recorded in earlier dealings. Yet equities are still only convalescent. Gilt-edged, as the accompanying table shows, are within respectable distance of the high levels recorded before the invasion of the Low Countries. But the war wounds among equities will take time to heal.

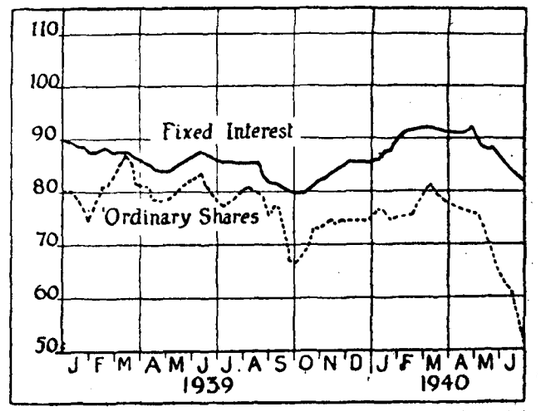
* * *

"Shut-down" for Equities?

Considerable support was mustered (outside the Stock Exchange) towards the end of last week for a proposal that the equity share markets should be closed. It was argued that E.P.T., limitation of dividends (now, of course, only a moral obligation), restriction of supplies and output, the purchase tax and the risk of air raids had enfeebled the resistance of the industrial market, and that complete collapse was now threatening following the capitulation of France. The fall in equities during the past four months (as measured in the accompanying chart) is indeed attributable to the joint action of all these forces. But do they provide an overwhelming case for closing the equity market? To some extent, the market has answered that question in the negative by staging a dramatic rally, in which prices have jumped 17 per cent. from the low level recorded on Wednesday last week. The plea for closure was, in fact, made a day too late. But the arguments may be revived if a similar crisis is renewed at some future date. It is impossible to regulate the equity market by a system of minimum prices. But there is a limit to a fall in industrials, beyond which the market ceases to function in any normal sense. If the war risk (whether accurately assessed or inflated by nervousness) becomes so large that the market is routed, no remedial action is possible. To shut the market is merely to prevent the heavy losses on the few transactions which are still possible from spreading paper losses throughout the entire market. But the fundamental fact, in those circumstances, would be that no rational basis

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.



for equity investment remained, market or no market. And short of such circumstances there would appear to be every argument in favour of maintaining dealings, even if limited and artificial by ordinary standards. Even a system of limited price falls would, in adverse conditions, merely bring the market to a standstill after a handful of transactions at the opening of business. The fact must be faced by all equity investors that their interests are, in war conditions, completely subservient to the gilt-edged market. But they may take consolation from the performance of the past week; the industrial market, though battered, has remained resilient.

* * *

Blitzkrieg Yield Basis

A vivid impression of the havoc wrought on equity share yields is provided by the following calculations of the Actuaries Index, based on prices on June 25th:—

Group (and No. of Securities)	June 27, 1939	Aug. 29, 1939	Dec. 29, 1939	Mar. 26, 1940	Apr. 30, 1940	May 28, 1940	June 25, 1940
Prices (Dec. 31, 1928 = 100)							
Fixed interest—							
2½% Consols	120	113·9	121·8	128·9	132·2	129·3	126·2
Industrial deb. (44)	109·8	104·5	104·6	111·2	111·4	109·0	103·7
Industrial pref. (101)	93·7	87·7	90·5	97·3	97·1	92·9	82·3
Ordinary shares—							
Aircraft mfg. (5)	74·2	64·4	56·7	57·4	55·9	43·4	28·4
Building materials (6)	65·9	58·9	54·6	49·0	49·2	43·1	33·7
Iron and steel (18)	54·5	52·3	51·2	55·8	54·7	44·2	31·6
Oil (4)	74·0	70·0	71·0	70·0	69·5	57·7	34·6
Home rails (4)	42·9	38·4	42·0	59·9	56·9	34·1	25·9
Brew. and Distilleries (20)	115·7	110·6	101·2	103·4	101·9	91·3	72·3
Miscellaneous (20)	60·3	59·4	57·4	59·9	58·1	51·2	40·8
Yields %							
Fixed interest—							
2½% Consols	3·72	3·92	3·66	3·46	3·37	3·45	3·53
Ind. Debentures	4·32	4·54	4·53	4·26	4·25	4·35	4·58
Ind. Preference	4·66	4·95	4·94	4·64	4·66	4·87	5·52
Ordinary Shares—							
Aircraft mfg.	10·62	11·03	12·37	10·48	10·73	13·81	21·21
Building materials	7·47	8·16	7·26	7·35	9·39	10·80	11·63
Iron and steel	6·63	7·02	7·14	6·65	6·72	8·14	11·14
Oil	6·39	6·85	6·66	7·01	7·05	8·50	10·74
Home rails	0·39	0·44	0·34	5·00	5·21	8·68	11·64
Brew. and distilleries	5·63	5·87	6·53	6·23	6·30	7·05	8·76
Miscellaneous	4·86	4·97	4·96	4·86	5·20	5·99	5·18

Although the gilt-edged market has not gone unscathed during the past two months, its relative strength presents a remarkable contrast to the flight of equities. Predominantly, the market disturbance was of an equity character. So much may be inferred from the sharp rise in the yield on industrial preference shares, as compared with the return on debentures. But in the front line of equities, the damage was even more severe. The yield on aircraft shares at the end of June was no less than 21.21 per cent. on the basis of last year's dividends. In two months, the average yield on home rail ordinary stocks jumped from less than 5¼ per cent. to nearly 10¾ per cent. Steel shares, which offered a return of 6¾ per cent. at the end of April, now yield well over 11 per cent. A fair discounting of war developments is probably measured by the fall in the industrial index from 58.0 per cent. on April 30th to 38.9 on June 25th, and by the consequent increase in the average return from 5.98 per cent. to 9.01 per cent. But the crop of double-figure yields shows how seriously the market regards the bombing risk. Aircraft factories are doubtless attractive targets for the enemy, and it is conceivable that successful attack might reduce the earning power of a particular plant to zero. But are not aircraft production and railway communication two vital industries whose equipment—and therefore earning power—would have to be most rapidly restored in the event of damage?

* * *

"House" Hours

It is understood that the Stock Exchange Committee has decided to make no change in the present trading hours in the "House." A petition which was organised last week and presented to the Committee on Wednesday urged that earlier closing should be re-introduced temporarily, so that members should be left more free to assist in the various national defence services. Since the petition was organised, of course, the spirit of the market and the volume of business has appreciably improved and this fact alone would have tended to reduce the weight of argument in favour of earlier closing. In fact, however, the petitioners' case is an argument for later opening rather than earlier closing. Later opening would give adequate rest to those engaged in night service, and it would not hamper those brokers who now find that, owing to postal delays, business for provincial account cannot be transacted so early in the day. Such brokers are convinced that to close the "House" at 2 p.m. would add to their difficulties. They would be compelled to deal by telephone after official hours, and the net result might well be that volunteers engaged in national service would be detained longer in the City. The volume of business gives ample opportunity for arranging the work of brokers' staffs so that those engaged in national service can be released at the earliest hour.

* * *

Lever and Unilever Prosperity

It is ironical that Lever Brothers and Unilever, Limited, should be able to issue so satisfactory a report for 1939 when the Dutch continental undertakings have been overrun by the enemy. The profits of Limited, including its proportion of profits from subsidiaries, have increased from £6,729,234 to £9,028,301 (before providing an amount of £1,379,657 for funding staff pensions). After retaining £906,591 (against £409,990) in the subsidiaries' accounts, and meeting the enormous taxation charge of £3,547,000 in the British Empire, Limited, net profits available for dividends rose from £6,319,244 to £6,742,053, while ordinary earnings increased from £1,990,467 to £2,404,276. Some part of this increase is due to the acquisition of the 20 per cent. interest in United Africa, formerly held by African and Eastern Trade Corporation, and is offset by higher preference and ordinary dividend requirements. But higher profit margins and a considerable expansion of sales account for the remaining increase. Sales in fact rose by 3 per cent. to £97,500,000; the tonnage of soap sold increased by 10 per cent, and of margarine by 15 per cent. to a new record.

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

Increases are recorded in canned fish, meat and other products, and the only area in which trade was disappointing was West Africa. The profits for the past three years are analysed below:—

	Years to December 31, 1937	1938	1939
	£	£	£
Net profits, inc. proportion of subsidiaries profits	7,116,529	6,729,234	9,028,301*
Retained by subsidiaries	*540,212*	*409,990*	*906,591*
Net profits, inc. subsidiaries' dividends, etc.	6,576,317	6,319,244	6,742,053
Pref. and pref. ord. divs.	4,328,777	4,328,777	4,337,777
Earned for ordinary	*2,247,540*	*1,990,467*	*2,404,276*
Ordinary dividends	1,137,875	1,141,879	1,320,288
Earned %	*22·3*	*19·6*	*23·0*
Paid %	10	10	10
Co-partnership and defd. divs.	50,908	51,294	51,521
General reserve	750,000	...	...
Contingencies reserves	250,000	100,000	800,000
Reserve against subsidiaries	...	600,000	...
Brought in	1,346,331	1,399,088	1,490,382
Carried forward	1,399,088	1,490,382	1,716,849

* Before providing £1,379,657 for funding staff pensions.

The 10 per cent. dividend is covered by earnings of 23 per cent., against 19.6 per cent. in 1938. The special provision for an equalising dividend to N.V. (which is only payable after the war) calls for a sum of £800,000, though N.V. would have been comfortably able to pay the 6¼ per cent. dividend originally proposed. The report sets out the financial relations between the two groups, at the moment when communication ceased, with great clarity. Limited is owed £11 millions by N.V.'s South African subsidiary in respect of assets transferred to the Dutch company in 1937. These non-British holdings, however, still rank as security for the loan (which was, in effect, a device for equalising profits, rather than a fundamental re-grouping of assets) and their surplus value more than covers a further loan of £499,000 to the South African subsidiary by Limited. N.V. also owed Limited £2,828,396 on May 10th on current account, while the latter owed N.V. £4,002,051, being the purchase price for the French undertakings acquired last December. These items are effectively blocked until the end of the war. Hence, Limited has no balance at risk with N.V. The company has fared prosperously in the first phase of the war, partly because it has not yet been necessary to ration margarine. The pooling arrangement introduced this week may point to closer control in future, however, and further provision may be needed for N.V. dividend reserve this year. Meanwhile, the £1 ordinary stock units of Limited stand at 21s. 10½d., to yield £9 2s. 9d. per cent. N.V. shares, being subject to "S.1B." forms, cannot be dealt in at present.

* * *

Shell Transport Adversity

Stockholders in "Shell" Transport will find little additional information in the full report bearing upon the dividend decision a fortnight ago. The report repeats the reference to the "widespread destruction of property" which appeared in the preliminary statement, and records the directors' decision to conserve the resources of the group. Hence, no further dividends have been paid by the operating companies, and the dividend is limited to the 5 per cent. tax-free interim payment. The portmanteau profits item "dividends and interest from sundry companies, interest on investments, loans, etc., and other credits, less debits, shows a sharp fall from £6,680,373 to £2,527,766, and the dividend has been covered by tax-free earnings of 5.8 per cent. The report discloses that full allowance has been made for depreciation throughout the group, while provision has been made for losses caused by hostilities. Particulars regarding the fleet and production are withheld. An increase in holdings in subsidiary and other companies from £40,798,325 to £43,390,277 is offset by a fall in British Government securities from £4,301,214 to £1,677,429. There is little guidance which the directors could give to stockholders in present circumstances. Profits and dividend have perforce been cut to a lower level than was recorded in the depression years. And it is impossible to rule out the possibility of further damage to the company's interests. At their dejected price of 36s. 3d., "Shell" £1 units yield £2 15s. 2d. per cent. tax free, equivalent to £4 8s. 3d. per cent. gross. Even this seems a hopeful return.

	Years ended December 31, 1937	1938	1939
	£	£	£
Dividends, etc., received	6,686,691	6,680,373	2,527,766
Expenses and fees	52,914	49,783	49,922
Preference dividends	800,000	800,000	800,000
Ordinary stock (tax free):—			
Earned	*5,833,777*	*5,830,590*	*1,677,844*
Paid	5,789,126	5,789,126	1,447,281
Earned %	*20·2*	*20·1*	*5·8*
Paid %	20	20	5
Carry forward	165,204*	206,668	437,231

* After £17,288 issue expenses.

* * *

Distillers Profits

In more normal market conditions, Distillers' preliminary announcement at the end of last week would have received a warmer welcome. Net profit for the year to May 15, 1940, has been well maintained at £2,428,840 against £2,482,202, despite rising costs and taxation. The directors have recommended a dividend of 16¼ per cent. for the year on the increased ordinary capital of £14,967,347, due to the 40 per cent. capital bonus last year. The distribution is equivalent to 22¾ per cent. on the old capital, compared with 20 per cent. plus a 2½ per cent. cash bonus for 1938-39. The directors had already warned shareholders that the former rate of dividend could not be maintained on the increased capital, but few stockholders probably expected virtually the same total distribution in present circumstances. This year's payment is covered by earnings of approximately 17 per cent. against 27.6 per cent. a year ago. The usual £100,000 has been placed to the Superannuation and Provident Fund and the Fire Insurance Reserve receives £100,000 against £150,000 in 1938-39. The allocation to general reserve has been increased from £400,000 to £476,385, and after writing off new issue expenses totalling £29,374, the carry-forward is raised to £537,271 against £436,898. The £1 ordinary stock, which has often been overvalued in recent years, has suffered a relatively moderate fall in the recent rout of equity values. At the present price of 58s., ex dividend, compared with 65s. 9d. before the *Blitzkrieg*, the stock offers a yield of £5 12s. per cent.

* * *

John Summers' Profits

For a year of transition, the 1939 consolidated gross income of John Summers is highly satisfactory. This totalled £1,068,745, after charging £258,152 for depreciation, compared with £387,305 after depreciation of £232,238 in 1938. Consolidated net profits at £501,245 are nearly three times the 1938 total of £195,174, after charging taxation amounting to £452,567, against £133,424. The parent company's profits amounted to £528,464, against £221,207 in the previous year. Such results, despite the fact that the new strip mill only came into operation in November last and was not in full production until the beginning of the present year, are highly satisfactory. Comparison of the distributions of the two years, however, are largely nullified by last year's capital changes. The dividends of 8½ per cent. on the "A" stock and 4½ per cent. on the "B" stock satisfy the provisions of the capital reconstruction, and they are covered by earnings of 13.5 per cent. and of 14.6 per cent., respectively. The chairman, however, has issued a warning that the payment of an interim dividend will not necessarily be continued. The sum of £400,000 is placed to general reserve, and £131,421 is carried forward against £315,920. The increase in the value of fixed assets from £5,097,057 to £6,648,179 in the company's balance sheet is accounted for almost entirely by the construction of the new strip mill. So far, only a small amount of old plant has been dismantled to make room for certain new machinery, but no further dismantling is being undertaken during the war, and the question of obsolescence is accordingly to be deferred until post-war trade prospects are clear. The group, however, has free reserves amounting to £1,832,760. The full operation of the new plant should permit a considerable saving in costs during the current year. The "A" ordinary £1 stock, at present quoted at 16s. 3d., ex dividend, yields £10 10s. per cent.

Tea Company Results

Recent reports of leading tea companies show a welcome improvement in profits last year. For the four companies whose profits are analysed below, increased earnings are due to the coincidence of higher crop yields and selling prices. Costs of production, however, have tended to rise, and the considerably increased taxation provision which all companies made has ruled out any increase in dividends:—

Company Years to Dec. 31	Crop 000's	Av. price per lb.	Crop proceeds	Ord. Shares Earned Amt.	Earned Rate	Div.	Current Price	Yield
	Lbs.	d.	£	£	%	%		%
Empire of India:								
1937	5,254	12·95	258,201	46,164	12·3	10	15/0*	10·0
1938	5,439	11·68	239,708	27,101	6·9	7½		
1939	5,478	12·25	255,555	26,416	6·7	7½		
Dooars Tea:								
1937	4,841	12·79	234,232	50,305	15·5	15	23/9	8·4
1938	4,597	11·28	194,847	30,515	9·3	10		
1939	4,903	11·97	224,182	31,693	9·7	10		
Jorehaut Tea:								
1937	6,247	13·13	338,038	49,719	12·4	12½	21/3‡	9·4
1938	6,522	13·11	349,128	40,770	10·3	10		
1939	6,845	14·49	408,998	37,575	9·4	10		
Singlo Tea:								
1937	3,583	13·17	176,200	36,719	19·4	15	25/-	9·6
1938	3,632	11·71	157,659	27,024	13·9	12		
1939	3,999	12·60	190,641	23,435	11·6	12		

‡ Per £1 share unit. * Ex dividend.

All four companies produced higher crops than in 1937 and 1938. Only for Jorehaut and Singlo, however, were increased selling prices sufficient to raise total earnings above the 1937 level. And although both Dooars and Singlo reduced their f.o.b. costs from 7.45d. to 7.16d. and from 6.89d. to 6.58d. per lb. respectively, only Dooars reported increased earnings for ordinary capital after providing for increased taxation. These amounted to £31,693, against £30,515 in 1938, but the higher level of profits was still slightly below the amount required to pay the 10 per cent. dividend. At the current price of 23s. 9d., the £1 stock yields £8 8s. per cent., compared with a yield of between 9 and 10 per cent. for the other three companies. The present earning position of tea companies is, of course, largely governed by Government requisitioning and Government prices, and the ultimate possibility of rationing. The most favourable estimate of the current prospects for the industry points to stability of earnings. But interruption of supplies and disturbed markets might quickly modify this view.

* * *

United British Oilfields

Gross income of United British Oilfields of Trinidad, at £2,116,765 for 1939, has reached a new record level for the eighth year in succession. The increase of £540,249 over the 1938 earnings—the largest yet realised—has been sufficient to outstrip rising costs and to permit the resumption of ordinary dividends. The most striking rise in costs is an increase in taxation and N.D.C. from £14,000 for 1938 to £152,000. Equity earnings, at £134,303 represent 9.8 per cent. against 5.4 per cent. in 1938, and the directors have resumed the 8¾ per cent. dividend—against nil in the previous year—which was paid in 1936 and 1937 on a lower ordinary capital. In common with other oil-producing companies, United British Oilfields has refrained in the national interest from publishing production statistics. The directors state, however, that output exceeded the previous year's level of 2,570,000 barrels, which, combined with increased purchases, fed the refinery to maximum capacity for most of the year. Exploration drilling in the Cedros Peninsula has so far yielded no commercial results, and the results of the first two wells drilled by Trinidad Northern Areas have also been negative. The directors have, therefore, transferred £200,000 from the Premium Share Account to the Exploration Reserve Account, bringing it to a total of £250,000. A further significant change in the balance sheet position is the fall in cash from £786,068 to £381,489, accompanied by a rise in oil stocks from £56,114 to £121,554, and in debtors from £101,107 to £477,620, while creditors have more than doubled at £444,339. The company's 6s. 8d. ordinary shares quoted at 5s. 3d. ex dividend yield £11 2s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE improvement in spirits on Thursday and Friday last week has been well maintained, and prices have consistently advanced in gilt-edged, home rails and industrials. Turnover has improved within the restraints caused by uncertainty regarding developments in the Far East and the Balkans, which seemed responsible for a slight setback on Wednesday afternoon. The foreign bond market did not share in the recovery and Kaffirs have been depressed by suggestions of political unrest in South Africa. Dealings in rubber shares have remained dull, but the oil market has recovered from the disappointment caused by the "Shell" dividend.

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The *gilt-edged* market has profited from the release of money on July 1st through the repayment of Conversion 4½'s and Treasury purchases of Canadian 4's. Considerable investment buying raised 3½ per cent. War Loan, 3½ per cent. Conversion and Local Loans by a point on Monday and Tuesday and the first two by a further ⅝ in midweek, when Old Consols and Local Loans gained ⅜. Daily gains of ¼ for other stocks have been general. The *foreign bond* market remained dull. Japanese issues lost ground at the beginning of the week, but some buying was in evidence on Wednesday. Further heavy losses of 5 and 10 points were suffered on Tuesday by French railways.

Home rail stocks have been in considerable demand. While the most striking improvements have been reserved for senior stocks, Great Western ordinary improved 1½ on Monday and on Wednesday, when Southern preferred ordinary closed 3 points up. Transport "C" gained two points on the same day and similar rises were enjoyed by L.M.S. and Southern 4 per cent. debentures.

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Strength in the iron and steel section, due to news of higher raw material prices, has been a leading feature in the *industrial* market. Gains on Monday of 2s. 6d. by Guest, Keen, and of 1s. 9d. by John Brown were followed by further rises in the order of 1s. among a number of leading issues. Depression among aircraft and motor shares did not survive and good rises in this group, including 1s. 6d. for Fairey Aviation, were recorded in midweek. Brewery shares were in demand. Guinness gained 5s. on Wednesday, Mitchells and Butlers rose by 2s. 6d. and Bass by 2s. Electrical equipment and communication shares were also a good market. Gains were shown by G.E.C., Associated Electrical Industries and Callender's Cable, but Crompton Parkinson lost ground. In other sections of the market, Woolworth, Courtaulds, Lever and Unilever and J. and P. Coats have all shown substantial improvements.

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Kaffirs have not shared in the general recovery. Political news from the Cape and selling by French refugees have continued to depress prices and sharp falls have been sustained by most producing companies. Losses included ¼ by East Geduld on Monday and by Modder East on Wednesday, when "Sallies" lost ½ and Grootvlei and Sub Nigel ⅛. *Tin* shares improved on Thursday, on the news of the 130 per cent. quota. Business in *rubber* shares remained almost at a standstill, and although selling was almost non-existent on Wednesday, no recovery took place except in the demand for Anglo-Dutch. Among *tea* shares, Jorehaut and Dooars improved slightly on the satisfactory results for 1939. The *oil* market recovered from the "Shell" Transport report, and "Shell" itself gained ⅛ on Tuesday. The market was encouraged by the Government's decision to defend Syria. Anglo-Iranian and Burmah Oil rose steadily on investment demand.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices: 30 Ord. shares*	Security Indices: 20 Fixed Int.†
June 28 ...	2,613	*5,140*	53·3	115·1
July 1 ...	3,275	*4,920*	54·4	115·9
" 2 ...	2,991	*4,515*	55·3	116·4
" 3 ...	3,087	*4,645*	56·2	117·0
" 4 ...	3,135	*4,535*	57·9	117·9

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26) 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26).

New York

BUSINESS on Wall Street has been almost at a standstill throughout the week. On Monday, dealers were deterred by the obscurity of political developments in the Balkans, and later traders were holding off, pending the forthcoming Democratic Convention. Prices tended to sag on Tuesday through lack of support, but became firmer in midweek. Steel and aircraft issues were depressed by news of the President's request for a sharply graduated Excess Profits Tax. Shipbuilding shares were firm on news of the extended programme of naval construction, but copper shares were weak. The Dow Jones industrial index showed little change at 120.96 on Wednesday, against 121.12 at the beginning of the week. The *Iron Age* estimate of steel mill activity shows a sharp fall to 75 per cent. against 88 per cent. a week ago, due to closing of factories for holidays. It is expected that operations will return to normal next week.

New York Prices

Total share dealings:—June 27, 440,000; June 28, 1,170,000; June 29, 170,000; July 1, 270,000; July 2, 320,000; July 3, 380,000.

	Close June 26, 1940	Close July 3, 1940
1. Railroads		
Balt. & Ohio..	3⅜	3⅝
Gt. Nthn. Pf..	20¾	22½
Illinois Cent.	7¼	7⅝
N.Y. Cent.....	11	11⅝
Northern Pac.	5⅝	5¾
Pennsyl. Rl....	18½	19¾
Southern	10¾	11⅛
2. Utilities, etc.		
Amer. Tel.....	156	159⅞
Amer. W'wks.	8½	8⅞
Pac. Light.....	38	39½
Pub. Sv. N.J.	34¼	36¼
Sthn. Cal. Ed.	25⅞	26¾
United Gas ..	11½	12
3. Commercial and Industrial		
Amer. Metal..	13¾	13½
Am. Roll. Ml.	10⅞	11
Am. Smelting	35¾	35¼
Anaconda	20	19⅞
Briggs	16¼	16⅝

	Close June 26, 1940	Close July 3, 1940
Celanese of A.	24¾	25⅞
Chrysler	60⅝	62¼
Curt. Wr."A"	23⅝	23
Eastman Kdk.	120½	117½
Gen. Elec. ...	31	30¾
Gen. Motors..	41⅞	42⅝
Glidden.....	12	12⅝
Inland Steel .	80½	82½
Int. Harvest .	43¾	43
Int. Nickel ...	20¼	23¼
Liggett Myers	94¼	97
Nat. Dairy ...	12⅞	13⅝
Nat. Distillers	18¾	19¾
Nat. Steel	55½	56½
Proct. Gamble	58¾	62
Sears Roebck.	70¾	72
Shell Union...	8⅛	8xd
Socony Vac. .	8⅛	8½
Stan. Oil N.J.	33½	32½
20th Cen. Fox	6	6⅝
U.S. Steel	50⅞	50⅞
West'hse El...	88	89½
Woolworth....	31⅝	31¾
Yngstn. Sheet	30½	31⅛

Canada

THE Canadian stock markets show a depressing record since mid-April. During the latter half of that month they were continuously weak as the result of apprehensions about hostilities in Europe and, when these were realised early in May, the markets experienced one of the worst recessions in recent years. Stocks were unloaded with little buying support and prices sagged steadily downward, in many cases reaching new lows for the year. Between the end of May and July further falls occurred in all classes of stocks. Bank stocks were badly hit, the Bank of Montreal dropping 22 points between May 31st and July 3rd. Industrial issues remained relatively steady and Dome Mines gained 1⅜. Many stocks are now at bargain prices, and a slight measure of favourable news from the battlefront brings buyers into the market, but with equally slight adverse news, support is withdrawn. In the coming weeks, the course of the markets must depend largely upon war news. The mining market has experienced similar fortunes and gold stocks have had a severe slump. The "Investors' Index" of the Bureau of Statistics, which stood at 97.2 on April 15th, fell to 95.6 on April 25th and to 92 on May 1st; by May 10th it had dropped to 90.8, and by May 16th to 82.9. The bond market has remained remarkably steady and for the week May 10th-16th the index for the price of long-term Dominion bonds was 115.4, against 115.6 for the previous week and 118.0 for the same week in 1939.

	May 31, 1940	July 3, 1940		May 31, 1940	July 3, 1940
Bell Tel.	150	137	C. Bk. Com.	150	138
Dome Mines	16⅛	17½	Can. Pac.....	4⅝	4¼
Hollinger	9·90	9·50	Int. Petrol.....	15½	14
McIntyre.....	39	36¼	Brazil Trac....	5¾	4
Bk. of Montr'l	194	172	Can. Cement	3⅞	3¾
Bk. of Nova Scotia	297	283	Massey Harris	3	2½
R. Bk. of Can.	156	150	Steel Co. of Canada	64	62½

Capital Issues

Week ending July 6, 1940	Nominal Capital £	Conversions £	New Money† £
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	Nil	...	Nil
Savings Certs.†	3,500,000	...	3,500,000
3% Defence Bonds† ..	4,102,000	...	4,102,000
2½% Nat. War Bonds‡	42,750,000	...	42,750,000

† Eight days to June 30, 1940. ‡ Five days to June 30.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)...	870,856,297	517,901,164
1939 (New Basis) ...	*80,704,495*	*76,034,414*
1940 (Old Basis) ...	896,073,265	503,318,132
1939 (Old Basis) ...	*51,150,867*	*47,500,788*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	517,138,152	763,012	Nil
1939 (New Basis)	*49,666,074*	*24,187,336*	*2,181,004*
1940 (Old Basis)	503,175,676	142,456	Nil
1939 (Old Basis)	*31,340,697*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	503,212,946	1,189,005	13,499,213
1939 (New Basis)	*42,250,865*	*4,463,741*	*29,319,808*
1940 (Old Basis)	502,218,500	77,500	909,132
1939 (Old Basis)	*36,293,921*	*1,988,459*	*9,218,408*

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

BY STOCK EXCHANGE INTRODUCTION

Crowborough District Water Company.—Issue of £6,000 4 per cent. debenture stock at £98 net, to be repaid at par June 30, 1955. Interest payable June 1st, December 1st.

Shorter Comments

Company Results of the Week.—The results of the Finlay group of tea companies are less favourable than those of other important producers. Only ANGLO-AMERICAN net profits, at £85,677 against £84,297, exceed those of the previous year, while reduced net profits

(*Continued on page 27*)

Industry and Trade

The Scrap Scandal

When Lord Haw-Haw recently remarked that the British iron and steel industry would be crippled by a stoppage of its iron ore supplies from Continental Europe and North Africa, he showed a singular lack of information. In 1937, the best pre-war year, the industry produced 13 million tons of crude steel. The constituents of these 13 million tons of steel were, among other things, 6¼ million tons of pig iron and 7½ million tons of scrap. Moreover, nothing like the whole of the 6¼ million tons of pig iron were produced from imported ore. The total output of pig iron in 1937 was 8½ million tons, 2¼ million tons of which were used for purposes other than steel; in its production the industry used 14 million tons of domestic iron ore, of a metal content of about 30 per cent., and 6¼ million tons of imported iron ore of a metal content of about 50 per cent. The crude steel equivalent of the iron ore imported in 1937 was therefore only about 3 million tons, or less than one quarter of the total output. Even if iron ore supplies from Continental Europe and North Africa were completely stopped, the steel industry in this country would be far from being crippled. In the last resort, it would not be difficult to import three million tons of steel from America, whose capacity to produce crude steel was estimated at 73 million tons at the end of 1938.

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But the rational policy is to make up the deficiency of foreign ore by an increase in the use of domestic ore and scrap. The output of ore has, in fact, been increased quite substantially, by about 50 per cent. And the intensification of the scrap-collecting campaign has already produced encouraging results. Unfortunately the flow of the scrap collected as a result of the appeals to the public and to local authorities to the steel furnaces is reported to be held up by a bottleneck. By a pre-war agreement between the British Iron and Steel Federation and the associated scrap merchants, the latter constitute the channel through which scrap (with certain exceptions) reaches the steelworks. This channel has now become clogged, for the scrap merchants appear to be quite unable to handle the increased volume of material. The widening of this channel constitutes no difficulty, for railings and "destructor" scrap, for example, can easily be sent direct to the steelworks under the direction of the Steel Control. Why has this not been done immediately? It is difficult to resist the conclusion that the scrap merchants, firmly entrenched at Steel House, have vetoed this solution. If this inference is correct, the existing state of affairs badly needs drastic attention. Mr Herbert Morrison, who is responsible for the steel control in his capacity as Minister of Supply, recently remarked that he would not hesitate "to jump in" if he became aware of inefficiency. Here, then, is a case where he should jump in forthwith, and with all the weight of his authority. In any case, the system of collecting scrap now in force is unsuited to the present emergency. The volume of scrap collected by so-called commercial methods depends on its price. But the authorities have no means of knowing how many additional tons will be produced for every shilling by which the price is increased. The time has surely come for the preparation of a detailed survey of potential supplies, together with estimates of the cost of collection. On the basis of such a survey, the authorities will be able to requisition scrap in the quantities in which it is needed and distribute it directly to the steelworks. This does not involve the elimination of the scrap merchants. But, wherever they are not in a position to undertake the work of demolition and collection, the local builder or the local authority should be called in.

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Higher Steel Prices

On July 1st, steel prices in this country were raised by some 10 per cent.; this is the third advance of about 10 per cent. each made since the outbreak of war. The increase is chiefly designed to strengthen the central fund created for the purpose of compensating manufacturers for the rise in the cost of imported raw materials, but it also includes an allowance for the advance in wages and for the rise in other domestic costs, including railway transport, stores, coal and air-raid precautions. The increase is regrettable, though the iron and steel companies, like other concerns, are now subject to E.P.T. at 100 per cent. At this stage, however, the most important tasks are the maintenance of steel production at the highest possible level, coupled with strict economy in its use. It is therefore gratifying that the Ministry of Supply, by the Control of Iron and Steel (No. 11) Order, has at last decided to prohibit (with certain exceptions), from July 8th, the use of iron and steel for buildings except under licence.

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Coal-Mining Difficulties

With the cessation of exports to France, our biggest overseas market, the coal-mining industry is confronted with the need of rapid adjustment. The countries with which trade has been stopped since the beginning of the war formerly took between 70 and 80 per cent. of our total cargo exports and about 60 per cent. of our combined cargo and bunker trade shipments. Although the bunker trade will probably be maintained at about 10 million tons per annum, and in spite of the expansion in domestic consumption, the recent level of output is appreciably in excess of current demand. Indeed, stoppages are already taking place in the exporting coalfields. In order to prevent the waste of manpower, steps should be taken without delay to adapt the industry to the new conditions. It would be the height of folly to cancel the measures that have been taken to speed up the output per person employed. There should be no relaxation in the intensity of work, and large stocks should be accumulated against an emergency; production should be concentrated on the most efficient mines, and any surplus labour should be transferred to other essential occupations. The waste involved in a reversion to the leisurely pre-war methods, simply to spread the work and to keep all the pits open, would be quite unjustified at this stage.

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Shipowners and Depreciation

At the annual meeting of Royal Mail Lines, Limited, Lord Essendon once more expressed the dissatisfaction of shipowners at the arrangement by which the rate of hire of requisitioned shipping is fixed at 5 per cent. depreciation and 5 per cent. interest on the original value of the ship. The shipowners' contention is that as the cost of replacement is likely to increase, an additional allowance should be made for depreciation, but kept in the hands of the Government until it is needed, and permanently retained by them if it proves to be superfluous. The difficulty about this, as we have had occasion to point out before, is that there is absolutely no basis for predicting what the cost of replacement will be, and therefore no means of fixing this additional payment. The only fair way of handling the problem is to credit the shipowner, not with sums of money which purport, quite arbitrarily, to represent the cost of replacing his obsolete vessels, but with claims to the appropriate number of tons when replacement becomes possible.

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Newspapers and Newsprint

The new paper control regulations raising the standard price of newsprint to £24 per ton, from £22 10s., the price ruling since June 1st, will not affect the large daily papers as much as might at first sight be supposed. True, the price is nearly 2½ times that ruling at this time last year, but consumption has been drastically reduced by rationing, and the reduction of size by 25 per cent. under the latest regulations more than balances the rise of 6¼ per cent. in newsprint costs. Neither the reduction in size, nor, more surpris-

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

ingly, the prohibition of casual sales, has had any serious effect on circulation, which, after an initial drop upon the abandonment of artificial devices for increasing it, has remained remarkably steady. The curtailment of advertising space has been compensated by a heavy increase in charges, for both display and classified advertisements, and by the abolition of special rates, so that advertising revenue is still about 80 per cent. of its pre-war level. In this respect the evening papers are not so fortunate; they had not so much scope for reduction in size and they are not nearly so indispensable as an advertising medium. The position of all newspapers, however well they have faced the situation so far, is extremely vulnerable. Their stocks of newsprint must be going down, and fresh supplies can only be obtained through the Newsprint Supply Company from Canada and Newfoundland. They are pledged not to increase their circulation above the level of the week of June 15th and they may at any moment be plunged into expenses the extent of which cannot be predicted, if enemy air action should render it impossible for them to operate from their own headquarters.

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Cotton Control—Second Stage

In pursuance of the policy announced at the beginning of the year, the control of yarn prices, which was instituted in January for most single yarns, was extended to certain doubled yarns from July 3rd. The Order, which follows the same general lines as that controlling single yarns, applies to nearly all doubled yarns produced from single yarns whose prices are already controlled. A fixed price is prescribed for doubled yarns sold either by the doubler or the spinner, and merchants who buy yarn are prohibited from reselling it at less than the prescribed price. Exporters will be required to add to the price the additional cost of carriage, packing and insurance. The price is arrived at by adding to the controlled price of the single yarn an allowance for waste and a doubling margin. For American counts it is lower than the previous market price, and slightly higher for Egyptian counts. The new Order will prevent irregularity in, and uncertainty about, the prices of doubled yarns, and should also remove certain difficulties which arose previously from the fact that some spinners are also doublers.

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Cotton Contracts Evasion

The evasion of contracts by wholesalers who cater for the home trade is setting up a serious problem for producers of cotton textile fabrics. The present stagnation in the home trade caused by restrictions and by the country's campaign for economy in buying household articles, has driven wholesalers into taking advantage of a clause in the Government Order, under which they can give seven days' notice to cancel any contract booked before April 16th and not delivered by July 10th. Retailers will be rationed after October 1st to 25 per cent. of their takings during the same period last year, and the wholesalers are faced with the possibility of having goods which retailers had ordered left on their hands. The Cotton Trade Merchants' Association takes a grave view of the irreparable harm which would be caused if the sanctity of contracts is violated under the Government Order, and the Cotton Manufacturers' Association has decided to make representations to the President of the Board of Trade, as the consequences of the cancellations are all falling on the manufacturers. If the President responds to the appeal the home trade may show signs of the revival of confidence it so badly needs. The Cotton Board has announced that it is ready to launch its export drive to foster and expand markets overseas. It is expected that these steps will include concerted action by the whole trade, possibly involving among others markets in the Far East.

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Agricultural Costs and Prices

The expenses of the farming community have undergone a twofold increase with the advent of July. From last Sunday the minimum wage of adult male weekly workers in agriculture was raised to 48s., with corresponding increases for other classes of workers. In many districts this rate represents a very substantial rise; at the end of 1939 the average minimum rate for all the widely varying districts was 35s. 6d. In some counties there have also been increases in the value of allowances in kind. In July, August and September there will be an increase in the maximum prices of certain fertilisers: superphosphate of lime may be advanced by not more than 5s. 6d. per ton, and ground phosphate by 3s., with equivalent increases for compounds. Rebates are allowed for early delivery with a view to encouraging farmers to order and take delivery as early as possible. These increases in farmers' costs have necessitated a general rise in the price of agricultural products. The standard price for wheat and the maximum price of oats will now be 14s. 6d. per cwt. Malting barley is to remain unrestricted, and an announcement about feeding barley will be made later. Potato prices cannot be fixed until the size of the crop is known, but the increase is to be adjusted with a view to giving farmers a 20 per cent. increase in their return per acre. An interim addition of 3s. 9d. per ton will be made to the basic price of sugar beet. Producers' prices for milk will, for July-September, be raised by a further 1½d. per gallon. Graduated revisions are to be made in the prices of sheep on the basis of an annual average of 1s. 2d. per pound, and the basic price for fat pigs is raised to 21s. per score.

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Anxiety is expressed by the Ministry lest the new sheep and pig prices should lead to unduly heavy slaughtering, and for the same reason no change in the prices of fat cattle is for the moment announced; farmers' representatives are to be given the task of working out a detailed schedule for the next few months. The Minister of Agriculture has laid stress on the desirability of keeping as much livestock as possible "on the hoof" as a food reserve for next winter, since meat is at present coming into the country faster than it is being eaten. It is appreciated that farmers will feel the increase in wages and the cost of supplies before they can begin to profit by the rise in prices, and Mr Hudson announced in his broadcast that the banking authorities have promised to help farmers, where necessary, in the payment of wages until they receive cash for their harvest. On the other hand, the increased prices will bring a substantial increase in the profits of the farmers on the better land, and the option to be assessed for income tax under schedule B will therefore no longer be operative above a certain limit of income. The Minister of Agriculture emphasised that farmers will now have to concentrate on the kinds of production of most value to the nation's food supply, and an Order limiting the growing of mushrooms and strawberries in glasshouses has just illustrated this. Towards this end the War Agricultural Committees should be able to do much. Their task is to survey all farms and classify them according to whether they are well, moderately or badly farmed, and they have power to recommend dispossession. By taking a strictly wartime view of what constitutes good farming economy, these committees should be able to do much to encourage the most advantageous use of the land, though it remains a pity that the makers and administrators of wartime farming policy will not have the data of a thorough-going national soil survey, as well as the excellent maps and reports of the Land Utilisation Survey, to aid them.

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Co-Operative Turnover

The Co-operative Wholesale Society reports sales of £33,319,572 for the thirteen weeks ended April 13th. This is an increase of 14 per cent. over the corresponding period of 1939. The supplies from the Society's productive works were £10,754,990, an increase of only 1¼ per cent., attributed to wartime influences outside co-operative control. A decrease of 92 per cent. in the supplies from one of the provision departments is accounted for by Government control of the meat trade of the C.W.S. Distributive societies are urged to obtain and carry adequate reserve stocks of non-rationed essential foodstuffs in pursuance of the Government policy of spreading such goods throughout the country as a safeguard against emergencies. Of the total turnover, grocery and provisions were responsible for £24,131,255. The sales of £1,740,141 in drapery showed an increase of 32 per cent., and those of £940,235 in men's wear an advance of 11 per cent., whereas there was an increase of only 1 per cent. in the furnishing section, where the turnover was £1,378,614. The sales of tea, 17,440,201 lb. in weight and £1,812,510 in value, were higher by 6 per cent. and by 10¾ per cent., respectively. Higher prices were reflected in the returns relating to biscuits, preserves, and soap, while a 5 per cent. decline in the output of the flour mills was due to the reduction in demand owing to the decline in the civil population. The New Zealand Produce Association is applying for membership of the C.W.S., which is making its usual annual donations of 3,892 guineas to charitable institutions, £1,000 to the Co-operative Party and £300 to the International Co-operative Alliance.

COMMODITY AND INDUSTRY NEWS

On July 1st many controlled prices were increased. An Order issued by the Board of Trade raised steel prices by about 10 per cent. to cover the increased cost of imported materials and higher manufacturing costs. Timber prices have been substantially increased; hard woods have been raised by 20-25 per cent. and certain soft woods by over 100 per cent. The new scale of agricultural and farm prices came into force on the same day, in addition to the higher price for milk. The latter is to run concurrently with the cheap or free milk scheme recently announced. There are few other important changes on the week.

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Cotton (Manchester). — Business in piece-goods has been comparatively small. Fewer orders have been given out by the Government, but large supplies are due to be delivered for many months ahead. Export trade has been almost at a standstill. Shipping merchants have received poor advices from abroad and they are not disposed to take any risks in view of the uncertain outlook. Trade is hampered not only by the fact that Lancashire prices are above world prices, but by nervousness relating to finance and foreign exchange problems. The export scheme of the Cotton Board will be available before the end of this week. Some substantial orders may be placed in cambrics for Java. Home trade buyers have purchased a certain amount of fabrics for industrial purposes, but demand for domestic use remains very restricted. The position in the spinning section is less favourable than it has been for some time. In the American branch, coarse counts are still difficult to obtain quickly, but cop twist and ring beams in medium numbers are being offered more freely. Producers of Egyptian qualities are not doing at all well. Next Monday the American Government will estimate the cotton area under cultivation. This is expected to be about 26,250,000 acres, against 24,832,000 acres last year.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended June 21, 1940	Week ended June 28, 1940	From Aug. 1 to June 30, 1939	From Aug. 1 to June 28, 1940
American	34·2	39·9	1,005	1,393
Brazilian	7·1	5·4	337	252
Peruvian, etc.	4·2	4·1	143	204
Egyptian	10·2	14·9	348	374
Sudan Sakel	7·2	4·0	161	155
East Indian	13·4	7·0	465	393
Other countries	2·5	1·9	210	152
Total	78·8	77·2	2,669	2,923

Source: *Liverpool Cotton Association's Weekly Circular.*

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Metals.—The outstanding event of the week was the increase on July 1st of steel prices by about 10 per cent. This was the third increase since the outbreak of war, and this time some provision is made for higher manufacturing costs as well as for the greater cost of imported materials. It was considered wise, also, to strengthen the central fund in view of the danger of the interruption of production by air attack. The advance in quicksilver prices has continued, but there were no changes in those of other metals.

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Tin.—The United States has agreed to purchase about 75,000 tons of tin from Great Britain during the twelve months ending June, 1941, at about the price now ruling in New York, i.e. over £260 per ton. In order to provide the necessary quantity the International Tin Committee is expected to fix the export quota at 130 per cent. of standard at its meeting next week. Such a quota amounts to a de-restriction of exports without abandoning the control scheme. It is hoped that output during the next year will be about 230,000 to 250,000 tons.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
May 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
„ 22	61·69	66·70

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Grains. — North American markets are still quiet, but prices in Argentina have advanced and heavy shipments have reduced that country's surplus to 1½ million quarters. F.o.b. quotations of Canadian and other descriptions of overseas wheat are unchanged or slightly lower. The Ministry of Agriculture has announced that the guaranteed price of home-grown wheat for 1940-41 will be 14s. 6d. per cwt. Maize-exporting countries, especially Argentina, will be adversely affected by the forthcoming restrictions on the use of feeding-stuffs for pigs and poultry. Crop prospects in the United States are very good. Barley is in limited supply.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended June 22, 1940	Week ended June 29, 1940	From Aug. 1 to July 1, 1939	From Aug. 1 to June 29, 1940
N. America	287	315	28,704	24,585
Argentine, Uruguay	499	648	13,484	20,177
Australia	...*	...*	11,755	4,546†
Russia	...	...	4,488	114
Danube and district	143	54	9,253	6,751
Other countries	...	...	2,144	345
Total	929	1,017	69,828	56,518

* 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 22, 1940	Week ended June 29, 1940	From Apr. 1 to July 1, 1939	From Apr. 1 to June 29, 1940
Argentina	72	261	5,456	3,758
Atlantic America	53	50	393	401
Danube Region	22	...	873	474
S. & E. Africa	...	...	437	694
Indo-China, etc.	...	...	375	91
Total	147	311	7,534	5,418

Source: *The Corn Trade News.*

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Vegetable Oils and Oilseeds. — The supply position of vegetable oils appears to be satisfactory and to permit of substantial allocations of oils to the food industries and on a restricted scale to paint and soap manufacturers. There has been a reduction of £2 to £44 per ton in raw linseed oil to large trade consumers and primary wholesalers. Supplies of linseed are ample and have been supplemented by cargoes diverted from France. Shipments from the River Plate have practically ceased. The Argentine exportable surplus is now below 200,000 tons. Indian shipments are substantial. Imports of oilseeds and kindred raw material to the United Kingdom continue on a satisfactory scale. Production of oil-cakes is steadily maintained. Margarine and cooking fats are to come under the control of the Ministry of Food on July 14th.

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Rubber. — The United States purchase of rubber has now been confirmed and the maximum quantity to be shipped fixed at 150,000 tons. Some increase in the quota above the present level of 80 per cent. will be necessary to provide this quantity. The industry is thus sure of a high output for some time. The price of standard smoked sheet rubber on the spot in London is a little lower on the week.

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

	Average Daily Sales 1940 Mar.	Apr.	May	Stocks (at cost) end May
(a) By Commodities				
Non-Food Merchandise:—	%	%	%	%
Piece-goods	+22·6	+38·5	+ 7·7	+50·6
Women's wear	+24·1	+ 1·7	+ 0·8	+34·9
Men's and boys' wear	+16·8	+ 4·0	− 1·9	+20·2
Boots and shoes	+28·2	+ 2·1	+11·1	+13·7
Furnishing departments	+ 2·2	+ 0·8	+ 7·7	+28·1
Hardware	+ 8·3	+ 3·7	− 2·9	+25·8
Fancy departments	+21·6	− 3·1	+ 8·0	+49·5
Sports and travel	+15·5	−13·5	−13·0	+35·6
Miscellaneous	+ 5·8	+ 6·6	+14·0	+42·2
Total — Non-Food Merchandise	+17·1	+ 3·4	+ 2·9	+33·6
Food & Perishables	+10·0	+ 1·3	+ 6·0	+29·8
Total — All Departments	+12·8	+ 2·3	+ 4·5	+33·6
(b) By Districts				
Scotland	+12·1	+12·1	+13·5	+30·1
North-East	+11·7	+ 9·9	+ 9·2	+32·7
North-West	+12·0	+10·4	+ 8·9	+42·1
Midland & S. Wales	+10·6	+ 8·8	+ 9·7	+36·0
South England	+16·8	+12·7	+10·4	+41·9
Central & West End London	− 9·8	−10·6	−24·9	+22·7
Suburban London	+ 5·4	+ 3·3	+ 3·5	+31·2

Source: *Board of Trade Journal.*

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

	Mar. 31, 1937 †	June 28, 1939	Aug. 30, 1939	June 18, 1940	July 2, 1940
The Economist Index (U.K.):—					
Cereals and meat	93·0	69·0	66·9	86·7	89·9
Other foods	70·4	62·1	61·1	79·0	80·2
Textiles	74·2	53·6	54·3	82·9	88·[illegible]
Minerals	113·2	91·8	95·4	117·7	120·[illegible]
Miscellaneous	87·0	75·7	77·6	107·6	110·8
Complete Index	87·2	69·8	70·3	98·[illegible]	104·0
1913 = 100	*119·9*	*96·1*	*98·8*	*135·4*	*137·6*
Irving-Fisher Index (U.S.A.)	100·4	83·8	83·4	...	...

† Highest level reached during the 1932–7 recovery.

COMPANY MEETINGS

BLEACHERS' ASSOCIATION, LIMITED

RECOVERY OF OVERSEAS TRADE MORE VITAL THAN EVER

"EXPORT OPPORTUNITIES EXIST" SIR ALAN SYKES

The forty-first ordinary general meeting of Bleachers' Association, Limited, was held at the registered office, Blackfriars House, Manchester, on Friday, June 28, 1940.

Sir Alan Sykes, Bt. (the chairman), presided.

Before dealing with the accounts the Chairman referred to the retirement of Mr E. C. Deakin, one of the managing directors, at the end of the last financial year, and the appointment of Mr P. L. Wright and Mr R. C. Reynolds as managing directors. He said that he was sure the stockholders would wish to associate themselves with the directors in placing on record their appreciation of the splendid work which Mr Deakin had done for the Association and the high principles which governed all his actions.

In reviewing the accounts, the Chairman pointed out that the only substantial changes in the balance sheet, apart from investments, were those shown in the balance of trade creditors and provisional accounts, which were increased by the large provision for taxation and in the profit and loss account. The increase in investments was due to the Association's subscription to the new Three per cent. War Loan and, in this connection, the Chairman pointed out that there were still in existence in the Association some of the War Savings Groups which were formed at the time of the last war and which have carried on ever since.

At the request of the National Savings Committee the formation of other groups had been encouraged, and practically every one of the Association's works now had a War Savings Group in operation. The directors believed that it was the duty of every business organisation to support the War Savings campaign which was being conducted so successfully under the leadership of Sir Robert Kindersley.

IMPROVED TRADING RESULTS

The Chairman continued: The total trading profit for the year, after providing for central charges, interest and taxation, amounts to £293,320. From this must be deducted the charges for directors' fees, depreciation and debenture interest, which are the same as last year, and this leaves a net profit of £49,721, compared with a net loss last year of £53,187.

The net profit from the year's trading is not sufficient to cover the payment of six months' dividend on the preference stock, but your directors felt that, even though only a small contribution could be made to reducing the arrears of preference dividend, our obligations to the preference stockholders warranted the making of that contribution. They therefore propose to pay three months' dividend on the preference stock, which will absorb £34,203, and to add the balance of the year's profit of £15,500 to the amount to be carried forward to the next account, thus bringing the total carried forward to £149,691.

INCREASED TAXATION

From the figures which I have quoted you will see that the increase in the balance of profit over last year amounts to £102,909. This increase does not reflect the full improvement in the year's trading results because of the substantial provision that has had to be made this year for income tax and excess profits tax, whereas last year, not only had we no such provision to make, but we were able to withdraw £15,000 from our tax reserve account.

This difference in the amount of the provision for these two forms of taxation between the two years represents almost a full year's dividend on the preference stock.

We cannot complain of these heavy demands by the National Exchequer having regard to the circumstances which necessitate them, but the incidence of taxation levied in the manner of the Excess Profits Tax is very onerous for a business such as ours, which has just emerged from the lowest depth of depression it has ever experienced.

I referred to the extent of that depression in my speech last year, and the improvement which I then felt confident in predicting has come about. But I do not think you would judge me to be lacking in patriotism if I express my regret that the national need has intervened to deprive our stockholders of the greater part of the benefit which otherwise they would have received from that improvement—an improvement which was well marked before last September.

I am not without hope that the depressed state of the cotton trade in the years selected as standards for the ascertainment of Excess Profits Tax will be admitted to justify the allowance of a revised standard and that we may obtain some relief. There can be no question of the desirability of limiting or even eliminating by taxation excess profits attributable to war work, but I do not think the national interests are well served if such taxation has the effect of saddling any section of industry with an ever-increasing burden of indebtedness by preventing the payment of cumulative preference interest.

It will be some time before we know whether relief can be obtained, but in the meanwhile it is necessary to make provision for the payment of Excess Profits Tax without taking such relief into consideration. Apart from Excess Profits Tax and any relief which we may receive, the provision for income tax at the current rate is itself a very heavy charge against our trading profit, and from this there is no relief.

It would be of little value to make any comparison between the conditions which have obtained in the past year and those of previous years, since the catastrophe which has been inflicted upon the world has not only involved a severance between the past and the present, but so far as can be seen must profoundly influence the future. For the moment I can do no more than refer to some of the changes and the problems which the outbreak of war has brought about at the present time.

INCREASED VOLUME OF TRADE

The increase in the volume of trade which was apparent when I addressed you in the early months of the financial year continued without a check, despite the growing tension in international affairs. Even the outbreak of war occasioned only a temporary hesitation, after which the improvement in the total volume of output was resumed, but beneath the surface of this increase there were important changes, to which I shall refer in a moment.

Admittedly, the recovery was from a deplorably low level, but its persistence under the adverse conditions of international strain, particularly throughout the early part of last year, was evidence of a resilience and recuperative power which was then very encouraging.

By September the improvement in the export trade in bleached goods had made some progress which, although not spectacular, was steady and promising. Order books were moderately full and the demand from the home trade continued to expand. The immediate effect of the outbreak of hostilities was a suspension of delivery instructions until the position became clearer, but thereafter orders were completed where possible in spite of the increased cost of freight and insurance.

Unfortunately, these orders have not been replaced to anything like the same extent—very largely by reason of the increased cost of British cotton goods—with the result that our export trade has gradually diminished since September. That decrease has been augmented by the loss of the markets in Scandinavia which previously absorbed important quantities of bleached goods.

The decline in export trade was compensated to a large extent in the early months of the war by an increasing demand from the home trade in anticipation of rising prices, and, later, by the growing volume of orders for Government account. We have been, and still are, producing large quantities of bandage cloths, surgical gauze and cotton and other fabrics or products which I cannot particularise, but which are essential to the prosecution of the war.

I need hardly say that we have done everything possible to place

our resources at the disposal of the authorities and to enlarge our capacity to the fullest extent to meet the special demand for wartime production.

Those are the immediate changes which have taken place in our activities, and I will now turn for a moment to some of the problems with which we are faced.

EXPORTS MOST VITAL PROBLEM

Before the outbreak of war the outstanding problem confronting the cotton trade was the maintenance and, as far as possible, the recovery of the export trade in the face of ever-growing foreign competition. That still remains the most vital problem, but to-day it is even more important than ever. Until 1938 exports of cotton yarn and manufactures constituted the largest item in value of our total exports of British manufactured goods.

In that year they lost first place to exports of machinery, but since September they have regained the premier position. The concentration of our machinery industry on essential war work and the loss of some of our most important markets for coal render the maintenance, and not only the maintenance but the increase, of our exports of cotton goods a matter of supreme national importance. There is no export approaching cotton goods in total value which can provide the foreign exchange which is essential to pay for the imports which we must have to sustain our war effort.

When we met last year the hopes of the cotton trade were centred on the Cotton Industry (Reorganisation) Bill which finally received the Royal Assent in August, but the date when the Act was to come into operation was postponed soon after war was declared. It was hoped that this measure, which provided for the establishing of a Cotton Board with statutory powers, would enable the trade to overcome the difficulties created by redundancy and uncontrolled price competition, and to achieve a unification of effort which hitherto had been impossible of attainment by reason of the horizontal form in which the industry has grown up.

Following the postponement of the operation of the Cotton Industry (Reorganisation) Act, measures were taken to control the cotton industry, and on the passing of the Cotton Industry Act in March this year, the Cotton Board was appointed and its functions with special reference to the maintenance and development of export trade were laid down.

LIMITATION OF HOME TRADE

Various Orders had previously been made under the Defence Regulations with the object of controlling the prices of cotton yarn and of ensuring preference for Government and export orders. Shortly after the appointment of the Board in March further Orders were issued prohibiting for one month the sale of yarn otherwise than for Government or export orders and limiting until September 30th next supplies of cotton piece-goods for the home trade to an amount not exceeding 75 per cent. of the quantity supplied in the corresponding period last year. It is understood that more drastic restriction of home trade supplies—namely, to one-quarter instead of three-quarters—will be enforced after September 30th.

This limitation of home trade supplies, which is intended to release labour and productive capacity for Government and export orders, will be a very serious matter for us, and it must mean further contraction of output except to the extent that it may be compensated by additional Government and export demand. It increases the urgency of practical measures to enlarge our export trade, but, as I have explained to you before, the control of the distribution of the cloth which we finish is not in our own hands. It may be that these restrictions will involve the closing of a certain number of works in different sections of the industry and, if this should prove to be the case, it is essential that this contraction should be carried out in an orderly and equitable manner with due regard to the interests of those who will suffer financially in the process.

CO-ORDINATION OF EFFORT

The Cotton Board has set up an Export Development Committee, and it is understood that the prospects of increasing our overseas trade are receiving the fullest consideration. Whatever plans the Board may devise, we may be sure that they will need the co-ordination of effort by every section of the industry. In this the Board are entitled to the full and loyal support of every section, and I am sure you would wish me to say on your behalf that we shall do all that we can to support them when we know what is required of us.

There is one more word that I should like to add on this subject. The opportunities for the recovery of export trade exist and the means of recovery are within the combined powers of the industry and the Government. If each will do all that it can, and especially if the Government will back our efforts to the fullest extent that lies within their power, I believe the results which could be achieved would surprise them.

Before I conclude my speech, I feel sure that you would wish me to express, on your behalf, our thanks to all who are engaged in the management and conduct of our activities. You will appreciate how difficult business is under present conditions, and we are grateful, not only to the managing directors, but also to our managers, our staff and our workpeople, for their constant and loyal work in the interests of the Association.

It is quite impossible, in present circumstances, to anticipate what lies ahead of us. The fullest contribution we can make must be made to the prosecution of our war effort. The fullest support we can give must be given to the plans to increase our export trade. And when we have done all that we can in these directions, we must still maintain our courage and face the demands of the National Exchequer—including Excess Profits Tax at 100 per cent. That is the duty that lies immediately in front of us and, concurrently with the discharge of that duty, we will, to the best of our ability, safeguard your interests and maintain your property in order that the Association can play its part in the resumption of normal trading activities in the years of peace to which we confidently look forward when we have completed our present task.

The resolution approving the report and accounts was moved by the Chairman, seconded by Sir William Clare Lees, Bt., and carried.

The retiring directors were re-elected, and Messrs Jones, Crewdson and Youatt and Messrs P. and J. Kevan were re-appointed joint auditors.

The meeting terminated with a vote of thanks to Sir Alan Sykes, Bt., for presiding, which was proposed by Mr E. R. Clark and seconded by Mr C. Russell Hall.

WILLIAM CORY AND SON, LIMITED

WARTIME WORKING

The forty-fourth annual ordinary general meeting of this company was held, on the 4th instant, in London.

Sir Arthur C. Cory-Wright, Bt. (the chairman) presided, and in the course of his speech said that the outbreak of war and the necessary restrictions imposed on all trading had not only retarded the normal expansion of the company's trade, but added considerably to the working costs. There was a net profit of £757,427, an increase of £2,117 over the previous year. After payment of a final dividend of 15 per cent. on the ordinary and employees' stock, making 20 per cent. for the year, a balance of £1,123,457 remained to be carried forward to the credit of next year's account. In practically every branch of the company's trade both at home and abroad, normal conditions did not exist, but every effort had been made to meet the fresh problems as they arose.

During the first five months of the financial year the company's business had shown a satisfactory expansion both in volume and in earnings. Since the outbreak of war the extensive organisation and exceptional facilities the company possessed had to a great extent been employed in assuring adequate supplies to the more important and essential services of the country. During the last few weeks important changes had taken place in the international situation which had particularly affected the company's large export trade, more especially to France.

The company's fleet had been engaged exclusively in the coasting traffic and operated under controlled rates of freight. Voyages had been seriously interfered with by war conditions, occupying sometimes as much as three times the normal length. Every vessel in the fleet had been defensively armed and protected against the magnetic mine.

The report and accounts were unanimously adopted.

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GREAT BOULDER PROPRIETARY GOLD MINES, LIMITED

INCREASED PROFIT AND DIVIDEND

MR CLAUDE DE BERNALES'S SPEECH

The forty-sixth ordinary general meeting of the Great Boulder Proprietary Gold Mines, Limited, was held, on the 28th ultimo, at 20 Aldermanbury, London.

Mr Claude A. de Bernales (chairman and managing director) presided, and in the course of his speech, said: The profit for the past year was £225,120, which is £52,638 in excess of the previous year. The increase may be attributed to the larger tonnage treated, the higher gold recovery due to the improved efficiency of the new mill, and to lower working costs. A total distribution of 50 per cent. for 1939, compared with 37½ per cent. for 1938, has been made, and a first interim dividend of 12½ per cent. has been declared on account of the current year.

The benefits of the tremendous amount of mine reconditioning carried out in the past few years are now being reflected in the substantially improved physical conditions of the mine, as a result of which a higher speed of development at lower cost was possible.

ORE RESERVES

The total ore in reserve at December 31, 1939, was estimated at 1,631,793 short tons of an average grade of 5.5 dwt. per ton. This is equivalent to an increase of 418,297 tons, with a decrease of 1 dwt. per ton in average value, as compared with the previous year's estimate. Results of operations during the year made manifest that the mill is capable of readily treating up to the rate of 40,000 short tons of ore per month and this it is hoped will be finally raised to 42,000 short tons.

The report of the Inspector of the Board of Trade has already disposed of the charges made against the board by the Grundt Committee.

GOLD EXCISE DUTY AND TAXATION

Since the outbreak of war the Commonwealth Government of Australia has imposed an Excise Duty on gold equivalent to 50 per cent. of the amount in excess of £9 (Australian) per fine ounce. While it is appreciated that the gold mining industry must make its full contribution to the war effort, I am not satisfied that this can be best achieved by imposing restrictions of this nature, which are only hampering its expansion.

Our company, owing to its being domiciled in Great Britain and its property being situated in Australia, unfortunately becomes liable to double taxation. The forms adopted by and the conditions imposed in the new taxation legislation both in this country and in Australia hit the Australian gold industry most severely. Proper consideration cannot have been given by the respective Governments to the fact that the gold industry is a wasting asset. A practical suggestion which it is thought would be helpful is that the Governments should waive entirely the special forms of taxation which, from the point of view of common justice, are so inapplicable to Australian gold mining and substitute for them some regulation under which all the net profits made by any Australian gold mine are to be invested in a special issue of Government bonds. The said bonds would be non-interest bearing during the duration of the war, but would carry, on the declaration of peace, the rate of interest then being paid by the Government on its interest bearing securities.

New conditions demand new policy, and the old one which has served the company so well and which has brought the mine to the highly satisfactory state of equipment and development it now occupies can no longer profitably continue. In the case of the Great Boulder Company, continuity of gold output, retention of the maximum number of men in employment, and the future profitable working of the property after peace has been declared have to be considered. To secure these desired results under the difficult taxation conditions existing a major sacrifice by shareholders is called for. In the opinion of the board this sacrifice may call for the entire abandonment of dividends during the period of the war, although the board will do its utmost to distribute one 12½ per cent. dividend each year.

The report and accounts were adopted on a show of hands and subsequently on a poll by 1,107,439 votes to 642,289.

ANGLO-CEYLON AND GENERAL ESTATES COMPANY, LIMITED

SATISFACTORY RESULTS

SIR EDWARD ROSLING'S SPEECH

The fifty-fourth annual general meeting of the Anglo-Ceylon and General Estates Company, Limited, was held, on the 3rd instant, at 5 Fenchurch Street, London.

Sir Edward Rosling (the chairman and managing director), who presided, said:—The results from the past year may be considered satisfactory, as even under the present conditions it is possible to maintain the dividend at the same rate as in the two previous years.

The net profit amounts to £64,900, as compared with £80,800 in the previous season, but in the year under review we have had to set aside £50,000 as provision for taxation, whereas in the previous accounts £15,000 was deemed to be sufficient. The increase, as explained in the body of the report, arises from the increases in the rate of British income tax and the poll tax in Mauritius, both of which were made retrospective and also for making provision for the Excess Profits Tax.

Against this the shareholders receive the Dominion and overseas relief amounting to £8,400, which is equal to an increase in the gross dividend of 2.2 per cent.

During the year a small cacao estate, Karandagalla, was purchased; this is a very fine little property bordering on Kondesalle Estate, and should prove a valuable addition.

It will be seen in the balance sheet that some £19,000 is due by the Government for teas delivered under contract; this partly accounts for the small amount of cash shown in the balance sheet.

In Ceylon the restricted tea crop amounted to 4,158,045 lb., as compared with 4,022,144 lb. in the previous season; the net price realised was 13.92d., or an increase of .23 of a penny. The cacao crop of 10,399 cwt. was a bumper one, Kondesalle averaging 8¼ cwt. over the whole of its acreage; the price realised was 32s. 9d. per cwt., which, although still low, showed an improvement on the previous year of 15s. per cwt. Rubber gave a crop of 226,420 lb., netting an average price of 9.01d.

In both Ceylon and Mauritius there were long spells of drought, and in Mauritius the results were most marked, resulting in a total crop of 30,388 tons, as compared with 38,098 tons a year ago. An improvement in the market, however, enabled the profits on this commodity to be maintained.

THE LABOUR POSITION

The reports from the estates in both countries continue to be satisfactory, and the good relations between your superintendents and their labour which have prevailed for many years have, generally speaking, been well maintained.

Recently, however, owing to the Ceylon Government having discharged and repatriated some of the Indian labourers in their employ, in order to make room for unemployed Singhalese, and the Indian Government retaliating by restricting the movement of Tamils from South India to Ceylon, there has been a good deal of unrest in certain districts, largely fomented by professional agitators. So far as our estates are concerned we cannot say we have suffered materially, but it has thrown a great deal of anxiety and strain on the management. We can only hope that the authorities will realise their responsibilities, and prevent the trouble getting out of hand. Tamils have been travelling to and from India and Ceylon estates without hindrance for something over 100 years, and with great advantage to themselves as well as to the estates where they are employed, and it would appear to be little short of iniquitous that the two Governments concerned, both within the Empire, should allow a relatively small dispute to endanger a large and efficiently managed enterprise, and one that is extremely important to our Empire.

THE CURRENT SEASON

In regard to the prospects for the current season it is difficult to say much. The Government have purchased 85 per cent. of our tea at 14.18d., and the whole of our sugar crop at 13s. 2¼d. Cacao and rubber remain a free market. Our estimated crop of tea is put at 4,200,000 lb., and our sugar at 38,600 tons, the climatic conditions in Mauritius having proved, on the whole, favourable for the coming crop.

The report was unanimously adopted.

OHLSSON'S CAPE BREWERIES, LIMITED

INCREASED PROFIT

The ordinary general meeting of Ohlsson's Cape Breweries, Limited, was held, on the 4th instant, at 6 Bloomsbury Square, London.

Mr Geoffrey Dent (the chairman) said that the increase in profit on trading and rentals for the year amounted to £20,191. In view of the outbreak of war and the very difficult conditions prevailing he thought that might be considered satisfactory. Trade in the Union had so far been well maintained and the sale of their products had continued to expand. The increased activity at the ports, more particularly at Cape Town, and the assured markets for agricultural produce had been contributing factors in maintaining the general level of trade. At Johannesburg the new basis of taxation of the gold mining industry should prove of assistance by encouraging production from lower-grade ores, and conditions there had already shown marked improvement in recent months.

The total profit was £310,039 and the net profit was £150,009. It was proposed to pay a final dividend of 7½ per cent. less tax, making a total distribution of 12½ per cent. for the year. In view of the uncertainty of present trading conditions and the necessity for safeguarding the company's future position, the directors regretted that they could not on this occasion recommend the payment of a bonus.

They had considered it essential to make adequate provision out of the year's profits to meet their taxation liabilities in full as far as they could be foreseen. Owing to the fact that their profits had been on a rising scale for the years subsequent to the standard year of 1936-37, the company would be particularly affected by the Excess Profits Tax. A provision of £50,000 had therefore been made and added to the reserve for taxation to cover that liability. It was possible, and indeed probable, that industry might be called upon to shoulder even heavier burdens during the year. In order to meet their present liability for income tax, a further £40,000 had been added to the reserve for taxation, bringing that reserve up to £108,903.

The report and accounts were unanimously adopted.

NIRMALA (JAVA) PLANTATIONS AND LANDS COMPANY, LIMITED

PROBLEM OF DUTCH INDIES TEA

The annual general meeting of this company was held on the 2nd instant, in London.

Mr Walter Hilliers, chairman of the company, said: Our profit for the year was about equal to what might have been expected in view of the forward sales about which you were informed. Our financial position has undergone improvement and the current year would show further betterment.

As you know, last year I paid a lengthy visit to our estates in Java and Sumatra. Our visiting agent's reports confirm the satisfactory impression I gained. Strict economy is exercised, while necessary upkeep and cultivation are adhered to. We have added 472 acres of new rubber fields, partly from areas replanted and partly from new ones.

Rubber must remain our chief source of income. The position for Dutch East Indian teas gives cause for serious anxiety, with their home market closed to them and with the prohibition of imports into this country. Considering the large amount of British capital invested and the usefulness of these teas in blending, it is hoped that our Government will see their way to facilitate their importation.

The quantity of rubber sold forward to the end of this year is as stated in the report, but as regards the selling price, the London equivalent now is much higher than the one stated—viz., 11½d.

Remembering how welcome even a very modest dividend must be in these days, it was decided to recommend the distribution of 3 per cent. on the ordinary stock.

The report and accounts were adopted.

CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED

SIR F. FLANNERY'S REVIEW

The forty-fourth annual ordinary general meeting of Callender's Cable and Construction Company, Limited, was held, on the 28th ultimo, at Hamilton House, London.

Sir J. Fortescue Flannery, Bt., H.M.L., M.Inst.C.E., chairman of the company, said that following the declaration of war on September 3rd, considerable restrictions began to be made by electricity undertakings in their schemes for mains extensions, and the policy of the Electricity Commissioners—perfectly proper in all the circumstances—began to affect the orders received. However, manufacture for naval and military purposes made up in volume very largely for the losses in ordinary civil work. So far the company's factories had been fully employed, and the benefits of the substantial sums spent in buildings, plant and machinery had been felt not only in the increased volume of work which the factories could undertake, but also in the cost of manufacture.

The net profit for the year was £670,908. Bringing in £390,548 from last year, they had the sum of £1,061,456.

Deductions shown on the balance sheet left the sum of £301,408. This, added to the balance brought in from 1938, gave a total of £691,956. The directors recommended that the dividend should be maintained at the same rate as for the last 20 years—namely, 15 per cent., of which 5 per cent. had been paid as an interim.

Good business had been done with both the Callender-Hamilton Unit Construction bridges and hangars. Their business in rubber insulated ship wiring cables reached the highest level, and since September practically their whole output of those cables had been made to the requirements of H.M. Navy.

The volume of their exports was fully maintained and even substantially increased. Orders from Australia, New Zealand and South Africa were being well maintained and exports to India considerably increased, and they had recently obtained substantial new contracts for overhead transmission lines.

The report and accounts were unanimously adopted.

(Continued from page 20)

are reported by AMALGAMATED TEA, CONSOLIDATED TEA and KANAN DEVAN HILLS. All four companies, however, have maintained their ordinary dividends. ELDER DEMPSTER LINES report an increased total income of £855,156 against £826,841, but rising costs have caused a fall of over £70,000 in net income to £207,077. The ordinary dividend is maintained at 9 per cent. The HOLDING Company shows lower total and net income and has reduced its dividend from 8½ to 8 per cent. ALLIED IRONFOUNDERS suffered a marked set-back in income owihg to Government restrictions on private building, which reduced the demand for the company's products after the outbreak of war. Net profits have fallen to £112,424 against £183,389, and the dividend has been reduced from 9 to 5 per cent. All investment trusts whose results are issued this week show reduced net revenues, though higher total incomes have been earned by the CLYDE AND MERSEY and the U.S. TRUST OF SCOTLAND. The TRUSTEES CORPORATION maintains the 10 per cent. dividend despite the reduction of net profits to £86,355 against £109,320.

No dividend is paid by IDEAL BUILDING AND LAND, whose gross income has been reduced by three-quarters, resulting in a loss of £17,925 for 1939, compared with a profit of £114,376. Despite war conditions, LOVELL AND CHRISTMAS report a satisfactory increase in net earnings from £76,190 to £110,202, and dividends are reduced at 6 per cent. PALESTINE POTASH net income jumped from £25,274 to £80,254, but despite this improvement, the directors feel unable to repay £46,092 due to the guarantor and no ordinary dividend is declared.

MISCELLANEOUS

Patons and Baldwins.—Gross profit year to April 7, 1940, £687,453 (£539,023). Net profit, £487,128 (£361,885). Ordinary dividend reduced from 10 to 8½ per cent. tax free. War contingencies reserve, £270,000, against £75,000 to general reserve and £30,000 to A.R.P. reserve. Carry forward, £74,989 (£74,007).

Canadian Pacific Railway.—Gross earnings, May, 1940: $13,512,000 ($11,994,000); net earnings, $2,464,000 ($1,907,000). January to May: Gross, $61,193,000 ($51,454,000); net, $9,713,000 ($4,288,000).

Martins Bank, Ltd.—Interim dividend, 7½ per cent., as before, subject to income tax, for half-year ended June 30, 1940.

Allied Ironfounders, Ltd.—Total income year to March 31, 1940, £115,235 (£203,389). Net profit, £112,424 (£198,428). Ordinary dividend, 5 (9) per cent. Central obsolescence, nil (£20,000). Depreciation reserve, nil (£20,000). Contingencies reserve, nil (£15,000). Carry-forward, £178,197 (£160,916).

Alexanders Discount Company, Ltd.—Interim dividend 7½ per cent., as before.

(Continued on page 30)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the eight days to June 30, 1940, total ordinary revenue was £13,304,000, against ordinary expenditure of £73,785,000 and issues to sinking funds of £250,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £508,244,000, against £153,370,000 (including defence loan issues) for the corresponding period a year ago. The quarter's revenue return is printed in full on page 29.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands) Apr. 1, 1939, to June 30, 1939	Apr. 1, 1940, to June 30, 1940	6 days ended June 30, 1939	8 days ended June 30, 1940
ORDINARY REVENUE				
Income Tax	10,246	23,299	12	2,275
Sur-tax	6,660	6,520	160	320
Estate, etc., Duties	20,930	22,950	3,190	2,350
Stamps	4,380	3,570	450	...
N.D.C.	5,040	4,310	720	240
E.P.T.	...	6,660	...	1,940
Other Inland Revenue	250	90	40	...
Total Inland Revenue	47,506	67,399	4,572	7,125
Customs	61,523	70,637	4,604	5,886
Excise	26,950	36,400	700	300
Total Customs & Excise	88,473	107037	5,304	6,186
Motor Duties	4,629	5,538	...	...
P.O. (Net Receipt)	1,614	2,850	*Dr1796*	*Dr.100*
Crown Lands	320	280	...	40
Receipts from Sundry Loans	356	423	...	...
Miscellaneous Receipts	1,159	4,642	1	53
Total Ordinary Revenue	144057	188169	8,081	13,304
SELF-BALANCING				
Post Office and Broadcasting	19,736	20,250	3,046	2,100
Total	163793	208419	11,127	15,404

Expenditure	Issues out of the Exchequer to meet payments (£ thousands) Apr. 1, 1939, to June 30, 1939	Apr. 1, 1940, to June 30, 1940	6 days ended June 30, 1939	8 days ended June 30, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt	76,792	79,388	1,563	1,694
Payments to N. Ireland	1,633	1,697	...	402
Other Consoldrd. Fund Services	592	604	44	174
Total	79,017	81,689	1,607	2,270
Supply Services	216870	613145	22,604	71,515
Total Ordinary Expenditure	295887	694834	24,211	73,785
SELF-BALANCING				
Post Office and Broadcasting	19,736	20,250	3,046	2,100
Total	315623	715084	27,257	75,885

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £149,929 to £2,896,501, the other operations for the week (as shown below) raised the gross National Debt by £58,723,000 to about £9,451 millions. An analysis of the approximate position of the National Debt appears on page 33.

WEEK'S CHANGES IN DEBT

(£ thousands)

NET INCREASES		NET REPAYMENTS	
National Savings Certificates	3,478	Pub. Debt Adv.	5,700
3% Defence Bonds	4,102		
Treasury Bills	9,869		
2% War Bonds	42,750		
Other debt	4,224		
	64,423		5,700

OTHER ISSUES (NET)
(£ thousands)

Overseas Trade Guarantees	383
Anglo-Turkish (Armaments Credit)	72
	455

OTHER RECEIPTS (NET)
(£ thousands)

P.O. and Telegraph Money Acts	2,600
Housing Act, 1914	14
	2,614

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to June 30, 1940, are :—

(£ thousands)

Ordinary Exp.	694,834	Ord. Revenue	188,169
Misc. Iss. (net)	3,182	Gross borr.	511,928
Inc. in balances	502	*Less*— Sinking fds.	1,579
		Net borrowing	510,349
	698,518		698,518

FLOATING DEBT

(£ millions)

Date	Treasury Bills: Tender	Tap	Ways and Means Advances: Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1939						
June 30	993·0		45·7	37·5	1076·2	...
1940						
Mar. 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
„ 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
„ 22	755·0	861·1	42·3	...	1658·4	903·4
„ 30	770·0	856·0	36·6	...	1662·6	892·6

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate %		Per Cent. Allotted at Minimum Rate
1939				s.	d.	
June 30	50·0	66·6	47·0	17	0·00	58
1940						
Mar. 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
„ 21	65·0	97·6	65·0	20	4·97	60
„ 28	65·0	110·3	65·0	20	5·22	51

On June 28th 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 51 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 July 5th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

(£ thousands)

Period	N.S.C.	3% Bds.	Total
Week to June 18, 1940	8,641	9,292	17,913
Week to June 25, 1940	5,732	4,290	10,022
31 weeks to June 25, 1940	110,173	102,495	212,668

Revenue returns show repayment of principal of savings certificates amounting to £16,972,000 and of defence bonds amounting to £48,000 in the 31 weeks to June 25, 1940. In the same period, the balance due to depositors in savings banks has increased by £33,352,500.

BANK OF ENGLAND RETURNS

JULY 3, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued :		Govt. Debt.	11,015,100
In circulln.	608,184,495	Other Govt. Securities	615,716,481
In Bnkg. Department	22,052,263	Other Secs.	2,757,724
		Silver coin	510,695
		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

	£		£
Props' Capital	14,553,000	Govt. Secs.	171,227,838
Rest	3,351,192	Other Secs. :	
Public Deps.*	16,598,410	*Discs., etc.*	*5,445,981*
		Securities	*23,192,069*
Other Deps. :			*28,638,050*
Bankers'	*140,121,140*	Notes	22,052,263
Other Accts.	*48,827,002*	Gold & Silver Coin	1,532,593
	188,948,142		
	223,450,744		223,450,744

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. July 3, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	608,185	+ 6,031	+ 102463
Deposits : Public	16,598	41,367	2,703
Bankers'	140,121	+ 57,373	+ 43,644
Others	48,827	1,505	+ 11,266
Total outside liabilities	813,731	+ 20,532	+ 154670
Capital and rest	17,904	+ 19	81
COMBINED ASSETS			
Govt. debt and securities†	797,959	+ 20,662	+ 380001
Discounts and advances	5,446	+ 738	+ 3,343
Other securities	25,950	+ 890	+ 3,450
Silver coin in issue dept.	511	+ 1	+ 202
Gold coin and bullion	1,769	+ 40	225316
RESERVES			
Res. of notes and coin in banking department	23,585	+ 5,991	+ 2,221
"Proportion" (reserve to outside liabilities in Bankg. dept.)	11·4%	− 4·0%	− 2·5%

COMPARATIVE ANALYSIS*

(£ millions)

	1939 July 5	1940 June 12	June 19	June 26	July 3
Issue Dept. :					
Notes in circ.	505·7	578·4	589·1	602·2	608·2
Notes in banking dept.	20·7	51·9	41·2	28·1	22·1
Govt. debt and securities†	299·2	626·2	626·3	626·2	626·7
Other secs.	0·0	3·3	3·2	3·3	2·8
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	226·4 *148·50*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*
Deposits :					
Public	19·3	34·9	35·3	58·0	16·6
Bankers'	96·5	103·2	103·7	82·7	140·1
Others	37·6	48·4	46·9	50·3	48·8
Total	153·4	186·5	185·9	191·0	205·5
Bkg. Dept. Secs.					
Government	118·7	124·0	130·6	151·1	171·2
Discounts, etc.	8·8	3·9	3·5	4·7	5·4
Other	22·5	23·0	27·0	23·5	23·2
Total	150·0	150·9	161·1	179·3	199·8
Banking dept. reserve	21·4	53·4	42·7	29·5	23·6
"Proportion"	% 13·9	% 28·6	% 22·9	% 15·4	% 11·4

* Government debt is £11,015,100: capital £14,553,000. † Fiduciary issue raised from £580 millions to £630 millions on June 11, 1940.

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, 1941, as compared with the corresponding periods of the preceding Year.

	Quarter from April 1 to June 30, 1940, compared with the corresponding Quarter of the preceding Year: Quarter ending June 30, 1939	Quarter ending June 30, 1940	Increase	Decrease	Period from April 1, 1940, to June 30, 1940, compared with the corresponding period of the preceding Year: Period ending June 30, 1939	Period ending June 30, 1940	Increase	Decrease
Ordinary Revenue	£	£	£	£	£	£	£	£
Inland Revenue—								
Income Tax	10,246,000	23,299,000	13,053,000	...				
Sur-tax	6,660,000	6,520,000	...	140,000				
Estate, etc., Duties	20,930,000	22,950,000	2,020,000	...				
Stamps	4,380,000	3,570,000	...	810,000				
National Defence Contribution	5,040,000	4,310,000	...	730,000				
Excess Profits Tax	...	6,660,000	6,660,000	...				
Other Inland Revenue Duties	250,000	90,000	...	160,000				
Total Inland Revenue	47,506,000	67,399,000	21,733,000	1,840,000				
Customs and Excise—								
Customs	61,523,000	70,637,000	9,114,000	...				
Excise	26,950,000	36,400,000	9,450,000	...				
Total Customs and Excise	88,473,000	107,037,000	18,564,000	...				
Motor Vehicle Duties	4,629,000	5,538,000	909,000	...				
Post Office (Net receipt)	1,614,000	2,850,000	1,236,000	...		(*See* preceding columns)		
Crown Lands	320,000	280,000	...	40,000				
Receipts from Sundry Loans	355,779	422,960	67,181	...				
Miscellaneous Receipts	1,158,998	4,642,490	3,483,492	...				
Total Ordinary Revenue	144,056,777	188,169,450	45,992,673	1,880,000				
			£44,112,673 Net Increase					
Self-Balancing Revenue								
Revenue required to meet expenditure on Post Office and Broadcasting	19,736,000	20,250,000	514,000	...				
Total	163,792,777	208,419,450	46,506,673	1,880,000				
			£44,626,673 Net Increase					

II.—An ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Period ending June 30, 1940, as compared with the corresponding period of the preceding Year.

RECEIPTS	Period ending June 30, 1939	Period ending June 30, 1940
	£	£
Ordinary Revenue, as shown in Account I	144,056,777	188,169,450
Self-Balancing Revenue as shown in Account I	19,736,000	20,250,000
Total Revenue	163,792,777	208,419,450
Temporary Advances Repaid—		
Bullion	85,000	85,000
Money Raised by Creation of Debt—		
(*a*) For Capital Expenditure Issues—		
Under the Post Office and Telegraph (Money) Acts, 1937 and 1939	5,450,000	2,600,000
Under the Housing Act, 1914	...	22,000
(*b*) For other Issues—		
By Treasury Bills	1,370,835,000	2,549,493,000
By National Savings Certificates	5,750,000	51,250,000
By 3 per Cent. Defence Bonds	...	43,600,000
By 3 per Cent. War Loan, 1955–59	...	203,209,010
By 2½ per Cent. National War Bonds, 1945–47	...	42,750,000
By other Debt under the War Loan Acts, 1914 to 1919, and the National Loans Acts, 1939 and 1940	200,000	5,457,358
(*c*) Ways and Means Advances	701,850,000	1,303,420,000
Repayments, etc.—		
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921	37,868	39,981
In respect of Issues under Section 26 of the Tithe Act, 1936	450,000	520,000
	2,248,450,645	4,410,865,799
Balances in Exchequer on April 1st :—	1939 £	1940 £
Bank of England	2,063,755	2,033,823
Bank of Ireland	435,657	360,799
	2,499,412	2,394,622
	2,250,950,057	4,413,260,421

ISSUES	Period ending June 30, 1939	Period ending June 30, 1940
Ordinary Expenditure	£	£
Interest and Management of National Debt	76,792,030	79,388,470
Payments to Northern Ireland Exchequer	1,633,189	1,697,178
Other Consolidated Fund Services	591,529	604,094
Total	79,016,748	81,689,742
Total Supply Services (excluding Post Office and Broadcasting)	202,120,500	613,144,660
Total Ordinary Expenditure	281,137,248	694,834,402
Self-Balancing Expenditure		
Post Office Vote and Vote for Broadcasting	19,736,000	20,250,000
Total Expenditure	300,873,248	715,084,402
Temporary Advances—		
Bullion	85,000	170,000
Issues to meet Capital Expenditure—		
Under the Post Office and Telegraph (Money) Acts, 1937 and 1939	5,450,000	2,600,000
Under the Housing Act, 1914	...	16,000
Redemption of Debt—		
Treasury Bills paid off	1,270,350,000	2,351,225,000
Principal of National Savings Certificates paid off	7,350,000	7,200,000
Principal of National Savings Bonds paid off	28,425	22,162
Principal of 3 per Cent. Defence Bonds paid off	...	48,176
Other Debt under the War Loan Acts, 1914 to 1919, and the National Loans Acts, 1939 and 1940	...	475,760
Ways and Means Advances Repaid	646,525,000	1,328,280,000
Sinking Funds	1,539,607	1,578,927
Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934	383,379	102,180
Issues under Section 26 (1) of the Tithe Act, 1936	960,000	970,000
Issues under the Defence Loans Acts, 1937 and 1939	14,750,000	...
Issues under Section 1 of the Anglo-Turkish (Armaments Credit) Agreement Act, 1938	134,211	588,947
Issues under Section 4 (1) of the Overseas Trade Guarantees Act, 1939	...	2,002,366
	2,248,428,870	4,410,363,920
Balances in Exchequer—	June 30, 1939 £	June 30, 1940 £
Bank of England	2,039,583	2,046,303
Bank of Ireland	481,604	850,198
	2,521,187	2,896,501
	2,250,950,057	4,413,260,421

Treasury, June 29, 1940.

Mem.—Floating Debt, outstanding March 31, 1940 ..... £1,489,200,000

	June 30, 1939 £	June 30, 1940 £
Ways and Means Advances outstanding :—		
Advances by Bank of England	37,500,000	...
Advances by Public Departments	45,710,000	36,630,000
Treasury Bills outstanding	992,960,000	1,625,975,000*
Total Floating Debt outstanding	1,076,170,000	1,662,605,000
Net Increase		173,405,000

* Includes £37,000 the proceeds of which were not carried to the Exchequer within the period of the account.

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between June 27th and July 4th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03⅓. Can. $ (4·86⅔) 4·43–47⅞ mail transfers, 4·43–47¼. Sw. fcs. (25·22½), 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, ¾ cent pm.-par. Canada, ½ 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 28, 1940	June 29, 1940	July 1, 1940	July 2, 1940	July 3, 1940	July 4, 1940
Tallinn, Ekr.	18·159	15⅛*	15*	14¾*	14¾*	14¾*	14¾*
Riga, Lats	25·22½	19¾*	19½*	19⅛*	19⅛*	19⅛*	19⅛*
Budapest, Pen.	27·82	21¼*	21*	20⅝*	20⅝*	20⅝*	20⅝*
Kovno, Lit	48·66	22⅛*	21⅞*	21½*	21½*	21½*	21½*
Belgrade, Din.	276·32	160*	155*	155*	155*	155*	155*
		200*(g)	200*(g)	195*(g)	195*(g)	195*(g)	195*(g)
Sofia, Lev	673·66	315*	310*	305*	305*	305*	305*
Helsingfors, Mk	193·23	190–210	190–210	190–210	190–210	190–210	190–210
Alexandria, Pat	97½	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Lisbon, Esc.	110	99–102	99–102	99–102	99–102	99–102	98½–101½
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16
Kobe, Yen	†24·58d.	13 15/16– 15 1/16	14½– 15⅜	14 11/16– 15 7/16	14¾– 15⅜	14¾–15⅝	14⅝–15¼
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	3¼*	3 5/16*	3 5/16*	3 5/16*	3 5/16*	3 5/16*
Valparaiso, Pes.	40	95*	95*	95*	95*	95*	95*
Lima, Sol. (e)	17·38	23½–26½	23½–26½	23½–26½	23–27	23–27	23–27
Montevideo, $	† 51d.	20½–23½	20½–23½	21–24	21¼–24¼	21¼–24¼	21¼–24¼
Singapore, $	† 28d.	28 11/16–5/16	28 11/16–5/16	28 11/16–5/16	28 11/16–5/16	28 11/16–5/16	28 11/16–5/16
Shanghai, $	† ...	3½–4⅜	3½–4¼	3½–4¼	3½–4¼	3½–4¼	3½–4¼
Bogota, Pes.	...	61¼*	61¼*	61¼*	61¼*	61¼*	61¼*

* 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.
(e) 90 days. (g) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended July 1, '39	Week ended June 29, '40	Aggregate January 1 to July 1, '39	Aggregate January 1 to June 29, '40		Week ended July 1, '39	Week ended June 29, '40	Aggregate January 1 to July 1, '39	Aggregate January 1 to June 29, '40
Working days :—	6	6	153	153	Newcastle	1,699	1,331	39,739	36,126
Birmingham	2,433	2,187	61,731	58,347	Nottingham	552	483	12,844	11,211
Bradford	827	3,107	21,525	41,374					
Bristol	1,470	2,047	31,129	44,309	9 Towns	24,201	27,506	585,724	678,724
Hull	794	660	20,564	21,008					
Leicester	695	700	18,884	19,687	Dublin	6,771	6,527	164,926	157,013
Liverpool	5,342	5,305	130,332	151,348	Sheffield*	1,071	510	27,584	16,850
Manchester	10,169	11,676	246,176	295,214	Southampton†	...	86	...	827

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between June 27th and July 4th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1⅛–⅞%; 3 months, 1⅛–⅞%; 4 months, 11/16–11/16%; 6 months, 1⅛–1 5/16%. Treasury bills: 2 months, 1–11/16%; 3 months, 11/16%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
June 28	21⅛	21⅜	July 3	21¾	21 11/16
July 1	21 11/16	21 11/16	„ 4	21¾	21⅝
„ 2	21 15/16	21 11/16			

NEW YORK EXCHANGE RATES

New York on	June 27, 1940	June 28, 1940	June 29, 1940	July 1, 1940	July 2, 1940	July 3, 1940
London :—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	395	390	382	380‡	380	382
Switzerland, Fr.	22·64	22·64	22·64	22·64	22·05	22·67
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·05	40·05	40·05	40·05	40·05	40·05
Stockholm, Kr.	23·90	23·89	23·89	23·89	23·87	23·89
Montreal, Can. $	85·250	83·750	85·250	84·250	83·680	84·125
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	6·45	6·50	6·25	6·20	6·15	6·25
B. Aires, Pso. (mkt. rate)	21·60‡	21·60‡	21·60‡	21·45‡	21·10‡	21·35‡
Brazil, Milreis	5·10	5·10	5·10	5·10	5·10	5·10

‡ Official buying rate 29·78. (c) Nominal.

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.

Bolivia.* Sight selling rate 141·40 bolivianos per £, May 2, 1940.

Colombia.* Sight selling rate 174·85 pesos per 100 U.S. $, May 28, 1940, for holders of permits buying in the "open" market.

Ecuador. Sight selling rate 18·00 sucres per U.S. $, June 4, 1940.

Guatemala. Sight selling rate maintained at one quetzal per U.S. $, less commission of 1 per cent. to Central Bank.

Nicaragua.* Sight selling rate for payment of imports fixed at 5·52½ cordobas per U.S. $ (incl. 10 per cent. tax and ½ per cent. comm.), June 9, 1938.

Paraguay. Sight selling rate 70·70 Paraguayan pesos per Argentine "free" paper peso, April 18, 1940.

El Salvador. Sight selling rate New York was 2·50¾ colones per $, May 10, 1940.

Venezuela. 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 %
Amsterdam	Aug. 28, '39	2	3	Madrid	July 15, '35	5	4
Athens	Jan. 4, '37	7	6	Montreal	Mar. 11, '35	...	2½
Batavia	Jan. 14, '37	4	3	Oslo	Sep. 22, '39	3½	4½
Brussels	Feb. 1, '35	6½	5	Paris	Jan. 3, '39	2½	2
Cairo	April '40	4	3½	Pretoria	May 15, '33	4	3½
Danzig	Jan. 25, '40	2½	2	Tallinn	Oct. 1, '35	4	4½
Bucharest	May 5, '38	4½	3½	Riga	Feb. 17, '40	4½	5a
Budapest	Aug. 28, '35	4½	4			5	5½b
Calcutta	Nov. 28, '35	3½	3	Rio de Janeiro	May 31, '35	...	3½
Chile	June 13, '35	4	4½a	Rome	May 18, '36	5	4½
		5½	6b	Sofia	Aug. 15, '35	7	6
Copenhagen	Oct. 9, '39	4½	5½	Stockholm	May 16, '40	3	3½
Helsingfors	Dec. 3, '34	4½	4	Zurich	Nov. 25, '36	2	1½
Kovno	May 14, '39	5	7	Tokio	Mar. 11, '38	3·285	3·46
Lisbon	May 11, '36	5	4½	Wellington	May 27, '40	3	2
N.Y. Fed. Res.	Aug. 26, '37	1½	1	Dublin	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* Buying: Australia (†) Ord. Mail	(‡) Air Mail	Buying: New Zealand (†) Ord. Mail	(‡) Air Mail	Selling: Australia (any mail)	Selling: New Zealand (any mail)	Australia and New Zealand on London* Buying: Australia Air Mail	Ord. Mail	Buying: New Zealand	Selling: Australia (any mail)	Selling: New Zealand
T.T.	...		...		125	124⅝	125		124⅝	125⅛	125
Sight	126⅝	126⅛	126¼	125⅞	125 1/16	124 7/16	124 15/16	124 11/16	123 15/16	125⅛	124⅝
30 days	127⅛	126⅝	126¾	126⅜	...	...	124½	124⅜	123 11/16	125 7/16	124⅛
60 days	127⅝	127⅛	127¼	126⅞	...	...	124¼	124⅛	123⅞	125⅜	124⅛
90 days	128⅛	127⅝	127¾	127⅜	...		124	123⅞	123 15/16	125 9/16	124⅛

* 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. £	s.	d.	Sight £	s.	d.	30 days' sight £	s.	d.	60 days' sight £	s.	d.	90 days' sight £	s.	d.
London on:															
Rhodesia	100	5	0	100	13	0	101	1	3	101	9	6	101	17	9
S. Africa	101	0	0	101	8	0	101	16	3	102	4	6	102	12	9

(SELLING RATES PER £100 STERLING)

	Sight £	s.	d.	Telegraphic £	s.	d.
London on :—						
Rhodesia	99	15	0	99	15	0
South Africa	100	5	0	100	5	0

SHORTER COMMENTS

(*Continued from page 27.*)

London Associated Electricity Undertakings.—No interim payment on ordinary stock for 1940 (3 per cent. interim since registration, 1935).

Greenwood and Batley.—Gross profit rose to March 31, 1940, £151,180 (£147,493). Taxation, £44,892 (£19,000). Net profit, £83,390 (£105,466). Ordinary dividend, 13 (15) per cent. Depreciation, £31,125 (£37,500).

Eastwoods Flettons, Ltd.—Trading profit year to March 31, 1940, £38,308 (£53,758). Net profit, £23,625 (£38,579). Ordinary dividend reduced from 12 to 9 per cent. Deferred dividend, 25 against 116⅔ per cent.

Forestal Land, Timber and Railways Company, Ltd.—Directors propose redemption, December 1, 1940, at £102 of outstanding 4½ per cent. ten year registered notes. Company offers to acquire for immediate repayment and cancellation up to £250,000 nominal of notes at cash price (including all interest) of £103½ per cent. Issue of notes stands at £499,300.

National Discount Company, Ltd.—Interim dividends maintained at 2s. 6d. per share on "A" shares and 4s. 6d. on "B" shares.

(*Continued on page 33*)

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Financial Land, etc.													
Bieckert's Brewery Inv.	May 31	36,622	...	19,822	34,898	...	19,419	5	...	+ 403	37,808	22,187	5
Elder Dempster Holdings	June 15	144,907	...	138,368	142,345	...	139,492	8	...	− 1,124	178,653	171,013	8½
Hampstead Suburb Trust	Mar. 31	27,203	105	5,886	8,536	...	5,500	5	...	+ 386	27,974	4,979	5
Lewis (J.) Partnership	Apr. 30	13,949	...	6,424	6,573	16,885	...	...	Dr.12,010	+ 1,549	31,932	20,246	Nil
Monument Property Tst.	Mar. 31	181,741	...	12,797	19,452	785	...	...	...	+ 12,012	143,649	19,871	5
Scottish Tea, etc., Trust	May 31	6,937	...	5,822	13,646	...	6,497	6	...	− 675	7,454	6,160	5
South American Assets	Mar. 1	2,053	...	865	14,816	...	...	...	...	+ 865	1,477	Dr. 178	Nil
Iron, Coal and Steel													
Allied Ironfounders	Mar. 31	115,235	...	112,424	273,342	41,773	53,372	5	...	+ 17,279	203,389	183,389	9
Greenwood and Batley	Mar. 31	135,176	31,125	52,266	84,776	7,028	45,291	13	...	− 53	131,360	61,967	15
Mirrlees, Bickerton & Day	Mar. 31	27,265	...	25,596	31,173	2,343	17,475	6	3,068	+ 2,710	19,938	23,672	6
North's Navgn. Collieries	Dec. 31	55,787	...	3,787	43,078	3,250	13,422	2	...	− 12,885	58,489	48,184	4
Rickett, Cockerell & Co.	Mar. 31	68,081	...	66,581	104,276	20,250	46,377	10	...	− 46	72,394	68,894	10
Stephenson Clarke, etc.	Mar. 31	719,725	177,267	227,891	311,313	50,625	71,625	7½	100,000	+ 5,641	605,921	220,585	10
Summers (John) and Sons	Dec. 31	888,360	...	488,626	804,546	...	273,125	8½ & 4½	400,000	− 184,499	366,076	221,207	Nil
Rubber													
Badek	Dec. 31	16,999	485	5,894	19,788	...	5,919	7½	...	− 25	16,416	8,932	10
Sungei Bahru	Mar. 31	16,346	...	6,433	8,345	...	5,404	6¼	...	+ 1,029	10,033	5,254	5
Sungei Krian	Dec. 31	29,121	...	6,987	36,089	...	9,512	10	...	− 2,525	20,287	11,795	10
Teekoy	Mar. 31	7,588	...	3,972	6,086	...	3,700	5	...	+ 272	6,858	2,205	3
Tea													
Amalgamated	Nov. 30	205,063	22,000	51,424	111,563	21,000	66,969	7	Dr.63,000	+ 26,455	245,573	93,250	7
Anglo-American Direct	Nov. 30	335,953	33,000	85,677	165,775	30,000	49,678	7½	...	+ 5,999	275,181	84,297	7½
Consolidated Tea, etc.	Nov. 30	547,702	45,000	158,208	273,515	78,000	120,000	10	Dr.65,000	+ 25,208	595,551	193,379	10
Dooars	Dec. 31	224,912	...	36,952	55,860	5,250	32,760	10	...	− 1,058	195,400	35,764	10
Empire of India, etc.	Dec. 31	256,885	...	37,366	50,768	10,950	29,610	7½	...	− 3,194	240,992	38,051	7½
Galaha	Dec. 31	190,083	5,500	21,170	24,044	3,600	17,520	6	...	+ 50	178,453	22,617	6
Isa Bheel	Dec. 31	18,868	...	4,169	8,923	447	3,281	12½	1,000	− 559	20,142	4,573	15
Jorehaut	Dec. 31	117,165	...	40,074	43,044	...	40,000	10	...	+ 74	71,825	40,770	10
Kanan Devan Hills	Nov. 30	525,592	...	140,794	249,423	33,000	131,250	17½	Dr.14,500	− 8,956	497,648	184,508	17½
New Sylhet	Dec. 31	18,009	1,091	6,290	10,352	720	4,200	15	265	+ 1,105	15,897	5,035	15
Pathini	Dec. 31	22,921	...	6,717	10,754	1,116	5,812	15	...	+ 211	20,391	4,498	10
Singlo	Dec. 31	191,819	...	30,258	49,448	6,825	24,192	12	...	− 759	158,646	29,546	12
Tjiwangie	Mar. 31	20,046	...	12,645	17,487	...	12,500	12½	...	+ 145	15,452	12,853	12½
Trusts													
Clyde and Mersey	May 31	73,453	...	28,974	55,510	6,914	13,191	5	5,000	+ 3,869	70,769	31,665	5½
Dominion & General	Apr. 30	53,102	...	14,599	45,141	8,269	2,869	1½	...	+ 3,461	53,635	15,683	1½
Second Great Northern	June 1	58,057	...	26,549	42,017	13,812	6,334	2	5,000	+ 1,403	59,126	30,073	2
Trustees Corporation	May 31	207,502	...	86,355	159,163	24,240	56,684	10	...	+ 5,431	225,688	109,320	10
U.S. Trust of Scotland	May 31	63,406	...	25,653	41,877	8,184	11,487	9	5,000	+ 982	60,805	26,128	9
Other Companies													
Assoc. British Engineering	Mar. 31	18,996	...	9,246	19,791	7,965	4,766	5	...	− 3,485	Dr. 4,131	Dr. 6,150	5
Cranston London Hotels	May 17	14,836	...	Dr. 4,342	864	...	...	...	...	+ 4,342	37,557	11,325	7½
Eastwoods Flettons	Mar. 31	38,308	10,000	21,150	33,567	17,100	2,850	25	...	+ 1,200	53,759	34,580	116⅔
Elder Dempster Lines	Dec. 31	855,156	338,320	207,077	389,063	...	143,125	9	...	+ 63,952	826,841	280,363	9
Fisher and Ludlow	Mar. 31	229,475	73,701	51,916	159,508	7,000	46,875	12½	50,000	− 51,959	200,013	88,832	15
Grout and Company	Apr. 30	43,697	7,386	19,296	29,492	613	9,463	5	...	+ 9,220	24,200	13,699	5
Ideal Building & Land	Dec. 31	37,333	...	Dr.17,925	Dr.16,428	...	...	...	Dr.20,000	+ 2,075	169,955	114,376	5
Lever Bros. & Unilever	Dec. 31	9,740,567	...	6,690,532	8,180,914	4,337,777	1,326,288	10	800,000	+ 226,467	7,346,343	6,267,950	10
Lovell and Christmas	June 8	169,802	...	110,202	195,144	45,000	45,000	6	10,000	+ 10,202	104,499	76,190	Nil
Owen (Thomas)	Mar. 31	178,826	23,475	92,372	138,683	13,105	19,531	12½	...	+ 59,736	96,456	59,278	10
Palestine Potash	Dec. 31	199,458	60,000	80,254	92,298	20,708	...	...	...	+ 59,546	84,550	25,274	Nil
Patons and Baldwins	Apr. 27	687,453	184,621	487,128	561,135	53,018	163,128	8½*	270,000	+ 982	539,023	361,885	10*
Revo Electric	Mar. 31	90,292	...	34,454	100,939	...	11,944	5	...	+ 22,510	114,364	68,852	17½
"Shell" Transport, etc.	Dec. 31	2,527,766	...	2,477,844	2,684,512	800,000	1,447,281	5*	...	+ 230,563	6,680,373	6,616,489	20*
Spicers', Ltd.	Mar. 31	107,814	...	51,861	158,153	32,500	20,000	4	...	− 639	86,283	68,194	3½
Spiers and Pond	Mar. 31	61,254	...	31,350	42,359	32,342	...	...	...	− 992	66,703	38,165	2
United Brit. Oil Trinidad	Dec. 31	502,112	...	134,303	156,365	22,233	99,575	8¾	...	+ 12,495	273,034	83,335	Nil
Totals (£'000's):	*No.of Cos.*												
Week to July 6, 1940	*53*	*21,127*	*1,006*	*12,481*	*16,304*	*5,785*	*4,684*	...	*1,475*	+ *537*	*21,641*	*16,265*	...
Jan. 1 to July 6, 1940	*1,327*	*277,946*	*21,926*	*153,826*	*218,128*	*34,292*	*95,486*	...	*17,283*	+ *6,765*	*257,736*	*157,627*	...

* Free of Income Tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
BANKS				
Alexanders Discount	7½*	...	...	7½*
Barclays Bank "A"	5*	...	Aug. 1	5*
„ "B" and "C"	7*	...	Aug. 1	7*
Martins Bank	7½*	...	July 23	7½*
National Discount 'A'	5*	...	July 19	5*
Do. 'B'	9*	...	July 19	9*
Union of Australia	3*	...	July 31	3*
TEA AND RUBBER				
Bengal United Tea	...	6	...	4
Bukit Mertajam Rbr.	...	12	Aug. 20	4
Cicely Rubber	...	10	...	5
Dima Tea	10†	12½	...	12½
Imperial Tea	...	9	...	8
Langkong Rubber	...	4	...	3
Nedeem Tea	...	6	...	6
Sungei Bahru Rubber	...	6¼	July 19	5
Sungei Tiram Rubber	...	5	...	Nil
Surmah Valley Tea	10†	14	...	14
Upper Assam Tea	...	15	...	15
MINING				
Blackwater Mines	‡5†	‡10	...	‡7½
Cons. Gold. N.Z.	‡12½*	...	...	‡6¼*
Rantau Tin	10†	20	...	7½
Selukwe Gold	4*	...	...	4*
Sthn. Kinta Cons.	12½†	25	Sept. 10	10
Do. 1940–41	5*	...	Sept. 10	2½*
INDUSTRIALS				
Alders (Tamworth)	7½*	...	...	2*
Colombo Commercial	‡4*	...	July 31	‡4*
Distillers Co.	(a)10†	(a)16¼	...	22½
Eastwoods Flettons	4†	9	...	12
Eng. & N. York Trust	1½*	...	July 31	1½*
Graves (J. G.)	...	15	...	25
Greenwood & Batley	10†	13	...	15
Hazell Watson, etc.	‡2½†	‡4	...	8‡
Law Deb. Corpn.	4*	...	Aug. 1	4*
Lovell and Christmas	...	6	...	Nil
Mercantile Inv. Trust	3½*	...	Aug. 1	3½*
New Sth. Wales Land	...	4	...	8
Outram (George)	5*	...	...	5*
Rogers (R. H. & S.)	2½*	25	July 31	2½*
Sangers	15†	25	...	25
Shipley Collieries	6½†	10	July 25	12½
Swan Hunter, etc.	4*	...	Aug. 31	4½*
Tatem Steam	5†	15	...	15
Williams & Williams	...	15	July 22	15
Wiseman (M.) and Co.	6*	...	July 17	6*

‡ Free of income tax. (a) Paid on 40 per cent. more capital.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	+ or −	Aggregate Gross Receipts 1940	+ or −
B.A. and Pacific	51	June 22	‡1,035,000	− 396,000	70,099,000	− 4,901,000
B.A. Gt. Southern	51	22	‡1,706,000	− 181,000	118,091,000	− 778,000
B.A. Western	51	22	‡671,000	+ 56,000	39,907,000	+ 1,242,000
Canadian Pacific	26	30	†$4,729,000	+ 1514000	75,385,000	+ 13577000
Central Argentine	52	29	‡1,419,800	− 572,500	90,500,800	− 11965250

† 9 days. ‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	July 3, 1940	Name	July 3, 1940	Name	July 3, 1940
For. Bond.	Unq't'd	National D.	9/—10/–	Key. Gold	6/5¾-Nil
Limited Inv.	10/—11/6xd	Century	9/6-11/–	Br. Ind. 4th	8/10½-10/7½
New British	6/3–7/3	Scottish	8/6-10/–	Elec. Inds.	10/4½-11/10½xd
Invest. Tr.	8/9–10/9*	Univ. 2nd	10/7½-12/1½	Met. & Min.	7/10½-9/4½
Bk. & Insur.	11/—13/3*	Inv. Flex.	7/3-8/6	Rub. & Tim	Un q'td
Insurance	10/6–15/–xd*	Inv. Gen.	9/9-10/9	Producers	4/6-5/6
Bank	12/3–14/3*	Key. Flex.	6/10½ bid	Dom. 2nd	3/9-4/9
Sct. B.I.I.T.	10/—12/–*	Key. Cons.	6/6 bid	Orthodox	5/—6/3 again

* Free of commission and stamp duty.

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 High	Prices, Year 1939 Low	Prices, Jan. 1 to July 3, 1940 High	Prices, Jan. 1 to July 3, 1940 Low	Name of Security	Price, July 3, 1940	Ch'ge since June 26	Yield July 3, 1940 £	s.	d.
				British Funds					
71⅛	61	76¾	68⅛	Consols 2½%	72	...	3	9	5
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	107	+1	3	14	9f
...	...	98¾	98½	Conv. 2% 1943–45	98⅝	...	2	3	0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	98	+½	2	16	0
99⅛	92⅞	103	97¾	Do. 3% 1949–53	101	+1	2	19	0
99½	87	102¼	94	Do. 3½% after 1961	99¼	+2¾	3	10	10f
112⅛	103¾	112	107½	Do. 5% 1944–64	108½	+¾	2	17	0
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	89½	+½	3	4	6
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	95	...	3	2	10
95⅛	87½	99½	95	Fund. 3% 1959–69	95¾	+¼	3	4	11
109½	100½	113¾	105⅜	Fund. 4% 1960–90	110½	+¼	3	5	11
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	100¼	+¼	2	10	10d
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	98½	...	3	2	2
108⅜	102	111½	105 13/16	Victory Bonds 4%	108½	+½	3	9	2f
...	...	100⅝	98	War L. 3% 1955–59	99½	+¼	3	0	9
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	98⅞	+⅜	3	10	11f
83⅞	73	89⅛	80¼	Local Loans 3%	85	+2	3	10	7
99	91	100	97½	Austria 3% 1933–53	98xd	+1½	3	3	10
64	55½	71¼	59¾	India 2½%	68	...	3	13	6
90	78	97¼	82¼	Do. 3½%	92½	...	3	15	8
115¼	104½	115	105¼	Do. 4½% 1958–68	110	...	3	15	1
				Dom. & Col. Govts.					
106¼	95	107⅛	101	Austria. 5% 1945–75	102	...	4	11	0
103½	98	102¼	99	Canada 4% 1940–60	100½	...	4	0	1f
112½	103	110⅞	106	Nigeria 5% 1950–60	107xd	+2	4	2	8
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4	14	2
110	102	108½	103	S. Africa 5% 1945–75	104½	...	3	19	10
				Corporation Stocks					
111½	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4	2	2
81⅝	72	85	78	L.C.C. 3%	79	...	3	16	1
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3	11	10
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3	12	9
				Foreign Governments					
91½	73¾	92¾	78½	Argen. 4½% Stg. Bds.	79½xd	¾	5	13	2
65⅛	34	58½	22	Austria 4½% 1934–59	25	+5	13	10	0f
95	50	64	25	Belgian 4% (36) 1970	*	...	...	...	
23½	6⅛	35½	20	Brazil 5% Fd. 1914	21	+2	11	18	2f
19	9	23	9	Chile 6% (1929)	10½	+1	14	5	8f
55½	23½	45¼	15	China 5% (1913)	20	...		...	
72	30	63	25	Czecho-Slovakia 8%	*	...		...	
86¼	58	79¾	56	Egypt Unified 4%	57	...	7	0	4
12½	9	10½	8	French 4% (British)	*	...		...	
44	4	7⅝	5	German Dawes 5%	5½	...		...	
33⅛	3	6½	3¼	Do. Young Ln. 4½%	5½	...		...	
30	15	24½	12½	Greek 6% Stab. Ln.	*	...		...	
35½	15	25	17	Hungary 7½%	17	...	26	9	4h
61½	33	65	44	Japan 5½% 1930	*	...		...	

Prices, Jan. 1 to July 3, 1940 High	Prices, Jan. 1 to July 3, 1940 Low	Last two Dividends (a)	(b)	(c)	Name of Security	Price, July 3, 1940	Ch'ge since June 26	Yield July 3, 1940 £	s.	d.
		%		%	**Railways**					
10	3¾	Nil		Nil	B.A. Gt. Sthn. Ord.	4½	...	Nil		
8¼	4⅞	Nil		Nil	Can. Pac. Com. $25	*	...		...	
52	22	½	c	3½ c	Gt. Western Ord.	28	+4½	12	10	0
80	34½	Nil	c	5 c	LNER 5% Pref. 1955	40	...	12	10	0
60	20	Nil	c	4 c	Do. 4% 1st Pf.	27	+5	14	16	3
24	9	Nil	c	1½ c	L.M.S. Ord.	12	+2	12	10	0
60½	21½	Nil	c	4 c	4% Pf. 1923	28	+5	14	5	9
70½	35	2	a	2 b	4% Pf.	42	+4½	9	10	6
65¼	24	Nil	b	1½ a	Lon. Trans. "C"	26	+2	5	15	5
22	7	Nil	c	1¼ c	Southern Def.	9½	+½	13	1	2
79	35½	1	a	4 b	Do. 5% Pf. Ord.	40	+2	12	10	0
104	58½	2½	a	2½ b	Do. 5% Pf.	61½	1	8	2	7
					Banks and Discount					
67/9	51/–	10	b	7½ a	Alexanders £2, £1 pd.	55/–	...	6	10	9
342½	316½	6	a	6 b	Bank of England	325	...	3	13	10
£51	£43½	8	c	8 c	Bk of Montreal $100	*	...		...	
30/9	21/10½	5	a	5 b	Bk. of N. Zealand £1	22/6	...	7	2	5e
70/3	46/6	7	b	7 a	Barclays Bank £1	65/–	+14/–	4	6	0
93½	84	5	a	5 b	Chtd. of India £5	6	...	8	6	9
52/–	48/–	5	a	5 b	District B. £1 fy. pd.	50/–	...	4	0	0
£95	£82	£2½	a	£2½ b	Hongkong and S. $125	£59	–£1	8	9	6
54/6	30/–	6	a	6 b	Lloyds £5, £1 pd.	46/3	+14/9	5	3	6
8¾	5 17/32	7½	b	7½ a	Martins £20, £2½ pd.	6	+¼	6	9	0
85/–	68/–	8	a	8 b	Midland £1, fy. pd.	77/6	+6/3	4	2	0
5⅝	4½	5	b	5 a	Nat. Dis. £2½ fy. pd.	4½	...	5	14	0
32½	25½	8	a	8 b	N. of Ind. £25, £12½pd.	25½	–1	7	16	9
69/9	39/–	7½	a	7½ b	Nat. Prov. £5, £1 pd.	52/6	+12/6	5	14	0
444	385	8½	b	8½ a	Royal Bk. of Scotland	395	+5	4	6	0
48/6	29/–	3¾	a	6¼ b	Union Discount £1	31/3	...	6	8	0
85/–	46/–	9	a	9 b	Westmtr. £4, £1 pd.	67/6	+17/6	5	6	6
					Insurance					
24⅝	15¼	40	a	50 b	Alliance £1, fully pd.	16½	...	5	9	0
13⅛	8⅝	4/6	a	6/– b	Atlas £5, £1¼ pd.	8½	...	6	3	9
16⅝	8 25/32	†25	a	†25 b	Pearl (£1), fy. pd.	9	...	5	11	0†
15 9/16	9 5/16	6/–	a	6/– b	Phœnix £1, fy. pd.	9½	...	6	6	0
28⅝	16¼	†84·075	c		Prudential £1 A	17½	+½	4	16	0†
8¼	5	11	a	19 b	Royal Exchange £1	5¾	+¾	5	2	9
7	4¼	†10	b	13¾ a	Sun Lf. Ass. £1 fy. pd.	4½	...	5	17	9
					Investment Trusts					
488	476½	11	a	14 b	Alliance Trust	490	...	5	2	0
187½	180	31½	a	8½ b	Anglo-Amer. Deb.	180	...	6	13	4
188	155	6	b	4 a	Debenture Corp. Stk.	162½	...	6	3	0
187	168	5	a	8 b	Invest. Trust Def.	170	...	7	13	6
165½	159	3	a	7 b	Trustees Corp. Ord.	159½	...	6	5	3
179	140½	4	a	6 b	United States Deb.	157½	...	6	7	0
					Breweries, &c.					
125/6	96/3	†20	b	†5 a	Bass Ratcliff Ord. £1	102/6	+5/–	4	17	6†
57/6	36/3	6	a	11 b	Courage Ord. £1	42/6	+5/–	8	0	0
70/3	46/–	6¼	a	10 b	Distillers Ord. £1	56/10½x	+12/7½	5	14	0
89/–	45/–	14	b	11 a	Guinness Ord. £1	58/9	+10/–	8	10	6
76/6	47/–	16	b	7½ a	Ind, Coope & Allp. £1	55/–	+6 10½	8	10	9
52/9	30/6	12	b	6 a	Watney Combe Def. £1	37/6	+5/–	9	12	0
					Iron, Coal and Steel					
6/6	3/–	10	c	10 c	Baldwins 4/–	4/–	+9d	10	0	0
34/7½	13/11½	†5	a	†10 b	Brown (J.) Ord. 10/–	17/6	+2/6	8	11	6†
8/9	3/6	4	a	6 b	Cammell Laird 5/–	5/–	+1/–	10	0	0
24/7½	11/3	3	a	5 b	Colvilles Ord. £1	15/7½	+2/9	10	5	3
28/11½	12/6	10	c	10 c	Dorman Long Ord. £1	15 7½	+1/10½	12	16	0
26/11¼	13/6	†2½	a	†4 b	Guest Keen &c.Ord.£1	18/9	+5/–	6	19	0†
37/9	13/11½	7½	a	15 b	Hadfields 10/–	17/6	+2/6	12	17	6
28/7½	11/3	2	a	5½ b	Powell Duffryn £1	15/7½	+1/10½	9	12	0

(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 1944. (l) Yield based on 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	June 25, 1940 s.	d.	July 2, 1940 s.	d.
CEREALS AND MEAT				
GRAIN, etc.—				
Wheat—				
No. 1, N.Mt. 496 lb. f.o.b.Mt.	29	9	29	7½
Eng. Gaz. av., per cwt.	7	1	7	1
Flour, per 280 lb.—				
Straights, d/d London	25	6	25	6
Barley, Eng. Gaz., av., per cwt.	16	0	16	10
Oats " " " "	11	5	11	4
Maize, La Plata, 480 lb., f.o.b.	12	9	...	
Rice, Burma, No. 2, per cwt.	9	0	9	0
MEAT—Beef, per 8 lb.—				
English long sides	4	8	4	8
	6	0	6	0
Imported hinds	5	4	5	4
Mutton, per 8 lb.—English	4	4	4	4
	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.)—				
Home Produced	109	8	109	8
Imported	85	0	85	0
COCOA (per cwt.)—				
Accra, g.f.	33	6	34	0
	34	6	35	0
	55	0	55	0
Grenada	59	0	59	0
COFFEE (per cwt.)—				
Santos supr. c. & f.	44	0	44	0
	68	0	65	0
Costa Rica, medium to good	100	0	98	0
EGGS (per 120)—English (Std.)	20	0	22	6
LARD (per cwt.)—Imported	64	0	64	0
POTATOES (per cwt.)—				
	22	0	14	0
English, New	24	0	15	0
SUGAR (per cwt.)—				
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7	6	7	6
REFINED London—				
Granulated, 2 cwt. bags	36	10	36	10
West India Crystallised	36	9	36	9
	37	9	37	9
TOBACCO (per lb.)—				
Indian stemmed and unstemmed	0	7	0	7
	2	4	2	4
Rhodesian, stemmed and unstemmed	1	0	1	0
	2	6	2	6

	June 25, 1940	July 2, 1940
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·70	7·59
Giza, F.G.F.	11·42	11·17
" Yarns, 32's Twist	14·50	14·32
" 40's Weft	15·75	15·57
" 60's Twist (Egyptian)	25·85	25·85
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.
16 × 16, 32's & 50's	24 6	24 3

	June 25, 1940 s.	d.	July 2, 1940 s.	d.
COTTON—*continued.*				
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	35	6	35	3
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13	6	13	4
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12	6	12	4
FLAX (per ton)—	£	s.	£	s.
Livonian ZK	200	0	200	0
Pernau HD	180	0	180	0
HEMP (per ton)—Manilla, spot "J2"	26,0/0		26,0/0	
JUTE (per ton)—				
Native 1st mks., c.i.f. London May-June	Nom.		Nom.	
Daisee 2/3, c.i.f. Dundee, May-June	30 15/0		30/15/0	
SISAL (per ton)—African, July-Sept.	£	s.	£	s.
—No. 1	26	0	26	0
SILK (per lb.)—	s.	d.	s.	d.
Japan	...		16	6
	...		17	0
China fil	17	6	17	0
WOOL (per lb.)—	d.		d.	
Lincoln wethers, washed	19		19	
Selected blackfaced, greasy	14		14	
Australian scrd. fleece, 70's	35½		35½	
Cape scrd. average snow white	28½		28½	
N.Z. scrd. 2nd pieces, 50-56's	23		23	
Tops—				
64's warp	42½		42½	
56's super carded	36¾		36¾	
48's average carded	29¼		29¼	
44's prepared	28		28	
MINERALS				
COAL (per ton)—	s.	d.	s.	d.
Welsh, best Admiralty	28	3	28	3
	28	9	28	9
Durham, best gas, f.o.b. Tyne	23	6	23	6
IRON AND STEEL (per ton)—				
Pig, Cleveland No. 3, d/d	111	0	120	0
Bars, Middlesbrough	282	6	282	6
Steel rails, heavy	223	0	255	0
Tinplates (home, i.c. 14 × 20)	24	9	26	0
NON-FERROUS METALS (per ton)—				
Copper (*d*)—Electrolytic	62 0 0		62 0 0	
Tin—Standard cash	261 0 0		262 15 0	
	261 10 0		263 0 0	
Three months	263 0 0		265 5 0	
	265 10 0		265 10 0	
Lead (*e*)—Soft foreign, cash	25 0 0		25 0 0	
Spelter (*e*)—G.O.B., spot	25 15 0		25 15 0	
Aluminium, ingots and bars	110 0 0		110 0 0	
Nickel, home delivery	190 0 0		190 0 0	
	195 0 0		195 0 0	
Antimony, Chinese	98 0 0		98 0 0	
	99 0 0		99 0 0	
Wolfram, Chinese .....per unit	9		7	
Platinum, refined .....per oz.	9/10/0		9/10/0	
Quicksilver ..... per 76 lb.	53/18/6		57/0/0	
	57/0/0		60/0/0	
	s.	d.	s.	d.
GOLD, per fine ounce	168	0	168	0
SILVER (per ounce)—				
Cash	1	9⅛	1 9 15/16	

(*b*) † 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (*c*) Higher Pool prices in some zones.
(*e*) Including import duty and delivery charges. ‡ Price is at buyers' premises.

	June 25, 1940 s.	d.	July 2, 1940 s.	d.
MISCELLANEOUS				
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton—(*b*)				
4-ton loads and upwards per ton	44	6	44	6
CHEMICALS—				
Acid, Oxalic, net .....per ton	60/0/0		60/0/0	
	s.	d.	s.	d.
" Tartaric, English, less 5%	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	
	11/0/0		11/0/0	
Crystals ..... per ton	5/5/0		5/5/0	
	5/10/0		5/10/0	
COPRA (per ton)—S.D. Straits, c.i.f.	13/10/0		13/10/0	
HIDES (per lb.)—	s.	d.	s.	d.
Wet salted Australian, Queensland 40/50 lb.	0	5⅝	0	5⅝
Cape, Jo'burg Ord.	0	6¼	0	5⅞
Dry Capes, 18/20 lb.	0	8¼	0	8
English & Welsh Market Hides—				
Best heavy ox and heifer	0	7	0	7
	0	8⅜	0	8⅜
LEATHER (per lb.)—				
Sole Bends, 8/14 lb.	1	10	1	10
	3	0	3	0
Shoulders	1	2	1	2
	2	0	2	0
Insole Bellies	0	10	0	10
	1	4	1	4
Dressing Hides	2	0	2	0
	2	4	2	4
PETROLEUM PRODUCTS (per gal.)				
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
Fuel oil, in bulk, ex instal.				
Thames—				
Furnace	0	7¼	0	7¼
Diesel	0	8	0	8
ROSIN (per ton)—American	25/0/0		25/0/0	
	35/0/0		35/0/0	
RUBBER (per lb.)—	s.	d.	s.	d.
St. ribbed smoked sheet	1	1½	1	1 1/16
SHELLAC (per cwt.)—TN Orange	80	0	80	0
TALLOW (per cwt.) London Town	22 10		22 10	
VEGETABLE OILS (per ton net)—				
Linseed, raw	46/0/0		44/0/0	
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		8/5/0	
Linseed—				
Calcutta	15/0/0‡		15/0/0	
	16/17/6		16/17/6	

AMERICAN WHOLESALE PRICES

	June 26, 1940 Cents	July 3, 1940 Cents
GRAINS (per bushel)—		
Wheat, Chicago, July	78⅛	78¼
Winnipeg, July	71⅞	71⅜
Maize, Chicago, July	50⅞	61
Oats, Chicago, July	31	32¼
Rye, Chicago, July	41	43
Barley, Winnipeg, May	32⅝	33¾
METALS (per lb.)—		
Copper, Connecticut	11·50	11·50
Tin, N.Y., Straits, spot	53·25	52·00
Lead, N.Y., spot	5·00	5·00

	June 26, 1940 Cents	July 3, 1940 Cents
METALS (per lb.)—*cont.*		
Spelter, East St. Louis, spot	6·25	6·25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, July	4·70	4·60
Coffee, N.Y., cash—		
Rio, No. 7	5⅜	5⅜
Santos, No. 4	7⅛	7⅛
Cotton, N.Y., Am. mid., spot	10·96	10·70
Cotton, Am. Mid., July	10·49	10·37
Cotton Oil, N.Y., July	5·97	6·20
Lard, Chicago, July	5·65	6·00

	June 26, 1940 Cents	July 3, 1940 Cents
MISCELLANEOUS (per lb.)—*cont.*		
Petroleum, Mid-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	21⅝	20¼
Do. do. Aug.-Sept.	20¼	19¼
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·70	2·75
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·95½	1·01
Moody's Index of staple commodities, Dec.31, 1931 = 100	156·0	156·4

NATIONAL DEBT

(*See* "GOVERNMENT FINANCE" on page 28) (Million £)

	Aug. 1, 1914	Dec. 31, 1919	Mar. 31, 1938	Mar. 31, 1939	June 30, 1939*	Sept. 30, 1939†	Dec. 31, 1939†	Mar. 31, 1940†	June 30, 1940†
2½% Consols & Annuities	573	300	300	300	300	300	300	300	300
4% Consols	..	...	401	401	401	401	401	401	401
2½% Conversion Loan	..	...	206	206	206	206	206	206	206
3% Conversion Loan	..	...	302	302	302	302	302	302	302
3½% Conversion Loan	..	...	739	739	739	739	739	739	739
4½% Conversion Loan	..	...	363	353	353	353	353	353	353
5% Conversion Loan	..	...	323	323	323	323	323	323	323
Terminable Annuities	30	20	13	13	13	13	13	13	13
Debts to Banks	15	15	14	14	14	14	14	14	14
3½% War Stock, 1932	..	63	1,911	1,911	1,911	1,911	1,911	1,911	1,911
Other Great War Issues	..	3,569	...	...	...	...	...	...	...
2½% Funding Loan	..	...	200	200	200	200	200	200	200
2¾% Funding Loan	..	...	101	101	101	101	101	101	101
3% Funding Loan	..	...	144	144	142	142	142	142	141
4% Funding Loan‡	..	409	349	345	345	345	345	345	344
2½% N. Defence Bonds		..	100	100	100	100	100	100	100
3% N. Defence Loan		...	...	81	81	81	81	81	81
4% Victory Bonds‡		360	197	195	195	195	195	195	195
Treasury Bonds§		323	100	100	100	100	100	100	100
National Savings Certs.**		267	389	385	383	381	400	434	478
3% Defence Bonds	..	...	...	...	...	...	22	60	104
3% War Loan	..	...	...	...	...	...	...	99	300
2½% National War Bonds	..	...	...	...	...	...	...	...	43
Other Debt	..	...	...	...	...	...	...	2	7
External Debt¶	..	1,357	1,032	1,032	1,032	1,032	1,033	1,033	1,032
Treasury Bills	15	1,107	829	892	932	1,187	1,470	1,428	1,626
Temporary Advances	1	243	13	28	83	49	65	61	37
	654	8,033	8,026	8,163	8,316	8,475	8,816	8,942	9,451
Other Cap. Liabilities	57	46	123	138	††	††	††	††	††
Total Liabilities*	711	8,079	8,149	8,301	††	††	††	††	††

* Estimates, which do not allow for sinking fund allocations. * Excluding accrued interest on Savings Certificates, and including holdings of Public Departments and Exchequer Bonds, 1914 and 1919. Exchange Equalisation Account). ‡ After deducting transfer for Death Duties. § Includes American debt. ** Includes National Savings Bonds (about 3½ millions). †† Not available.

SHORTER COMMENTS

(*Continued from page 30*)

The Chase National Bank.—Deposits, June 29, 1940, $3,190,823,000, $3,060,769,000 (March 30, 1940) and $2,696,486,000 (June 30, 1939), a new high record. Total resources $3,472,779,000 ($2,983,435,000). Undivided profits, $33,821,000 ($30,819,000, June 30, 1939). Earnings, second quarter 1940, 38 cents (37 cents) per share.

Guaranty Trust Company of New York.—Total resources, June 30, 1940, $2,600,724,024 ($2,215,186,135). Deposits, $2,302,794,072 ($1,898,035,301). Undivided profits, $15,639,400. Capital, $90,000,000. Surplus, $170,000,000.

National Bank of New Zealand.—Total assets at March 31, 1940, £19,791,663 (£18,275,130). Deposits and current accounts, £14,905,357 (£13,298,386). Profit, £86,149 (£106,524). Bonuses, £10,000 (same). Pension funds, £14,000 (same). Ordinary dividend reduced from 5 to 4 per cent. Carry forward, £115,363 (£114,131).

Railway Finance Corporation.—1939 balance sheet shows sums employed on behalf of railway companies, £3,961,839 (£7,361,839); cash, £3,960,458 (£7,377,584); loans to railway companies unaltered at £26,189,999; sums due from railway companies, £12,659 (£3,636); holdings of Treasury bills, £14,994 (£69,952).

London Transport Finance.—Balance sheet, 1939, shows cash, £3,782,249 (£13,494,199); investments, £36,283,572 (£26,724,617), including loans to transport undertakers, £28,925,000 (£16,688,000).

Manufacturers Trust Company, New York.—Deposits, June 29, 1940, $792,181,954 ($735,645,747). Resources, $889,091,344 ($851,180,425). Surplus and undivided profits stand at $40,151,109. Earnings for half-year ended June, 1940, are $1.90 per share, against $1.86 for six months to June, 1939.

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FOUR PER CENT. REGISTERED STOCK, 1954-58

For the purpose of preparing the Interest Warrants due 1st September, 1940, the BALANCES will be STRUCK on the evening of the 1st August, 1940, after which date the Stock will be transferred ex-dividend.

For THE BANK OF MONTREAL, Financial Agents of the Government of the Dominion of Canada in London.

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
1st July, 1940.

CITY OF WINNIPEG

FOUR PER CENT. CONSOLIDATED REGISTERED STOCK, 1940-60

For the purpose of preparing the Interest Warrants due 1st September, 1940, the BALANCES will be STRUCK on the evening of the 1st August, 1940, after which date the Stock will be transferred ex-dividend.

For THE BANK OF MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
1st July, 1940.

SOUTH MANCHURIAN RAILWAY

FIVE PER CENT. STERLING LOAN OF 1923

NOTICE IS HEREBY GIVEN that the COUPONS due 15th 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.
1st July, 1940.

THE CUNARD STEAM SHIP COMPANY LIMITED

FIVE PER CENT. MORTGAGE DEBENTURE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Books in respect of the above Stock will be closed from the 15th to the 31st July, 1940, both dates inclusive, for the purpose of preparing the half-yearly Interest Warrants.

By Order of the Board,
H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool.
2nd July, 1940.

IMPERIAL JAPANESE GOVERNMENT

FIVE AND A HALF PER CENT. CONVERSION LOAN OF 1930

The Imperial Japanese Government announce that the operation of the Sinking Fund for the half-year ended 1st July, 1940, has been carried out by way of purchases on the Market, and that BONDS value £200,000 (nominal) have been so purchased and are now CANCELLED.

1st July, 1940.

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Inquest on France

BY 569 votes to 80 the French National Assembly has voted French democracy into oblivion. The new regime is to be a pale reflection of the authoritarian systems which have encompassed the defeat of France. Corporative institutions will be introduced, and although the fate of the trade unions is uncertain, it is not likely that they will survive. Parliament will be reduced to a mere recorder of Government decisions. The suppression of free opinion has already begun in the banning of newspapers and arrests of journalists. It is hard to say how soon the extremer aspects of European authoritarianism will make their appearance—arbitrary arrest, detention without trial, the persecution of opinion, anti-semitism, state idolatry and the rest. For the time being, the tone of the regime is predominantly Conservative, but as Germany's influence inevitably grows the revolutionary elements—the Doriots, the Marquets and the Déats—will no doubt come to the fore, just as the Falangists have ousted the Requetes in Spain and the Fascists broken away from their conservative-clerical-monarchist backing in Italy.

Whether the regime remains one of pure reaction or develops revolutionary Right Wing tendencies, it is nevertheless an extraordinary *volte-face*. Four weeks ago France, our sister democracy and military ally, was pledged to fight with us to the last to free Europe from totalitarian enslavement. To-day, France accepts the forms of that enslavement, hands over her military resources to her conqueror and breaks off diplomatic relations with her ally and friend. Obviously so complete a reversal could not have been brought about by military defeat alone. The causes of the calamity are of longer standing.

For about a dozen years after the last war, the unity of France was not in question. The Third Republic could command the loyalty of the great mass of its citizens who were content with the forms of a liberal democracy at home and the preservation in Europe of a democratic *status quo* under French hegemony. Yet even in these years of relative stability, sections of the French people held aloof from the political life of the country and felt little loyalty to the Republican regime. On the extreme Right, Monarchists, Aristocrats, Traditionalists, Right Wing Catholics were hostile to the free-thinking anti-clerical Liberal State, while they distrusted France's industrial development which took men from the soil and threw them into the revolutionary atmosphere of the towns and factories. To the extreme Left, the fierce individualism of France's industrial development and the "Bourbon" mentality of the *patronat* bred in a section of the working class a fierce resentment against the bourgeois state from which they drew so little benefit and a preference for the "direct action" philosophy of syndicalism.

These groups might perhaps have been reconciled had the parliamentary system, as interpreted in France, proved itself capable of resolute leadership. This it signally failed to do. Personal rivalries and political intrigues could pass for statesmanship in times when France's continental hegemony was secure and trade was booming. When, after 1931, the Versailles system began to crack and the economic crisis smote France, an outcry against Parliament and a call for "strong government" were among the first symptoms of political discontent.

France's reaction to the rise of Hitler was at first sound and united. The hereditary enemy was seeking to recover strength and had to be checked at all costs. M. Barthou, Foreign Minister in the Right Wing Tardieu Government, scoured Europe to secure sympathisers in the building of a Grand Alliance against Hitler. As late as 1935 the Laval Government saw no incompatibility between the Franco-Soviet Pact and the Stresa Front with Britain and Italy.

The extreme Right, however, found in the Nazi revolution a *point d'appui* beyond their frontiers which encouraged them to political action. The years 1933-34 saw a sudden ebullience of Fascist and para-Fascist activity, and the behaviour of such bodies as the *Croix de Feu* and the *Francistes* sufficiently resembled the Nazis' rise to

power to raise doubts for the safety of the Republic. France's reaction was again, on the whole, strong and united. A movement to the Left countered the Right Wing danger. Russia had just adopted the Popular Front tactic. The Communists, hitherto hostile and isolationist, clamoured for co-operation with the "progressives," and in 1935 the Radicals, Socialists and Communists agreed to an electoral alliance on the basis of a minimum programme of social reform.

The Popular Front victory at the 1936 elections, which was primarily a victory for this programme of social reform, justified in every way by existing conditions and long overdue, was unfortunately accompanied by so much industrial unrest and irresponsible oratory that the French Right forgot their patriotism in their fear of social revolution. Hitherto on the home and the foreign front there had been substantial unity. The shock administered to the Right by the strikes of 1936, followed immediately by the outbreak of civil war in Spain, created a deep cleavage in the centre of the political system. The "failure" of the democratic Government to deal with the strikes alienated a strong section of the business world which had previously supported the Republic as a *laissez faire* non-interventionist system of government. The connection of Russia with the Popular Fronts of France and Spain transformed the old Barthou attitude of *nécessité fait loi* to bitter ideological distaste for the Russian pact. Hitler made skilful use of this uneasiness. The Axis became the champion of anti-Communism. The French Right were encouraged to believe that Hitler wanted nothing but peace and friendship with France provided she abandoned the Franco-Soviet policy of "encirclement" and allowed Germany to fulfil her anti-Bolshevist mission in Eastern Europe.

These ideas were inevitably—but quite illogically—given an impetus by the formation in 1937 of a purely Radical Government to liquidate the economic errors of *l'expérience Blum*. The interconnection of domestic ideology and foreign policy, of which the link between the Popular Front and the Russian alliance was the first expression, now worked in the opposite sense. Since the Radicals were liquidating Popular Frontism at home, they followed all the more eagerly the relatively anti-Russian appeasement policy at that time put forward by the British Government. The test came over Czecho-Slovakia. The Czechs, linked by treaty with France and Russia, were the key to the military defence of Eastern Europe. At Munich, however, the dismemberment of the Czech State was agreed on without reference to Russia, and the 1935 Pact actually, if not officially, lapsed. If the *status quo* could only be defended with the help of Russia, the French Government preferred to see it lapse. M. Bonnet gave Hitler a free hand in Eastern Europe, and in December he and Ribbentrop went through the melancholy farce of the Franco-German Declaration of Friendship.

Thus, when the invasion of Bohemia opened Mr Chamberlain's eyes to the real nature of Nazi ambitions and Great Britain suddenly veered to the Barthou policy of the Grand Alliance, France had already left it behind. As had already happened with tragic frequency since 1919, France and Great Britain conceived the same policy, but at different times. The French Right distrusted the guarantees and as war approached resentment grew. When at the end of August, Poland was invaded and Britain declared war, France's delay in making her declaration was widely attributed to the opposition of the Right who protested that France was being dragged into an unnecessary conflict at the behest of "Imperialist Britain." Since at about the same time the *mot d'ordre* came from Moscow to the French Communists, to oppose the "imperialist" war, many Frenchmen must have made mental reservations as they joined their *cadres*.

Hitler was thus offered a singularly fruitful field for propaganda. The Communist leader Thorez fled to Germany, and much of the Communist propaganda during the winter months came directly from Berlin. It was aimed against the war and "plutodemocratic Britain," but it also attacked the French Government and preached social revolution. With the Right, the line was Germany's anxiety for friendship with France, the lack of any conflict of interests between them, and France's enslavement to "Imperialist Britain." The "Little France" mentality of the landowners and peasants was encouraged and they were warned of growing social unrest (fomented in the meantime by Germany).

The offensive against France was thus launched against a country weakened by internal divisions and bewildered by a propaganda which had widened each division into unbridgeable hostility. Although the root of the collapse was the first military defeat on the Meuse, it was not lack of equipment and supplies, nor even of British support, that changed the first collapse into final annihilation. It was above all a failure of morale, a lack of the will to resist.

The new regime, bred of defeat, is representative of all the elements on the Right which had early or late withdrawn their allegiance from the Third Republic, the Traditionalists, the Conservative Catholics, business and finance, the Fascist organisations. The new France will thus be built on a basis of prejudice and fear. It is the product of timid men who preferred to accept "salvation" from a foreign dictator rather than to work out their own. It will last as long as Hitler lasts. It may therefore be brief. It will certainly be inglorious.

Yet the period of its existence, however brief, will be a serious embarrassment to Great Britain. There are the obvious military and economic advantages Hitler can draw from his occupation of French territory and his use of ports and air bases, industrial capacity and raw materials. There is also the propaganda value of France's capitulation. With the collapse of French democracy, Europe has succumbed to the authoritarian way of government. Britain, it is suggested, must accept and adapt herself to the *fait accompli*. Her military impotence based on her physical exclusion from Europe resembles her political impotence due to her ideological isolation. Let her turn out her "warmongers," accept Germany's rule of Europe and content herself with the rule of the seas. A far more subtle line of propaganda—for it will appeal as a sop to conscience to many honest Frenchmen—is the suggestion that Italy, Spain and the new France, united in a "Latin *bloc*," can offer more effective resistance to Germany than an island lying in military and political isolation off the European coast. Therefore let Britain make peace and thus strengthen the "traditional, authoritarian" elements on the Continent.

These and other arguments have only one purpose, to bring about our defeat without the necessity of resorting to invasion. We can learn from the fate of France the reality behind the propaganda. A Latin *bloc* opposing Hitler is an idle fantasy which we can compare with the hard economic fact of Germany's complete industrial control of Europe. France is to "balkanise" herself and return to agriculture. Her industrial resources will be processed in the Reich. Italy's raw materials are negligible. Spain is ruined. The Latin sisters have as much hope of offering resistance to the industrial system of the Reich as have the Balkan States. As for the division of rule between continental Germany and oceanic Britain, we may remember that France was bribed with the hint of "honourable terms." Now the richest parts of her territory are under German control. Germany has recovered the vision of Charlemagne. Burgundy and Champagne, even if not *ur-deutsch*, are *ur-frank*. The unity of Aix la Chapelle will be restored, while to "Latin" France will be left the Mediterranean seaboard and the Rhone.

Thus the defeat of France has a bitter lesson for any in this country who might be tempted by mistaken patriotism or selfish interest to preach a military capitulation. The Nationalists—the Weygands, the Pétains—who loved France sincerely and wished to spare her suffering, have destroyed her liberty and sacrificed her soil in a vain attempt to conciliate the conqueror. The capitalists and politicians—the Baudouins, Prouvosts and Lavals—may have purchased a respite from "red revolution" but only at the cost of placing their country at the revolutionary mercy of Brown Bolshevism. Their lease of political life will be as short and inglorious as that of a Von Papen, a Hugenberg or a Juan March. Transfer these conditions to our own soil and it is clear that no section of our people, whatever their motives, can hope for anything but annihilation if they accept Hitler's "honourable peace."

The Blockade

I. Europe's Scarcity

THIS week Parliament debated economic warfare in secret session. Hitler's military victories have radically changed the political map and strategical disposition of Western Europe. German propagandists are already claiming that Britain's weapon of blockade has been decisively blunted. The claim is premature, and its refutation can be simply summarised. The new ramshackle empire of Nazi Germany is little nearer to self-sufficiency in essential war materials than the Third Reich was a year ago. Politically, it will now be easier, not harder, for Britain to cut off the flow of overseas supplies to the enemy. Strategically, Britain's superior strength at sea, the basis of the blockade arm, is still not visibly impaired.

It should be emphasised, however, before these points are examined in detail, that the power of blockade, as an instrument of military success, has been consistently overstated since last September. It could never be more than a means to the end of victory in the field, and it was heartening to hear Mr Dalton refer last week to economic warfare as only one among many weapons. The aim of blockade and other methods of exerting pressure upon the enemy's war economy is simply to weaken his powers of attack and endurance. Without parallel steps to strengthen those powers on this side of the battle, by the full mobilisation of economic resources, the efficacy of blockade is a mirage, a delusion comparable to the Maginot-complex that bemused and enervated France.

Nevertheless, blockade remains a major and indispensable weapon, which will play a crucial part in the further stages of the war. Its use is based upon the enemy's lack of materials which his war industries and fighting forces need—metals, alloys, textiles, rubber, vegetable oils, animal feeding stuffs, farm fertilisers and oil. The index of striking power in modern war is power to produce, and the first question now is whether Germany's conquests have yielded supplies of the basic materials of production to make up her former deficiencies. The answer is an encouraging one, except in the important instances of iron and steel and aluminium. True, Germany controls, by occupation, intimidation or alliance, practically the whole of Europe outside the expanding sphere of Soviet Russia; but Europe is far from able to supply her own needs of either raw materials or foodstuffs. The Continent, in fact, is scarcely less blockadable than the Reich.

By the invasion and conquest of Norway, the Germans ensured their supplies of Swedish iron ore and Scandinavian timber. From the industries of Southern Norway, engaged in processing *imported* metals and alloys, they gained nothing but accumulated stocks. By the occupation of Denmark, they seized an option upon stocks and current supplies of Danish farm produce, but simultaneously the Danes lost the overseas supply of feeding-stuffs and fertilisers upon which their farming relied. So, too, with invaded Holland, whose agriculture is peculiarly dependent upon imports. The usefulness of the textile factories and secondary industries of the Low Countries and France will be sharply limited by the cutting-off of imported materials—cotton, wool, copper, zinc and oilseeds. The coal secured in Holland, Belgium and Northern France is not needed now (except perhaps to eke out Italy's meagre supplies), since both Germany and conquered Poland normally sold large quantities of coal abroad—though, if the Germans attempt to make full use of the industrial capacity they have captured, they will find themselves short of coal for either domestic or factory use, or both.

The case of iron is, unfortunately, very different. Before the war only a quarter of the Reich's iron ore requirements were mined in Germany. The rest came from Sweden, France and Spain. France was hostile when hostilities broke out and Spain was inaccessible. Now, the immediate Allied threat to ore supplies from Sweden has gone—though the blockading of ice-free Narvik should be possible again next winter; Lorraine and Luxemburg are in German hands; and German troops are on the frontier of non-belligerent Spain. It remains to be seen whether Germany or Italy (poorer still in iron) will be able to broach the ore resources of North Africa. A stringent and comprehensive collection of scrap metal has been carried out and is being extended to the occupied territories; and there should be little difficulty in producing, with the aid of French and Belgian steelworks, all the crude steel that Germany needs. The capacity of the French, Belgian and Luxemburg steel industries in peacetime was nearly 17 million tons to add to Germany's own steel capacity of 26 million tons.

Even so, the steel problem will not be solved in Germany. Munitions steel requires more than iron, scrap and plant for its manufacture. Steel alloys are needed to give the metal special qualities—manganese, nickel, tungsten and chrome. Both Germany and German-controlled Europe are seriously deficient in all of these, and it does not seem likely that Soviet Russia (or Jugoslavia, Greece and Turkey in the case of chromium alone) will be able or willing to reduce this gap appreciably.

To this large but qualified gain in steel, aluminium must be added. Germany herself has no bauxite at all for making aluminium, but France is the world's largest producer. Aluminium is of great importance in the manufacture of aircraft, and Germany has had to rely hitherto on Hungary, Jugoslavia and Italy for bauxite. Much of these imports had normally been brought by sea in peacetime, and until France collapsed bauxite might have been scarce. Now, there should be no shortage of aluminium for Hitler's warplanes.

Nevertheless, on balance, Germany's vulnerability to economic pressure has been little altered. Warplanes and tanks need oil and petrol, and apart from captured stocks Western Europe has yielded no oil at all for the invaders. Italy, too, has very little oil apart from what was accumulated during the months of her non-belligerency; and from every accessible source of supply (excluding Russia) Germany can obtain no more than 12 million tons a year, even assuming that every ton of Roumanian oil goes to the Reich, and that adequate transport facilities are available. The normal peacetime consumption of Europe (without Russia) is considerably more than twice that amount.

The food position, too, will be serious. Blockaded, German Europe is potentially worse off than Germany was before. Normally, Europe is a net importer of all the basic foodstuffs except potatoes. For all kinds of animal feeding stuffs and many fertilisers, as well as for edible oils, European agriculture is very largely dependent upon imported supplies that the blockade can now cut off. In addition, the mobilisation of peasants and farm workers and the ravages of actual warfare, coming hard upon an abnormal frost, have gravely diminished the chances of a good harvest all over the Continent.

In sum, therefore, Germany's economic gains by conquest are not enough to weaken Britain's blockade weapon very much. The invaders have, admittedly, captured stocks of food, oil, war equipment and raw materials, as

well as scrap of all descriptions. But most of these stocks cannot be replaced in Europe. They are short-term gains only. While they last, Germany is undoubtedly stronger than she was before the campaign of Western Europe began, but it is now the task of blockade to ensure that she will never be so strong again, to make quite certain that, encompassed by her conquests, she will become progressively weaker.

Before the *Blitzkrieg* started, the Allied blockade was hampered by the existence on Germany's borders of neutral countries whose right to trade with the outside world was fully recognised. Countries like Italy, and to a lesser extent Holland, were inevitably corridors for trade with Germany. Within their frontiers, stocks heaped up for the Germans to seize when they chose. The only means of limiting the usefulness of neighbouring neutrals to the enemy was by agreement; but the war trade agreements could not bar the door as blockade can. There remain only Portugal, Spain, the Balkans and Soviet Russia. For the moment it is not Russia's interest to hew wood and draw water for the Reich, and it should be well within the capacity of seapower and firm diplomacy to seal the gaps and starting holes still left.

At bottom, it is a simple strategical problem. So long as the British Navy can command the Atlantic sea routes, the Mediterranean approaches, the Western Mediterranean and the Levant, Hitler's military successes make very little difference to the pattern of economic warfare, unless they lead to decisive changes at sea. As Napoleon found, the British blockade cannot be beaten on land.

The final question, then, is: has the strategical position at sea been altered? On the North Sea and in the Channel, Germany has sea and air bases to attack our Navy and merchant ships. The swollen Reich has a Western seaboard of 2,000 miles, with a host of ports and harbours. Nominally, at any rate, the Italian navy is in active co-operation with the Germans; and, although the attempt to snatch the French fleet has been largely frustrated, we must miss the full aid of that fleet in the work of convoy and contraband control.

The proof of the pudding will be in the eating. It remains to be seen whether the Axis powers can effect any decisive change in the balance of power at sea. There is nothing to suggest that they can. German submarines and bombers have so far failed to disturb the carrying-out of the Navy's daily duties. The Italian navy has shown no confidence in its power to wrest supremacy in the Mediterranean from the British. And the Reich's far-flung coastline in Western Europe adds little to the difficulty of blockade. The British blockade is based upon control of the high seas which is not perceptibly in danger. It is a long-distance blockade. Ships can be intercepted and cargoes sifted long before a European land-fall is made. Tactically, Germany with more ports and bases is better off than she was. Strategically, she has made no advance, unless she can turn the tables, either by invading and subjugating the British Isles themselves or by isolating them, cutting off vital supplies by sinking ships and blocking ports. Germany cannot beat the blockade. She can only try to defeat the blockaders.

It is a question of seapower and air strength; and it will be decided in battle. Meanwhile, Britain's superiority in the economic war remains. Britain is cut off from most of Europe's trade. She has lost Sweden's iron ore; Norway's refined and processed metals; Scandinavian timber, food from Denmark and Holland; Belgian steel; and bauxite, fruit and vegetables from France. Trade in iron ore and copper from Spain and North Africa is uncertain. Trade in the Mediterranean is temporarily cut off. But these are not lasting blows, because the resources of the entire world outside are accessible. More steel can be shipped from North America to make up for lost iron ore, and more oil; more food from the Empire; more bauxite from North America and Dutch Guiana; more timber from Canada and the United States. The real limiting factors, unless and until British seapower is significantly shaken, are the tons of shipping space available, the amount of foreign exchange and, above all perhaps, the capacity and accessibility of British ports—not the war or the enemy. The tables are not turned yet.

The Battle of Britain will be a battle for the seas as well. While it lasts, the blockade will hurt the enemy very little. But, if and when it is won, economic pressure will tell progressively as the months pass. Hitler has not broken out of Europe and the grip of Britain; and there is every reason for the most rigorous blockade of all Europe, without exception, to the end of that unhappy continent's eventual enfranchisement, prosperity and peace.

2. The World's Plenty

THE extension of the British blockade to virtually the whole of Continental Europe is bound to cause disturbances in the rest of the world. Many countries will lose one of their chief markets; and they will be deprived of Continental Europe's manufactures. This aspect of the blockade deserves serious consideration, for the Nazis can be relied upon to exploit the discontent arising in some of the exporting countries by holding Britain responsible for all their economic ailments.

The countries chiefly affected, together with the percentage of their total exports sent to Continental Europe in 1938, are shown in the table in the opposite column. Apart from the two great manufacturing countries—the United Kingdom and the United States—the nations chiefly concerned are the big primary producers in the British Empire, in Latin America and in the Far East. Some of the great primary producing countries will find it difficult to discover alternative markets for their products. The incidence of the blockade on these countries varies considerably. It depends, not only on the total size of their trade with Continental Europe and on the nature of the products exported, but also on the percentage of their total production hitherto sent to these markets. While there are no statistics showing the proportion of total production normally exported, except in the case of certain individual products, it is generally fairly substantial in the primary producing countries. The magnitude of the problem, so far as some of the principal commodities are concerned, is revealed in the tables opposite. The first table shows, for a number of agricultural products, the proportion of the total exports of the rest of the world imported by Continental Europe, as well as the identity of

EXPORTS TO CONTINENTAL EUROPE, U.K. AND U.S.A. IN 1938

		Total (millions)		Per Cent. to Continental Europe †	Per Cent. to U.K.	Per Cent. to U.S.A.
			($ gold)	%	%	%
China	St. $	764	(91)	12·0	7·4	11·3
Dutch East Indies	Gulden	653	(226)	27·3	5·3	13·6
Japan	Yen	2,067	(447)	4·3	5·0	15·8
Egypt	£E	30	(85)	43·8	33·0	2·4
Argentine	Pesos m n	1,400	(259)	40·7	31·8	8·1
Brazil	Gold £	36	(175)	42·1	8·8	34·3
Chile	Pesos	674	(82)	31·2	21·8	15·7
Colombia	Pesos	150	(54)	20·9	0·4	59·1
Costa Rica	$	9	(7)	24·1	24·4	45·6
Cuba	Pesos	143*	(85)	7·0	13·7	76·1
U.S.A.	$	3,057	(3,805)	22·3	16·8	—
Mexico	Pesos	838*	(110)	20·1	9·4	67·4
Venezuela	Bol.	887*	(158)	6·2	3·8	13·6
United Kingdom	£	471	(1,359)	26·5	...	4·4
India	Rup.	1,622	(350)	16·8	33·0	8·3
British Malaya	S.S. $	567	(196)	16·1	14·2	29·8
Australia	£A	139	(306)	18·6	54·8	6·9
New Zealand	£NZ	56	(135)	4·6	83·8	2·5
South Africa	£	30	(289)	13·5	75·5	1·0
Canada	$	846	(562)	7·9	37·2	37·9

* Including bullion and specie. † Excluding Russia.

the chief non-European exporting countries. Continental Europe's deficiency in the principal non-ferrous metals, together with a list of the chief non-European producers, is given in the second table. (Except in the case of bauxite, the raw material of aluminium, the production figures are estimates of the metal content of the ore.) While figures for 1939 are not available, the averages for 1936-38, used in the tables, roughly indicate the position.

WORLD EXPORTS AND CONTINENTAL EUROPE'S IMPORTS OF IMPORTANT AGRICULTURAL PRODUCTS

(Average, 1936–38; in thousands of metric tons)

	World Exports (less those of Continental Europe)	Net Imports into Europe (excluding Russia, U.K., and Eire)	Imports into Europe percent. of World Trade	Chief Non-European Exporting Countries
			%	
Wheat ...	11,113	3,589	32·5	Canada (4,053), Argentina (2,479), Australia (2,173).
Rye	433	393	90·7	Argentina (113), Canada (62).
Barley ...	1,675	551	32·9	Canada (343), Iraq (234), Argentina (251).
Oats	565	424	75·0	Argentina (289), U.S.A. (75).
Maize ...	9,584	4,377	45·6	Argentina (8,735), Indo-China (529), Manchukuo (151).
Rice	6,955	1,163	16·7	India and Burma (2,032), Indo-China (1,329), Thailand (1,298).
Sugar ...	10,142	1,183	11·2	Cuba (2,626), Dutch Indies (1,031), Philippines (879).
Cocoa ...	700	272	38·9	Gold Coast (275), Brazil (118).
Tea	405	26	6·4	India (155), Ceylon (101), Dutch Indies (69).
Coffee ...	1,658	693	41·8	Brazil (868), Colombia (246).
Tobacco	386	167	43·3	U.S.A. (172), Dutch Indies (47·4), Turkey (35), Brazil (31).
Cotton ...	2,795	1,308	46·8	U.S.A. (1,187), India (518), Egypt (369).
Jute	775	423	54·6	India (764).
Rubber...	985	248	25·1	British Malaya (403), Netherlands Indies (366).
Wool ...	889	480	54·0	Australia (337), New Zealand (131), Argentina (115).

Sources: *International Yearbook of Agricultural Statistics and Statistical Yearbook of the League of Nations.*

CONTINENTAL EUROPE'S DEFICIENCY OF NON-FERROUS METALS

(Average, 1936–38; in thousands of metric tons)

	Production	Consumption	Deficiency†	Chief Non-European Producers
Bauxite...	1,960	216	Nil	U.S.A. (376), Dutch Guiana (340).
Aluminium	238			U.S.A. (122).
Copper...	173*	428	255	U.S.A. (609), Chile (340), Canada (232), Rhodesia (191).
Lead.....	259*	564	305	U.S.A. (364), Mexico (239), Canada (183).
Zinc.....	466*	590	124	U.S.A. (514), Canada (164), Mexico (159).
Tin	1*	47	46	British Malaya (64), Dutch Indies (31), Bolivia (25·3).

* Metal content of ore mined.
† Met by Imports or from Scrap

Source: *Metallgesellschaft.*

In the case of many of the commodities shown, the proportion of the rest of the world's exports sent to the Continent of Europe is surprisingly large. In the case of certain commodities it should be possible to expand sales outside Continental Europe, especially in the United States, where industrial activity is now rapidly expanding, largely as a result of the increase in armament expenditure. Thus, the United States will require larger quantities of tin, rubber and steel alloy metals. This will compensate Bolivia, Nigeria, Malaya and the Dutch East Indies for the loss of other markets. But the demand for textile fibres, grains and tobacco is not elastic, and there is little possibility of finding alternative markets for these commodities. In most cases, an immediate drastic cut in production is impossible; and, if no steps are taken to curtail output sufficiently, we may witness the unpleasant and socially dangerous sequence of falling prices and rising stocks.

This problem must be faced; and it must be faced now, before the Nazis have had an opportunity to foment discontent in the primary producing countries. So far as the British Empire is concerned, Great Britain has already undertaken to purchase the surplus output of the Empire's principal products, often for the duration of the war. In addition, Britain is actively encouraging the growth of secondary industries in the Empire, chiefly for the production of munitions.

Apart from the British Empire, the countries mainly affected by the blockade of Continental Europe are Latin America, the Dutch East Indies and certain parts of Africa, such as the Belgian Congo. Latin America, which has hitherto exported large quantities of grain, coffee and other agricultural products, as well as raw cotton and oil, to Continental Europe, is likely to suffer most from the blockade. In Brazil, for example, the long-standing coffee problem will be seriously aggravated. And it is precisely in these countries that Nazi propaganda is most active.

The United States has recently formulated a scheme which provides for the joint marketing of American primary products. It is not yet clear whether this scheme is to cover the total exportable surpluses of primary products or only that part of them which remains unsold at the end of the year. If the scheme relates to the joint marketing of all basic products, the difficulties of Latin America could be solved, in time, by the orderly adjustment of supply to demand at a reasonable level of prices. Production or exports, or both, would be subject to quotas, but unsold surpluses would probably have to be financed at the outset by the United States. Payment by importing countries would presumably have to be made, as hitherto, to the individual exporting countries in their national currencies. Such a plan, if it could find the wholehearted collaboration of Latin America, would not only solve the immediate problems of the republics, but, if worked efficiently, it might impart greater stability to their economics and eliminate likely causes of social and political unrest.

The initial cost of financing Latin America's unsold surpluses might be as much as £100 millions per annum; but the defeat of the Nazis' plans and strategems in the republics would seem to be well worth the temporary outlay that the United States might have to make. In any case, a fall in the prices of cereals, cotton and other Latin American commodities would tend to depress the prices which farmers in the United States obtain for their products. And, quite apart from the political expediency of such a course in the present emergency, the ultimate benefits to be secured from joint marketing, which could later be extended to other countries, would justify it on economic grounds alone.

Steel and Steel Makers

THE foundation of modern industry is iron and steel, and the kernel of recent economic history is to be found in the record of steelmaking. Nor is it inappropriate to examine that record just now. With captured France and Belgium added to Greater Germany, the enemy controls a steel output of 42 million tons. That of the British Empire is 17 million tons. Mr Morrison has appealed only this week for even greater access to the vast steel resources of North America, but the front line is in our own steelworks.

The rôle of steel in national defence is crucial. It was stated as a reason for protection of the industry against foreign competition when the first Chamberlain was campaigning for tariff reform thirty-odd years ago. It was given by the Import Duties Advisory Committee as a chief reason for the 33⅓ per cent. duties imposed a decade ago. It will be proved in the course of this war whether protection and national security have in fact marched hand in hand.

Foreign competition is the keynote in the history of steel, ever since the sad showing of the British industry at the Paris Exhibition of 1867 raised doubts about its efficiency and fears for its future. Between that year and 1880 British exports of iron and steel were doubled; but

by 1880 Belgium and Germany were in the export field, and, by 1900, the United States was coming up hand over fist. In 1910, Germany took first place; and by 1914, although British exports of iron and steel had reached new high levels, the advance was far exceeded by Germany and the United States, and Britain's *imports* of iron and steel, very largely semi-finished products to be made up for re-export, had doubled in ten years.

What was the reason? This question and its answer provide the theme of a very notable book* just written by Mr D. L. Burn, who has long been accepted as the chief expert on steel history outside the industry. Was it the simple fact that Britain, first in the field, was bound to find her older-established industry giving way to make room for later comers with many technical and locational advantages? Were the native industry's relatively high costs during this period due to inescapable geographical factors and an onerous wages bill? Or was it because the British steelmakers were backward in coming forward, both in technique and organisation?

In 1867, when methods of fuel economy were mostly under discussion, the lack of technically trained managers in the British iron and steel industry was outstanding. There was an obstinate attachment to routine. But the problem was not serious. Outside competition was still small, and "Britain's commercial success in spite of wasteful methods was a measure of the strength of her raw material resources." From the eighties onwards the situation changed. The German industry had defensive duties, "whose shelter allowed it to raid export markets with goods sold at considerably less than the home prices." More important, a new process of steelmaking, the basic process to eliminate phosphorus, was discovered. It was discovered in England, but promptly applied by Continental steelmakers to the phosphoric pig-iron produced from their minette ores.

"The competitive position was revolutionised." The supremacy of English hematite steel was broken. Continental exports spread out all over the world as well as capturing Europe stage by stage. By the turn of the century the United States, with tariff protection and a new trust, the United States Steel Corporation, "the biggest concern in the world save the Prussian State Railways," was selling steel abroad with gathering success at prices well below the prices charged in a large and quickly expanding home market.

The tariff reformers asked for a protective duty and a two-price policy for British steel, but the free traders feared to invite an international steel war with cartels striking at the British industry. The controversy passed again to the comparative efficiency of native and foreign methods. "We are fighting (said Haldane) like dervishes against Maxims." Plant was old; science was rare; ore supply was changing; transport was dear; works were unsuitably sited. The industry's outlook was still not very flexible; and left now to its own devices, since the advantage it had enjoyed over competitors in cheap ore had been removed by technical developments, it was slow to make the necessary changes. In the East Midlands, in Lincolnshire, and Northamptonshire there were very large deposits of cheaply worked ore akin to Continental minette; but they were little used. The industry was ill-located for successful basic steelmaking; works were situated in districts now deficient in raw material supplies, and often remote from markets.

The danger of a tariff might have been that it could have been used to perpetuate technical and structural shortcomings. In labour-saving devices, in the use of electricity and gas and in the furtherance of technical training, the British industry lagged. The average output of plants in Germany and the United States (where the large home demand admittedly favoured mass production much more than here) was appreciably above that of steelworks, new as well as old, in Britain, where steelmaking was "amazingly scattered." The British industry has less adequate access to capital resources, and less efficient financial machinery for amalgamation, than its bank-aided competitors.

"I have a suspicion (said one ironmaster) that perhaps we have not sufficient pluck in this country." The industry was older than its rivals and it had many "rich men's sons" at the head. "The trouble (said one American critic) is lack of competition." No one led the way. Only in the finishing branches, based increasingly on imported semi-products, and in the highest grades of steel was progress really noteworthy.

The 1914-18 war came when the need for radical changes in location and for drastic integration of the units of steel production was urgent. Continental competition was cut off; new sources of ore had to be exploited; under State control, joint action among the steelmakers was imperative; capacity was vastly expanded. But few lasting advantages were gained. World demand after the war sank steeply; labour and fuel costs rose. A deflationary post-war policy in finance put British makers at a loss against inflating Continental countries.

The industry's location was not significantly altered. In the war, quite naturally, it was existing centres that were expanded. In the Midlands, it is true, Sheffield's output was greatly swollen, and East Midland ore was used, but Sheffield was not well placed for bulk steelmaking under normal conditions—only for high-price production to lessen the disadvantage of high transport costs.

The industry's equipment was greatly improved during and after the war. But there were still technical lags—in fuel economy, in Bessemer practice and in smelting. There were many financial alliances and integrations to link up the industry vertically from ore to steel, but an absence of technically based amalgamations.

Only in industrial self-government was there a marked change, with the setting up of the National Federation of Iron and Steel Manufacturers in 1918 to organise a common policy. Uniform delivered prices were arranged for defined regions; and the industry was nearer to joint action than ever before. But, financially, the position was critical. Wartime extensions and large post-war additions were met with sharply falling trade when the post-war bubble burst; and the Continental exporters, disturbed by Versailles rearrangements of territory but reinforced by reconstruction and filliped by inflation, came back into the field. Only in the tinplate and galvanised sheet trades were British exporters able to keep the upper hand. Mr Burn rightly calls the period 1921-31 the Black Decade; it ended with the Great Depression.

The case for protection grew strong again. But the real case was for reorganisation and remodelled efficiency, structural adaptation and financial reconstruction. As Lord Runciman told Parliament—shortly before he himself turned aside from the altars of free trade—while 180,000 workers made steel, 1,800,000 used it—and had to pay for it. The banks, led from Threadneedle Street, started to take a hand before the Depression, in a somewhat piecemeal way, in the work of reconstruction or rationalisation. "Their attention was concentrated on firms, especially old firms, not on industries." The view of the Sankey Committee that reorganisation should precede protection, to prevent the perpetuation of inefficiencies, was generally favoured until the Depression, and the failure to save the gold standard, made action urgent.

The tariff was won—with a promise of reorganisation by the industry itself. The steelmakers, who for two generations had failed to look forward and act boldly, were put on trial. Demand revived; capacity was enlarged to a new peak; equipment was improved; an agreement was made with the European cartel; and the tariff became 50 per cent. in 1935. But, under the Federation, as always before, "it was the old policy of patching which predominated." Old and ill-sited plants were protected; schemes for radical changes in methods or location were opposed or coldly received. Production and home sales soared, it is true. War came with steel capacity well suited to meet war demands. But the new model industry that consumers had a right to see building was never planned. Isaac Lowthian Bell, the great Cleveland ironmaster of last century, is described by Mr Burn as "best fitted to be a 'governor' in an industry which was inclined to 'race.'" In a new age the Federation has filled his shoes.

* "The Economic History of Steel-Making." By D. L. Burn. Cambridge University Press. 548 pages. 27s. 6d. It can aptly be described as a "character study" of the steel industry.

NOTES OF THE WEEK

Axis Europe

Count Ciano has ended a round tour of Germany at Munich, where, in company with Ribbentrop and the Hungarian Prime Minister and Foreign Minister, he reviewed the general situation with Hitler, and in all probability received his marching orders for the next phase of the struggle. There has been evidence of a certain tug-of-war between German and Italian views on the collapse of European resistance in the defeat of France. Italy's *bellicosità virile* impels her to suggest that the main issues are settled and that the reorganisation of Europe must precede any attack on Britain. Germany seemed tempted at first to follow the momentum of military victory across the Channel, and issued bloodcurdling forecasts of the fate which awaited the unhappy British. Two factors may, however, have persuaded Germany to reconsider Italy's attitude. For any plan of invasion, the co-operation of the Italian navy, on the one hand, and, on the other, control of the whole French fleet would be desirable. One of these preconditions is no longer within Hitler's grasp. He may have felt all the more chary about forcing the Italians to an unwelcome decision. There is thus at least a possibility that European reorganisation, not immediate invasion, is the Axis programme. Three main spheres require attention, the Balkans, where Italy and Hungary are seeking "compensation" at the expense presumably of Roumania and Jugoslavia, the Mediterranean and the Near East.

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The Mediterranean

The Mediterranean may well be the scene of the next phase of the struggle. If Hitler decides that the time for invasion is not ripe, he may turn to Africa, where the collapse of French resistance offers a certain number of military possibilities. The obstacle to such an attack is Gibraltar. This British outpost is also of crucial importance if ever the Italian Navy is to venture out for Atlantic operations. Gibraltar, too, is the key to Spanish non-belligerency. Its promises to Spain would be a powerful inducement to the Caudillo to abandon non- for full belligerency. It is therefore significant that raids on Gibraltar have begun, even more significant that French squadrons have taken part in them. The incident may have been an isolated reprisal for the Oran action. If, on the other hand, it represents the readiness of the Pétain Government to crown the breaking off of diplomatic relations with acts of war, then our Mediterranean position is doubly precarious. Italy has now magnificently waived her right to the demilitarisation of Toulon, Oran, Ajaccio and Bizerta. She would hardly do so unless there were some likelihood of French-Axis co-operation. It is therefore all the more satisfactory that we have managed to account for so large a proportion of the French fleet. Nevertheless, we take no pride in the actions. The ideal procedure was that of Alexandria where, in an agreement bred of mutual confidence and respect, the two Commanders arranged for the internment of the French ships until the end of the war. At Dakar, on the other hand, the procedure of Oran had to be repeated, and although the country can congratulate the Navy on its technical performance, it is also reasonable to hope that measures as brilliant and daring as the damaging of the *Richelieu* will now be undertaken against the capital ships of our real enemies.

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Crisis in the Near East

The situation in the Near East is critical. France's collapse and Britain's military difficulties have created a fluid position from the frontiers of Afghanistan to the Aegean Sea; and Russia and Germany, with Italy as a not so brilliant "third," are disputing the succession. Now that Russia's seizure of Bessarabia appears to have set the avalanche of territorial change in motion, Turkey promises to be the next victim. Russia's desire to control the Straits is as ancient as her existence as an independent State, and the hint of distrust which has clouded Russo-Turkish relations even in their most cordial days springs from Turkey's realisation that her independence might at any time be jeopardised by a revival of Russian expansionism. The situation offers Germany an ideal opportunity for carrying through one of her tortuous but highly successful diplomatic manœuvres. The first step may well have been an intimation from Stalin that he intended to control the Straits and the Black Sea coast. The Nazis, with their usual skill in making a virtue of necessity, made a show of compliance and produced the German White Book, with its supposed evidence of Turkey's readiness last spring to permit the Allies to make use of her military bases for an attack on the oilfields of Caucasia. It is hard to say for whose consumption Goebbels's steady output of incriminating evidence is intended. Stalin can hardly take it seriously. However, it is the basis for the bitter attack which the Soviets this week launched on their Turkish neighbour.

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Germany's aim is to play the honest broker. To Russia she offers her influence and help to secure control of the Straits, the Turkish provinces of Kars and Ardahan, and possibly a strip of Northern Iran. To Turkey and Iran she offers her "protection" against Russia, and, as a *quid pro quo* for the ceded territory, compensation in Syria and Iraq, which were after all once part of the Turkish and Persian Empires. In this way Turkey would be reduced to a German puppet-State and the Axis Powers would secure control of the unlimited oil resources of the Near East. Germany can argue that, whether or no Turkey accepts the offer, the result must be favourable to Germany's grand strategy—that of driving Great Britain from Africa and the Near East. If Turkey accepts the Protectorate, the battle is won. If Turkey resists and turns to her ally, Britain, then Britain risks involvement in war with Russia. And Germany knows that Russia at war is infinitely more dependent upon Germany than Russia the active non-belligerent. Must we conclude that we have already lost the diplomatic game in the Near East? It is a matter of days, of hours perhaps, but we still have cards in our hand: Russia's fear of Germany, for example, or her fear of war for another. It ought not to be beyond the capacity of our diplomacy to devise a scheme whereby the fundamental clash between Russian and German interests is brought into a favourable relation with our own Near Eastern strategy. We are fighting Germany. At all costs Germany must be prevented from securing a foothold in the Eastern Mediterranean and from controlling the Near-Eastern oilfields. Neither Russia nor Turkey wishes to see an extension of German influence. A proposal by us that there should be some form of joint guarantee of the Straits, with the backing of the British Navy and an intimation that a Black Sea Pact of Russia, Bulgaria and Turkey would command our interest and, if necessary, our active co-operation, might go far to remedy a situation which is already critical and may be disastrous.

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.

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Defence and Attack

The character and direction of Hitler's next stroke is still uncertain. The odds must still be laid on invasion, with Ireland as a key point and an assault upon ports and shipping as a subsidiary weapon; but the possibility of a *coup de reste* in Western Europe, coupled with a drive to Africa or the Near East, cannot be ruled out. Shipping losses have fallen off again, but sporadic air-raiding has gone on. Enemy planes have come over in larger numbers, very many more of them fighters than hitherto. Damage to military objectives has remained small; and though civilian casualties have gone up, they are still comparatively slight. In peacetime twice as many people were killed weekly in road accidents than are being killed by bombs now; fifteen times more people were injured; and it is a ground for continued dispersal of the population, despite claims that "no place is a safe area now," that the rate of casualty in actual raids has proved fifteen times greater in big towns and boroughs than in small towns and rural districts.

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Meanwhile, the B.E.F., back from Dunkirk, has been reorganised. The other divisions allotted to home defence are at full strength. New men have been taken into the Army at the rate of 7,000 a day for nearly two months. Over a million Local Defence Volunteers have been enlisted. No one would pretend that the rate of equipment has yet come into line with this military expansion, but it is clear that there now exists in these islands a force that is fully capable of doing more than simply repel invaders. There are Dominion divisions, a French legion, and fully-blooded and efficient Polish, Czech, Dutch and Norwegian troops. A chief disadvantage, and failure, in this war has always been that the Allies have waited for Hitler's next move, and it might be fatal if defending Britain were to become as stultifying of initiative and enterprise as did the laborious preparations to defend France. Night and day the R.A.F. is carrying the war into the heart of German Europe; the Navy has already made one frustrated attempt to find and break the Italians; and active warfare by all arms, whenever and wherever the strength in weapons is available, would appear to be the right rule for the future. At the least, the sortie is an approved part of siege war. At the most, as Wellington proved, it is the basis of the counter-offensive and full victory.

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Eire Unready

Mr de Valera is doing very little to save his country from ruin. Come what may, he has declared this week, Eire will preserve her neutrality and resist invasion, whether by Germany or Britain—familiar, legalistic, ominous, fatal words. Like the Bourbons, Eire's leader learns nothing and forgets nothing. From the hideous example of Norway, Holland and Belgium, he has failed entirely to learn that small neutrals can neither ward off nor resist German invasion. From the record of the past he can only remember that Ireland is split in two parts. He invites Northern Ireland simply to pay allegiance to the Irish Parliament instead of the British, retaining its present self-government. Then, he claims, defence measures can be concerted—to defend a neutrality that cannot be defended. Eire has no power at sea or in the air and very little on land; and the simple truth that only Britain can defend Ireland against Germany is still the only firm fact in the Irish situation.

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War Budget at Last?

Sir Kingsley Wood, like other Government spokesmen, is beginning to repeat himself. On Tuesday, the Commons voted a credit of £1,000 millions for the Armed Forces, to augment the previous vote (now nearing exhaustion) of £700 millions for the current financial year. Sir Kingsley displayed the financial facts of the present stage of war activity with clarity. We are spending £6,500,000 a day on the armed forces and supply; £1,000,000 on essential war services such as shipping, food, and home security; and total expenditure (including the cost of debt and social services) now amounts to £9,500,000 a day. The facts, indeed, are very plain, and their implications, as the Chancellor pointed out, are serious. But it is hardly true to suggest that these implications are not sufficiently realised, at least by responsible observers, and also by a very large section of the public, too. The basic economic and financial problems of war have, in fact, entered into common currency, and their acceptance has been due in the main to private discussion and pamphleteering and not to official direction. For this very reason the public was prepared to receive far heavier burdens than were imposed by Lord Simon's April Budget. Far larger taxation revenue, strict curtailment of consumption, and the continuous flow of savings from large and small investors—every constituent of this recipe has been recognised as essential for months past. Part of it has been put into effect; the current achievements of the Savings Campaign, for example, are undoubtedly encouraging. But we have not yet been taxed to hurt, nor rationed to hurt. A real war Budget has become an urgent necessity, and it is regrettable that the Chancellor did not give a more precise indication when it would be forthcoming. It is to come "soon," but so much was already obvious. There is no need to apologise to the public for imposing heavy new burdens. Still less do they need exhortation and demonstration. The nation is waiting, as it has waited for months, to be taxed. All it asks is courage and equity—and real war Budget-making. It is to be hoped that the report that the appearance of a new Budget will now be only a matter of a few weeks is soundly based.

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War Finance *in Camera*

No explanation has been offered for the Treasury's action in emasculating the weekly Exchequer Return. But there is likely to be only one inference—that the authorities have something unpalatable to hide. As a result of these deletions, the return has become a crude piece of book-balancing, which the most obscurantist company director would view with distaste. They are simple changes, which carry profoundly dangerous possibilities. The Treasury (which is not a disinterested party in the matter) has by simple *fiat* decreed that the weekly return shall in future exclude all detailed information regarding the creation and redemption of debt and all particulars of movements in the floating debt. To make the two sides of the account balance, a single, self-evident figure, representing the net total of debt created to meet the revenue deficit, will be shown. This naive arithmetical truism is offered in substitution for figures which alone have enabled students of financial policy (including this journal) to frame their judgments, and their criticisms, of the Treasury's work. In future, that evidence will not be available, and the weekly return will therefore be virtually useless as a guide to the soundness of war finance. The decision is deplorable, and, in the widest sense, contrary to the national interest. Such a smoke-screen was never employed in the war of 1914-18; hence it may be presumed that the suppression of information regarding movements of the floating and other debt is not intended merely to prevent information from reaching the enemy. It is the duty of informed critics to point to deficiencies in financial policy, if and when they occur, and the record of the past ten months shows that, in general, such criticism was sincerely inspired by the sole consideration of the nation's financial health, and—after the appropriate interval which appears to govern the adoption of outside suggestions by the departments—has frequently been incorporated in official policy. But such criticism is uncomfortable for the departments; what easier method of disarming it could be found than to suppress the evidence on which it is based, leaving Treasury to be witness and judge in its own cause? The objective student now has no power of discovery to obtain essential facts which are needed for an accurate assessment of financial policy and the prompt detection of inflationary symptoms. Such information as will be available in future will be fragmentary, not always consistent, and often delayed. And by the mere act of suppressing the vital evidence, the authorities will unfortunately reinforce any presumption that inflation is on the way.

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More Rationing

The fact that rationing, as an instrument of policy, can be a sign of strength as well as a proof of weakness now seems to be understood. Tea, margarine and cooking fats are all to be rationed this month, not because supplies are scanty, but because stocks are sufficiently large to allow a drastic curtailment of imports if they are carefully eked out. The saving in shipping, both now and in coming months, will far more than outweigh any inconveniences that may be caused, and there should be little difficulty in maintaining the present rations for a long time. The rationing of tea to 2 ounces per person per week, instead of the normal consumption of 3 ounces, came in at once. It will disturb working-class habits in industrial areas where tea is a pillar and prop, but the cut is not drastic, and café drinking is to be unrestricted. Margarine is the alternative to butter, which has been rationed for many months, and when the new ration comes in on July 22nd it will be a joint one of 6 ounces a week of the two fats. From the same date the ration of cooking fats will be 2 ounces a week; but this may be taken in margarine, making 8 ounces in all, which compares very favourably with the German fat ration, since dripping and suet are not to be rationed at all. It is obvious common sense to cut out all unnecessary feeding now, not only to limit imports, but also to build up and conserve stocks against the future.

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The Lion has Stars and Stripes

The film quota is a mystery revealed only to the expert, and its revision by Defence Order this week, introducing an alternative to the existing system, further complicates its understanding. The new scheme is intended to assist the industry to adapt itself to war conditions and to compete more successfully in export markets, which means, in effect, in the United States. Film renters under the new scheme must spend at least £1,000 (compared with £750 under the present quota) on British labour and services for every 1,000 feet of film which they are required to produce or acquire. Moreover, to ensure that a minimum number of films are made, renters must produce or acquire one British film of not less than 7,000 feet for every 100,000 feet of foreign film which they register, and the total expenditure on labour and services for the former must not be less than £3 per foot. If the alternative system is generally adopted, it will slightly reduce the number of films made for the quota, but will increase the amount spent on individual productions. It would be a mistake, however, to regard this alternative scheme as holding out salvation for the indigenous British film-producing industry. It is of greater interest rather to American companies producing films in this country. It will enable them to produce fewer and presumably better films here, and to earn greater box office receipts in the United States. The net effect, accordingly, will be to give such producers a better opportunity of converting sterling balances in this country into free dollar balances in the United States, though the alternative quota should, of course, improve the quality of production for the British market both by American and British producers. The special cover which the Board of Trade is providing against the chance that enemy action may prevent the completion of a film in production should also be welcomed by the industry. But there is nothing in the present scheme which will provide that financial assistance for the industry which, it was understood, was being officially considered.

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The Burma Road

Our first reply to Japan on the Burma Road question was dismissed as unsatisfactory. It was based on an attempt to apply reason to a demand which sprang from national pride and imperial ambition rather than from a careful estimate of conditions as they stand. The British Government pointed out that an embargo on arms exports from the British Empire already existed, and that the danger that the American, Russian or Indian supplies hitherto passing to Chungking through Indo-China would now be transferred to the Burma route was countered by the fact that the arrival of the rainy reason must reduce transit traffic by 90 per cent. for the next months. This *de facto* acceptance of Japan's demands has not been considered sufficient. A *de jure* pronouncement is apparently sought. It is hard to see why Japan should push the point to extremes except from a desire to quieten extremists at home who are clamouring for a full military alliance with the Axis Powers. Similar motives may have inspired the Japanese officials to take up a provocative line over the incident involving American marines at Shanghai. Here the attitude adopted seems even more shortsighted and inept. There is a body of opinion in the United States in favour of an "appeasement" policy in the Far East. It is to Japan's interest not to provoke American public opinion to demand that strong action be taken. Britain's military embarrassments and the United States' absorption in election politics are only temporary safeguards of Japan's ability to run amok. If she pushes the line of intransigence too far, no amount of help the Axis can give her will offset the crippling effect of Anglo-American hostility. Negotiations are to proceed over the Burma question. Our commitments elsewhere and Japan's economic vulnerability suggest that both sides would do well to seek the way of compromise.

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The Canadian Cabinet

One of the reasons for the extraordinarily large majority secured by Mr Mackenzie King at the Canadian general election in March was the reluctance of the Canadian people to return an alternative Government under Dr Manion which might commit them to unlimited participation in the war. They saw no reason—and who can blame them?—why they should be driven more furiously than the people of Great Britain. But, from the very beginning of the *Blitzkrieg*, and since the change of Government over here, public opinion in Canada has far outstripped its own Government in its attitude towards the war; and Mr Mackenzie King's position has been becoming more and more like Mr Chamberlain's in the weeks between the invasion of Scandinavia and the invasion of the Low Countries. Realising that he was being left behind, Mr Mackenzie King has in recent weeks hastily passed measure after measure to intensify Canada's war effort—and, incidentally, to bolster up his own position. He has been given emergency powers to conscript persons and property; he has created a special Ministry of Munitions and a Government-controlled company to administer Great Britain's munitions programme in Canada; he has announced the speeding up of the Empire air training scheme and the forthcoming registration of every man and woman over the age of nineteen. But at two things he has stopped short—conscription for military service outside Canada, towards which public opinion as a whole is still hostile, and the formation of a National Government, which has been generally advocated. On Monday, however, he announced a reorganisation of his Cabinet, with a number of new appointments, and a proposal to include members of the Opposition parties in a newly constituted War Committee of the Cabinet, which will give continuous consideration to questions of war policy and defence. It is unlikely that this device for pacifying political opponents by giving them position without responsibility, already tried without success in New Zealand, will satisfy Canadian opinion. Nor is it likely that a truly National Government ever will be formed under Mr Mackenzie King's leadership. But, unfortunately, with the possible exception of Colonel Ralston, former Finance Minister and now Minister of Defence, there is no one inside the present Cabinet or in the Opposition who has the entire confidence of the people. Canada has still to find her Mr Churchill.

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Restrictions on Aliens

As part of the home defence plans a stricter control is being placed on aliens of all nationalities—including French

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people in this country, who are to be treated as non-enemy aliens unless they can furnish satisfactory proof that they wish to give active support to the Allied cause. The number of their registration certificates is to be endorsed on the identity cards of all aliens, who will also have to surrender any maps of the United Kingdom in their possession with a scale exceeding 12 miles to an inch; and former nationals of enemy countries, who have become British subjects since the end of 1932, have had to report to the police. Meanwhile, in recent weeks certain categories of Class "C" enemy aliens —Germans and Austrians who were originally exempted from special restrictions—have been interned. Of the total of 64,000 in this class, some 55,000 gave satisfactory proof that they were refugees from racial or political persecution; and indiscriminate internment has aroused protest that the authorities were locking up talent which could be used against the enemy. Recent internees, for instance, include a scientist working on gas gangrene, an agricultural chemist, doctors, manufacturers working for export, and a wireless expert of international repute. Sir John Anderson has revealed that special consideration is now being given to individual cases, and that some technicians wanted for special work of national importance have been released. But there is still some justification for the opinion expressed by more than one speaker in Parliament this week that there is unreasonable delay in giving the consideration and in effecting release. Clearly, military security must in these days have precedence of all other considerations. But once wholesale internment has taken place it is to our own advantage to sift the internees and release those whose *bona fides* is not in doubt if they can give valuable help to the war effort.

* * *

The Origin of Rumour

It now seems clear that recent reports of an intention to increase the powers of the censorship over the Press were false alarms. Mr Duff Cooper's statement on Wednesday that there was no intention to interfere in any way with the expression of opinion must be accepted. Even so, the danger that excited those who realised how much the fall of France was due to muzzling and official secrecy has not passed. It will be a great bulwark for us if the expression of views is freely allowed. But the publication of news is no less important an item in national defence. And in the matter of news, as distinct from views, there does seem to be a tendency towards greater restraint. The chief argument against the uncontrolled publication of news in wartime has always been the necessity of not giving away information to the enemy. No reputable paper or writer has ever disputed it. One new argument, however, is less sound. The Government are very rightly trying to stop up the channels of rumour and to extirpate the habit of chattering which, in invasion or heavy air raids, might be very damaging to morale. But rumour breeds best in a vacuum; and, to take the tragic lesson of France again, our nearest Allies fell to pieces largely because they were not told what was happening.

* * *

An Industry in Danger

Last week there was a meeting of authors, publishers, journalists and librarians in Stationers' Hall to state the case against the application of the Purchase Tax to books. The arguments, which were voiced in very eminent accents, were very powerful indeed. The book trade, already in a precarious state, would be ruined. With it would go the financial profits and the political goodwill arising from the export of books. No books would be sold or written; and culture would be slain, just at a time when the free ideas of democratic thought were most wanted —and all this to raise a merely derisory sum, no more than £750,000 at the most. They were very natural arguments, too, coming as they did from men whose livelihood was proved in danger. And they were familiar as well, echoing in their presentation of the economic perils ahead the pleas that have come from less essential industries for the abatement of war burdens. The claims of horse-racing and horse-breeding to a special place in the maintenance of morale at home and prestige abroad have run on almost parallel lines. The case for exempting books from the tax, which will sorely hit education as well as literature, is assuredly too strong to resist, however unfair in principle exemptions from taxes may be. But it would have been even more weighty had it come spontaneously from an uprising of anxious readers. In situations like these the consumer can speak rather more convincingly perhaps than the producer. Moreover, in the stirring appeals made at Stationers' Hall for a reprieve for literature, gruffly endorsed since by Mr Bernard Shaw, there was, to a layman, a sad and surprising lack of faith. Taxes might kill this book industry; the publishers' figures can apparently be accepted on this, though the bargain basement section, the sixpennies, has not been represented. But they could never kill literature—the native wood notes that at the worst would be hammered out on hand presses and sold at street corners. Most of the famous passages brought to light in favour of untaxed books at Stationers' Hall are everlasting proofs of this. Licensing did not inhibit the Areopagitica; the old pamphleteers whom speakers called to their aid wrote pamphlets because they were hindered from writing books. On a banner high up in Stationers' Hall was worked the motto: *facta non verba*. And who shall say that these revolutionary days are not precisely ripe for a new army of pamphleteers?

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Shorter Notes

To the German-inspired request from the Presidential Board of the Norwegian Storting that he should abdicate, King Haakon has given the only possible answer—an unequivocal refusal. He has rightly declined to countenance any proposal—in this case the establishment of a State Council to take over the affairs of the Government and the functions of the King—which might give an appearance of legality to the German occupation and thereby weaken the people's loyalty to their King and the Norwegian Constitution.

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According to the Soviet census taken at the beginning of last year, the percentage of the Russian population aged nine and over who could read and write was then 81 for men and women and 91 for men only; in 1926, it was as low as 51. The most striking advances were achieved among women and in the countryside. Among females aged nine and over living in rural areas the percentage of illiterates fell from 91 in 1897 and 70 in 1926 to 33 in 1939. The proportion of the whole adult population which has enjoyed further education is still less than a tenth and is hardly more than a fifth among those under 30. The struggle against illiteracy has been largely won—there are countries in Western Europe with which the Soviet Union can be compared favourably in this respect—but the battle for education has still to be fought. Even so, the success already achieved augurs quite well for the quality of the 76 million citizens of the Soviet Union who are now growing up.

*

The new Truck Act, which received the Royal Assent this week, has been passed as a result of the decision of the House of Lords in a case discussed in *The Economist* of February 17th (page 290). The effect of the decision was that an employer can contract in writing with a workman to deduct a sum of, say, 10s. from wages of 63s. in respect of meals provided, but that it is illegal to agree to pay a wage of 53s. plus 10s. for food, although the result of the two agreements is the same. In future, employers and workers will have to follow the form shown by the House of Lords to be legal, but the new Act restrains legal proceedings which might otherwise have arisen from the judgment. At the same time it safeguards a worker's position by providing that, though a contract of employment is illegal under the Truck Acts, it is not *ipso facto* illegal for other purposes, such as the Contributory Pensions Act.

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THE WORLD OVERSEAS

Canada's War Financing

(From Our Ottawa Correspondent)

HEAVY new taxes are expected when the Budget is introduced next week, for the financing of the war effort this time is being tackled in a very different way from 1914-18. Then, at the outset of the war, Canada's national income was estimated at about $2,640 millions and the general policy of the Borden Ministry was to meet the cost of the war by borrowing. The New York money market was regarded as the chief source of possible funds. No bonds of the Dominion Government had ever previously been marketed in Canada, and it was with considerable trepidation that the Government offered its first war loan of ten-year bonds, totalling $50 millions, bearing the attractive interest rate of 5 per cent. and free of tax. It was oversubscribed to such an extent that the total allotment was increased to $100 millions. Its success surprised both the Government and the financial community, and it marked the initiation of a financial programme under which Britain financed the Canadian forces serving in Europe, and Canada raised money by bond issues to finance British expenditures in North America, mainly on the part of the Imperial Munitions Board, under whose auspices munitions with a total value of $1,200 millions were contributed to the Allied cause. It was also discovered that it was possible to raise a large sum by the imposition of an income tax, and special war excise taxes were successfully levied. As a result Canada was able to finance her war effort by a net addition of $1,686,307,000 to her national debt.

The outbreak of the present war found Canada with her population increased from roughly 8 millions in 1914 to something over 11 millions, and her national income estimated by experts to have risen from $2,640 millions to about $4,500 millions. The Dominion, therefore, seems in a position to assume a substantially larger burden of special war expenditure than had to be faced in the last war. The Government's original estimate of war expenditure during the current fiscal year was $500 millions; but, as the result of the enlargement of the war programme which has been authorised since Hitler launched his *Blitzkrieg*, this estimate has now been raised to $700 millions, and if all this amount were to be raised by taxation it would mean that rather less than one-sixth of the national income would have to be allocated to the war. But it is now abundantly clear that the achievement of ultimate victory will mean a prolonged struggle and call for a much more vigorous effort and much heavier sacrifices on the part of the peoples of the British Commonwealth than anybody contemplated two months ago. Indeed, it is altogether unlikely that Canada's war expenditure can be kept below $1,000 millions per annum, and it may be necessary to spend as much as $1,500 millions per annum to keep the pledge given by Mr Mackenzie King that Canada would stand by Britain until Germany was vanquished.

Higher National Income

So far there has been no great expansion of the national income, but now that effective steps are being taken to mobilise the industrial and economic resources of Canada for the Allied cause a progressive increase can be safely predicted. Naturally it is impossible to make any definite forecast of the possible increase, but an effort has been made by three economists, J. H. Brown, J. D. Gibson and A. F. W. Plumptre, in a brochure entitled "War Finance in Canada" and recently published under the auspices of the Canadian Institute of International Affairs. They have taken figures for "income produced" in 1937, an average recent year, supplied by the Bank of Nova Scotia as the basis of calculations, and the following table outlines them:—

Income Group	1937*	Estimate for 1941	Increase per cent.
Primary industries:	($ millions)		
Agriculture	577	700	21
Mining	257	350	36
Forestry	163	200	23
Fishing	25	30	20
Trapping	11	12	9
Processing:			
Agriculture	121	160	32
Mining	116	160	38
Forestry	89	120	35
Fishing	9	12	33
Manufacturing, excluding processing but including production of electric power	1,188	1,600	35
Construction	132	140	6
Total goods	2,689	3,484	...
Services:			
Railways, steam and electric	281	400	42
Retail trade	422	510	21
Federal Government payroll	88	382	334
Other governments' payroll	100	110	10
Financiers	153	170	11
Telephones and telegraphs	56	65	16
Other services	752	775	3
Total services	1,852	2,412	...
Grand Total	4,541	5,896	30

* Figures supplied by the Bank of Nova Scotia. They are for "income produced."

Better Tax Yields?

On the basis of the enlargement of the national income thus forecast, the authors of the pamphlet examine possible sources of expansion for the revenue. The total yield of the

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income taxes, personal and corporation, for the fiscal year ended March 31, 1938, was $120.4 millions and they calculate that as the result of reductions in present exemptions, increases of rates, particularly in the corporation rate, and the general increment in the volume of taxable income plus a substantial contribution from the excess profits tax, the total yield of income taxes in 1941 might easily be raised to $275 millions. They believe that the present rate of the sales tax, 8 per cent., could be increased to 12 per cent. without being ruinous to business, and that as the latter is bound to expand, the total yield of the sales could rise from $138.1 millions to $200 millions. They expect that the progressive increase in exports will be accompanied by an increase of at least 30 per cent. in the volume of imports and that the revenue from customs can be increased from $93½ millions to $135 millions, while they also foresee possibilities of enlargement of the revenues in other directions, and think borrowing could be kept down to $480 millions.

The result of these calculations is shown in the next table which gives the receipts for 1938 and the possible receipts for 1941:—

DOMINION GOVERNMENT REVENUES, 1938 and 1941

	1938 Fiscal year	1941 (estimate)	Increase per cent.
	$ millions		
Customs	93·5	131·0	40
Excise	52·0	70·0	35
Income tax	120·4	265·0	120
Sales tax, etc.	138·1	200·0	45
Taxes on cheques, tickets, etc.	42·7	60·0	41
War taxes on financial institutions	2·0	2·5	25
New taxes in 1941	...	25·0	...
Total tax revenues	448·7	753·5	68
Non-tax revenues	61·6	65·0	6
Miscellaneous receipts	6·4	6·4	...
Total tax and non-tax	516·7	824·9	60
Increase of net debt	17·7	480·0	2,719
Total receipts, including borrowing	534·4	1,304·9	144

They therefore estimate that the receipts can be increased to nearly $1,305 millions, and they give another forecast of probable expenditures, shown below:—

	1938 Fiscal year	1941 (estimate)
	($ millions)	
National defence	32·7	285* / 589·9†
Interest on public debt	132·1	140
All other	250·1	280
Total ordinary expenditures	414·9	1,294·9
Capital expenditures (public works)	4·4	...
Special aid to Provinces, etc.	68·5	...
Losses and non-active loans to Government enterprises	44·8	10·0
Miscellaneous	1·7	...
Grand total	534·3	1,304·9

* Pay † War orders

These calculations provide for an expenditure of roughly 22 per cent. of the national income on the war, but it remains to be seen whether Ministers will take the political risks of asking this sacrifice.

June 22nd.

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Dutch East Indian Trade

[BY A CORRESPONDENT]

SINCE the German invasion of the Netherlands, the Netherlands East Indies have been at war with Germany. This means that the Allied Governments can make use of the raw material exports of this important colonial area with its sixty million inhabitants. It does not mean, however, that the Dutch colonial exports to other neutral countries will be cut down. On the contrary, it is highly important that more East Indian products should be bought by the United States and by South America, and the Dutch authorities both in London and in Batavia are trying to stimulate exports to Japan by all means.

Since the outbreak of war, and especially since the German conquest of the Netherlands and France, the economic situation of the Dutch East Indies has become increasingly difficult. In 1938 the Continent of Europe took 34 per cent. of their exports. These exports suffered heavily, as was to be expected, as a result of the Allied blockade, all the more so because the Allied Powers themselves limited their purchases of raw materials as much as possible to the sterling area. But, since the agreement of June 14th, the Dutch East Indies have been included within the sterling area.

Lost Markets

The position of some of the most important Dutch East Indian exports will, however, still remain difficult. Copra, oil-palms, tobacco and coffee are "weak" products, for which it will be difficult to find new markets, now that most of Europe is cut off. Copra exports in 1938 amounted to 565,000 tons; 125,000 tons were exported to the Netherlands, 104,000 tons to Germany, 70,000 tons to Denmark, 42,000 tons to Italy, 32,000 tons to Norway, and 10,000 tons to France. Accordingly, about two-thirds of the former exports have been lost, while the penetration of the American market is rendered difficult by the system of processing taxes that prevails there. In 1938 the United States took about one-half of the export of oil-palms. And, out of a total of 220,000 tons, 64,000 tons were exported to Holland—a lost market now.

The situation as regards tobacco looks like a catastrophe of the first magnitude. Out of a total export of 48,000 tons, 43,000 tons were exported to Amsterdam—for the most part to be re-exported to Germany and Central Europe. New markets must be found or an arrangement made to help this famous East Indian product. Coffee exports amounted to 69,000 tons in 1938; 15,000 tons were exported to Holland, 13,000 tons to Denmark, 7,000 tons to France, and 6,000 tons to Italy. Thus, more than half of this market has been lost. The difficulty with these "weak" products is that the United Kingdom cannot help the exporters without raising difficulties for the producers of the same products within the British Empire.

New Sales

For some other Dutch East Indian products the situation, though still difficult, is more hopeful. Sugar has lost an important market in the Netherlands, in the Levant and, notably, in Italy. Here, however, the United Kingdom can give valuable assistance. The same applies to tea. Under the international agreement of 1934 the Dutch East Indies export 18 per cent. of the world's total tea exports. It is to be expected that England will shift at least part of her attention from Empire tea to the East Indian tea.

The situation as regards rubber is also fairly satisfactory. Production in 1938 amounted to 321,000 tons. Exports to the United States will be increased, especially since Washington has resolved to buy a "strategical stock" of 100,000 tons of rubber at a favourable price, of which the Indies can sell two-fifths. Tin, an equally important raw material, will also be bought by the United States in increasing quantities. In fact, Washington is buying all available tin at 50 cents per lb. Prospects for oil, of which the East Indies produced 7.4 million tons in 1938, are reasonably good, as is to be expected in the case of a "key" war material.

The main item in Dutch East Indian imports was textiles. The principal suppliers were Japan, England, and, of

course, the Netherlands, which co-operated with the Indian possessions in a way which can be compared with the co-operation in the British Empire since the Ottawa agreements. Japan's position calls for special attention. To the so-called South Sea countries, which Mr Arita recently declared to be comprehended in a sort of Japanese "Monroe Doctrine," Japan exported goods in 1939 to the value of 240 million yen, 6 per cent. of Japan's total exports. Imports to Japan from the same countries were valued at 300 million yen, or 10 per cent. of Japan's total imports. Among these South Sea countries—which, according to a recent issue of the *Oriental Economist*, include the Philippines, Thailand, the Straits Settlements, Malaya, French Indo-China, the Netherlands East Indies, British Borneo, New Guinea, New Caledonia and Fiji—Dutch possessions always held an important place. Six years ago one-third of Dutch East Indian exports originated from Japan. It was, as Dr Cecil Rothe of the Amsterdam *Koloniaal Instituut* said, practically impossible to name any category of goods in which European and American industries could compete with Japan. Since 1934, however, Japan's share in Dutch East Indian imports has steadily decreased. Japan has, in a sense, left the market. The shrinking of Japanese exports to the Indies is, in the first place, due to shortage of raw materials for the manufacture of cotton textiles and lack of sea transport. As a result of the difficulty of obtaining iron and steel for non-war purposes, the construction of a medium-sized vessel now costs 460 yen per ton, against some 120 yen before the China incident.

Since, as a consequence of the war, the famous Dutch textile district Twente has fallen away as an exporter of textile goods to Dutch East India, it is probable that bigger import quotas will be accorded to both England and Japan. This, of course, will be a temporary measure. Its effects will depend upon the course of the buying power of the Indian native population. Generally speaking, it can be said that the Dutch Government will try to foster business relations with Japan in accordance with the principles of the well-tried "open-door" policy.

July 10th.

Sweden in Isolation

[BY A CORRESPONDENT]

GERMANY'S invasion of her Scandinavian neighbours has placed Sweden in almost complete economic isolation from the West. But though the cessation of her usual overseas imports has made the development of self-sufficiency very necessary the paramount task has been the speeding-up of defence preparations.

The Government has subordinated everything to the defence of the country, in which it has the united backing of the people. A large proportion of the male population has been called up, and a "labour service" law enables the Government to conscript the services of any citizen, male or female, between the ages of 16 and 70 inclusive. To meet defence expenditure, estimated at Kr. 1,454 millions (16.90 Kr. = £1) in the financial year July, 1939–June, 1940, out of a total expenditure of Kr. 2,850 millions, income tax has already been raised by 50 per cent. Nevertheless, the Budget is expected to show a deficit of about Kr. 1,000 millions. A big defence loan of Kr. 500 millions, bearing interest at 4 per cent. and repayable on November 1, 1945, has been issued, and subscriptions passed the half-way mark some time ago.

New Trading Relations

The only outlet for exports from Sweden to the West is through Finland and the port of Petsamo. But the transport expenses involved are so heavy that only a few highly manufactured goods can bear the cost, and the export industries will have to seek new markets to the east and south-east. Moreover, coal imports, 50 per cent. of which came from Great Britain, are now dependent on deliveries from Germany and Poland.

Negotiations for a trade agreement with Russia have been going on for some time, and arrangements for an exchange of goods on a considerable scale are expected. Sweden is interested in the import of oil, feeding-stuffs and other raw materials; and the comparatively small quantities she requires can probably be supplied by Russia, who can import in exchange Swedish machinery and metal products. Trade talks with Germany are based on the existing trade agreement and provide for the increased export of Swedish timber and wood pulp against German coal and coke. The export of cellulose to Germany is to be increased by about 200,000 tons. From Estonia, Sweden is to receive some shale oil and asphalt this year, and larger quantities next year.

Sweden's Deficiencies

These trade agreements, however, cannot prevent Sweden from becoming very short of some commodities, and a Price Control Board has been established to watch price movements and fix prices for various necessities. Rationing, too, has been introduced for a number of household commodities such as coffee, tea, sugar, margarine and soap. Food supplies, however, are far better than in 1914. Stocks of rye are sufficient for one year and of wheat for two years. This year's crops of beet sugar and potatoes are expected to be adequate; sugar, moreover, can be extracted from wood. And, given favourable conditions, she should be self-sufficient in dairy produce.

It is the lack of fuel which is the most serious consequence of her isolation from the West. It has caused a reduction of traffic on the State Railways by 30 per cent. compared with December, 1939—a significant development if the railways are to carry iron ore to Germany in the winter when the Baltic is closed—and all private motoring by petrol-driven cars has been stopped. Sweden, however, has her vast forests, and charcoal and wood are being used for generator units installed on buses, lorries and private cars. By a new process, motor-gas is being produced direct from wood, eliminating the preliminary charring. Sweden also obtains from her forests wood alcohol and turpentine as by-products from the manufacture of chemical pulp, and it is thought that she can if necessary increase her production of wood alcohol to about 26 million gallons with her existing plant.

The Academy of Science at Stockholm has made a special study of the question of shale oil, but Sweden's shale oil has not the same high oil content as Estonia's. There is also the possibility of saving and purifying used lubricating oil. Sweden has several large oil refinery plants, and it is estimated that by modern methods up to 85 per cent. of dirty oil can be regained.

July 5th.

Shorter Notice

"Financial Post Survey of Corporate Securities." The Maclean Publishing Company. 256 pages. 9s.

This invaluable compilation contains details of the profit position and financial structure of 1,500 Canadian companies and a record of prices over the last eight years.

Books Received

Population Policies and Problems in Europe. By D. V. Glass. (London) H. Milford. 490 pages. 25s. net.

The Modern Railway. By J. H. Parmelee. (London) Longmans Green and Company. 730 pages. 25s. net.

Official Publication

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

Seventh Report from the Select Committee on National Expenditure. 2d. net.

The
ECONOMIC HISTORY of STEEL-MAKING
1867-1939
A Study in Competition
By D. L. BURN 27s. 6d. net.
The first book to study the history of steel making in England in all its various aspects. Beginning with the Paris Exhibition, this book gives a continuous picture of the development of the industry up to the Sankey and May reports.
CAMBRIDGE UNIVERSITY PRESS

THE BUSINESS WORLD

The Structure of Money Rates

EVER since Bank rate came back to 2 per cent. after the aberrations of its rise to 4 per cent., prior to the outbreak of the war, the structure of money rates has remained under almost continuous discussion. The reason is that short loan rates and the discount rates based on them failed to keep step with Bank rate in its return to the previous 2 per cent. level. During the greater part of the long 2 per cent. Bank rate era, under peace conditions, the short loan rate was ½ per cent. and the open market discount rate slightly above this figure. Since the return to a 2 per cent. Bank rate after the outbreak of the war, these market short-term rates have been just double what they formerly were. Some observers have attacked this state of affairs, on the extreme ground that it represents a "bankers' ramp." Over the past eight months the authorities have been bombarded with questions in Parliament and the Press regarding the alleged "extortionate" rates which the banks and the discount market were extracting from the Government, and only this week the 1 per cent. Treasury Bill rate was characterised in Parliament as an "indefensible bargain struck between the Treasury and the banks." The authorities have made no single concession to this persistent campaign, and though the process of bringing the whole structure of interest rates into relative alignment has been carried steadily forward during the past few months, there has been no indication that part of this process would be a lowering of the lowest basic rate on which that structure rests.

Any doubts regarding the possibility of such a reduction appear to be removed, for the time being at least, by the decision of the authorities to fix the rate on six months' bank deposits to the Treasury at 1⅛ per cent. That figure falls logically into the existing structure of money rates. Other recent adjustments to its ordered sequence have been the decision of banks in this country to limit the rate paid on special deposits to 1 per cent., and the reductions announced by building societies in their deposit rates, though the latter are still high when allowance is made for income tax. The present sequence of interest rates, determined solely by the time factor, and excluding the risk factor, may, in broad outline, be shown as follows:—

½	per cent.	... rate normally paid by banks on their deposits.
¾-1	per cent.	... rate for money at call lent by London banks other than clearing banks.
1	per cent.	... clearing banks' rate for short loans secured by bills of exchange. Maximum rate paid by banks on special deposits.
1 1/32	per cent.	... rate on three months' Treasury bills.
1⅛	per cent.	... rate in six months' Treasury deposits.
1¼	per cent.	... rate on clearing banks' short loans secured by bonds.
1⅜	per cent.	... yield on Treasury One's due February, 1941.
2	per cent.	... Bank rate.
2¼	per cent.	... yield on Conversion 2's due 1945.
2½	per cent.	... yield on 2½ per cent. National War Bonds due 1947.
3	per cent.	... yield on 3 per cent. War Loan due 1959.
3½	per cent.	... yield on irredeemable gilt-edged securities.

The above rates indicate a gradation of interest rates, which is, on the whole, rational and self-explanatory. The few discrepancies which appear can be readily explained. The rate for short loans from non-clearing banks is usually lower than that charged by clearing banks because the "outside" money, as the former is called, is of more volatile character. It is left with the borrowers for comparatively short periods while the vast bulk of clearing bank money in the discount market remains undisturbed for long periods. The wide divergence between the rate of 1⅛ per cent. offered on six months' Treasury deposits and the 1½ per cent. yield on Treasury One's with only six and a half months to run is due to the fact that there are two coupons still due on Treasury One's from which tax will be deducted at source.

Bank rate, at 2 per cent., admittedly strikes an inconsequential and ineffectual note in the list. It is in any case wholly irrelevant to the present structure of money rates. Even in its own special sphere of the London money market, the Bank's rediscount rate has ceased to have the slightest reality or effectiveness. It is hardly possible, after the recent extension of open market policy, to conceive of a position in which the London market would be forced "into the Bank" and when Bank rate would thus become effective. The only operation to which it might apply would be the recall by a bank of its deposit with the Treasury before the full six months' period for which the funds were deposited had run its course, but there is very little likelihood of this rebating facility being utilised. If the system of interest rates is anchored to controlling forces, it is not to the old traditional interplay of Bank rate, exchange and gold movements, but to the official Treasury controls of the capital and exchange markets.

The structure of money rates is, in other words, largely the product of dictation and not of sensitive economic adjustment. But the stage has not been reached at which it has become wholly the result of compulsion. Above the minimum prices—which at present are not effective—the gilt-edged market remains free. The pattern of medium-term rates is clearly not altogether that which the authorities desired to see taking shape when they announced the terms on which the 4½ per cent. Conversion Loan was to be converted. It was expected then that a five-year bond would command no more than 2 per cent., whereas it appears to be settling down at about 2¼ per cent. Dictation has, moreover, to be tempered by what is politically expedient. If the above sequence of interest rates reveals an artificially wide gap, it is between the yields on medium shorts and the irredeemables—between the 2¼ per cent. on a five-year bond on the one hand and, on the other, the 3 per cent. on the 20-year security and 3½ per cent. on the irredeemable loan. The explanation is to be found in the fact that the short and medium short-term securities are especially the province of the corporate institutional investor, who can be "persuaded" by the authorities far more easily than the politically more vocal private investor.

These powers of persuasion, behind which there now lies the grimmer reality of the Emergency Powers Act, could no doubt be used more drastically than they have been in the recent past. In particular, compulsion might be used to bring the really short-term rates—those for call loans and Treasury bills—back to the levels they held in the previous 2 per cent. Bank rate era. But the banks have pleaded a case for a higher turn on their short-term investments, and that case, based largely on the artificiality of the earlier margin between Bank and loan rates and on the increases which Emergency legislation and precautions have added to their expenses, has been accepted by the authorities. If, therefore, a reduction in loan and discount rates were to be dictated by the authorities, corresponding reductions would have to occur in the banks' deposit rates. If such reductions were made, would they call for an adjustment in Post Office Savings Bank rates and in the rates on Savings Certificates? If so, they would immediately impinge on politically dangerous ground. Perhaps, in view of the strict limitations on individual investments in these two media, it would be easy to exaggerate the closeness of any connection between the rates which they and the banks offer. But it would be equally easy to exaggerate the practical budgetary importance of a reduction in the lower scale of interest rates. The savings which would accrue to the Treasury by a reduction in bill rates would be small in relation to the existing scale of Government expenditure. That is not a conclusive argument, for the sums involved are of substantial absolute size, and they are expanding, as the total of Treasury Bills in issue expands. But if the search for economy lies behind the present controversy, it should be remembered that more promising fields are still untilled.

Granted the premises on which the Treasury Bill rate is based, the gradation of interest rates which obtains at present does not appear unreasonable in its sequence or in its point of departure. There is nothing in it to justify the accusation of usury on the part of lenders—whether on short or long term. It may help to set the position in some kind of comparative perspective to note what the range of interest rates is in Germany, where the control of the capital market is considerably fiercer than it is here and where the banker has even less to say than in Great Britain to-day. Since the reduction of the Reichsbank rate from 4 to 3½ per cent. a few weeks ago, the rate for three to six months' maturities in Germany has ranged between 1¾ and 2½ per cent., and the rate of interest on medium-term Reich loans has settled down at slightly under 4½ per cent. In the light of these figures our own structure of interest rates does not appear extortionate.

Finance and Banking

Treasury Deposits

The new device of Government short-term borrowing by way of six-months Treasury deposits from the clearing and Scottish banks has had a successful send-off. The banks readily subscribed the initial amount of about £10 millions with which the movement was launched and to the subsequent allotment of about double that figure on Friday of last week. The week-to-week movements in the totals so raised cannot be ascertained owing to the misguided reticence of the Exchequer returns in their new form. The banks will, of course, show these deposits separately in their balance sheets, and the clearing banks will provide monthly figures of the amounts so lent in their usual statements. For more comprehensive and correct half-yearly computations of the amounts outstanding, the balance sheets of the clearing and Scottish banks will have to be awaited. Treasury deposits may be new in form, but in practice they introduce no fundamental innovation in the system of Treasury financing. The desirability of keeping the Treasury bill debt down to approximately its present figure can be readily appreciated, but the new six-months deposits constitute an element in the floating debt against the expansion of which as many arguments can be advanced as against a further increase in the Treasury bill issue. The facility for recalling the deposits before full maturity under rebate at Bank rate gives the deposits all the liquidity of a bill eligible for rediscount at the Bank of England, and the unwillingness of the authorities to feed the discount market with an ever-growing flow of Treasury bills was already being met by increasing issues of tap Treasury bills direct to the clearing banks. One of the main advantages to be claimed for the Treasury deposits is their non-negotiability, an important consideration in view of the emergency arrangements made to protect lenders and borrowers in the money market against the chaos that might arise in the event of serious damage to documents due to enemy action. In addition, the new device places added powers in the hands of the authorities to control the credit position and to neutralise the influence of Government receipts and disbursements, which are now acquiring such disturbing magnitude. Admittedly, the weapon of neutralisation already existed in open-market operations by the Bank of England, and admirable proof of their efficacy had been given in recent weeks. But the new deposits will reinforce the sway of the authorities over the market.

* * *

The "Surplus Deposits" Myth

It is unfortunate that two false and misleading advantages should have been so widely claimed for the new Treasury deposits. Firstly, it has been suggested that they will provide the means for employing "surplus resources" of the banks; secondly, it has been claimed for them that they will be non-inflationary since they will be an alternative to such direct inflationary expedients as Ways and Means advances from the Bank of England to the Treasury. The funds which the banks will lend by way of these deposits to the Treasury will be no more "surplus" funds than those employed in the money market, in discounting bills, or in buying gilt-edged securities. Whether the banks have "surplus" funds to lend to the Treasury on these new terms will depend on the volume of bank cash, and that in its turn will depend on the policy of the authorities. If they so wish, the authorities can inflate bank cash to the point at which the banks will have an abundance of resources to lend to the Treasury as deposits. In that case the new method of finance will have become the direct instrument of as clear a form of inflation as it would be possible to imagine. The true explanation of the resurrection—in somewhat altered form—of the Treasury deposits, which did service in the financing of the Treasury between 1916 and 1919, may well lie in the combined dislike of the authorities for a further expansion of the Treasury bill debt and of the banks for further increasing their holdings of medium-term Government securities. If this be so, the departure announced last week carries with it the suggestion that the banks' direct contributions to the current issue of National War Bonds will be as unspectacular as their participation in the previous issue of 3 per cent. War Loan.

* * *

The New Exchequer Returns

The rigorously "blue pencilled" Exchequer return (which is criticised in a Note on page 42) will deprive the money market student and operator of much of the statistical material on which both have depended in the past. In the first place, the discontinuance of the floating debt statement will make it impossible to calculate the division of Treasury bills between "tap" and "tender" issues. The total of tender bills outstanding will still be available by adding together the amounts issued over periods of thirteen consecutive weekly tenders. But recent experience has shown how misleading the total tender issue can be as a guide to the full amount of Treasury bills actually in issue. The comparatively new device of feeding the banks direct with Treasury bills originally issued through the tap may, however, be used to a lesser extent now that the alternative method of direct contact between the banks and the Treasury through six-months deposits has been launched. Any wide divergence between the clearing banks' holdings of bills and the movements indicated by the fluctuations in the outstanding volume of bills issued through the weekly tender will indicate very broadly to what extent the tap Treasury bill is still being used as a method of issue or intake of bills to or from the banking system. The disappearance of floating debt statistics will deprive us of week-to-week knowledge of the amounts derived from Treasury deposits and of Ways and Means advances from the Bank of England. The former item will, however, be available, with some degree of accuracy, but with appreciable delay, from the bank balance sheets, while any wide movement in Ways and Means advances must be reflected in the weekly Bank return. The banishment from the Exchequer returns of detailed information of receipts from loans will to some extent be mitigated by the readiness of the authorities to announce week by week the amounts received from loans actually in course of issue—at the moment the three tap issues, namely, Savings Certificates, Defence Bonds and War Bonds. But in order to ascertain the true net receipts from these sources it will presumably be necessary to await the annual Financial State-

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ments with their detailed figures on the distribution of the National Debt.

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Free Sterling Restrictions

As from the beginning of this week the exchange restrictions announced on June 8th last came into full operation. The foundation-stone of these new regulations was the compulsory invoicing of all exports to U.S.A. in official sterling or dollars. The British authorities were asked to relent the rigours of this stipulation to the extent of exempting from it goods ordered before June 8th. This was duly conceded, but at the beginning of this week the concession was withdrawn. The consequent diminution in the demand for free sterling has had very little effect in the rate, which has been fairly steady at around $3.75, in a market which has dwindled to virtually insignificant proportions. Nevertheless, the authorities are inexorably pursuing the task of driving the free market out of existence. To achieve this, it may be necessary to extend to foreign sterling balances the temporary immobilisation which has been decreed for sterling securities held here on foreign account. If that is achieved there should be little difficulty in completing the discussions which have been proceeding for some time past with American banks to ensure that the only rate quoted for sterling in the United States is the official rate.

★ ★ ★

"Washing" National War Bonds

The start of dealings in National War Bonds has resurrected the problem of "bond washing" for the discount market. This device, against which an official ban was decreed some months before the outbreak of the war, consists in buying bonds *cum* dividend and selling them immediately they go *ex* dividend, the operation being profitable to houses whose assessment to tax makes it possible for them to claim back the tax deducted from the dividend in question. Such operations are now forbidden. The question which has now arisen is whether purchases of the new War Bonds from the tap and their resale in the market is tantamount to "washing" when indulged in by firms which will obtain reimbursement of tax on the January 1st coupon. For such houses (which also can obtain ⅛ per cent. commission on purchases from the tap) these operations are highly profitable—since they yield the commission plus whatever premium the market price may command over the tap price. That such a premium should exist at all is due to the fact that the buyer in the market receives his interest from the seller up to January 1st next free of income tax—which may be at a higher rate than 7s. 6d. by the time it is deducted from the first coupon on January 1st next—and of super tax. If justification were to be pleaded for the intervention of money market houses in operations of this kind it could be based on the argument that their operations were encouraging purchases of the new bonds by making them available at slightly under the tap price. But it remains to be seen whether this plea will "wash" with the authorities.

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Ways and Means Advances Repaid

This week's Bank return is still dominated by the reactions to the huge movements of cash precipitated at the beginning of the month by the repayment of Conversion 4½'s, and by subscriptions to the new War Bonds. During the past week the latter has been the principal influence and bankers' deposits have thus come down by £33,120,000 to £107 millions. Of the corresponding transfer of funds into Public Deposits only £5,594,000 has been left as an addition to this item, the Treasury having used part of its receipts from the new loan to repay Ways and Means advances from the Bank. Thus Government securities have fallen by £24,575,000 over the week. The expansion in the note circulation continues, though now at a much reduced tempo. The active circulation at its new record of £610,378,000 reached last Wednesday was £2,193,000 higher than a week previously and £63,881,000 higher than on May 22nd, when the current expansion began in earnest.

Investment

A Hesitating Phase

On Friday last week, the markets closed in a rather questioning frame of mind, which suggested that the springy rebound from the lowest levels touched on June 26th was becoming exhausted and that new causal factors would be required to justify any further advance this week. The market began well enough, with steady gains among long-dated gilt-edged, a continued improvement in home rails and some sizable gains among the leading industrials. But on Tuesday its true temper was more evident. Gilt-edged again showed small gains, but it was only in this section that prices showed real stiffness, and as the week continued and closer attention was given to Sir Kingsley Wood's promise of heavier taxation (though this has been an obvious market factor for weeks past), the industrial sections continued to decline. There has been no pressure to sell, except perhaps in the oil share group, but equally there has been little willingness to buy. The market is, in fact, again in one of its waiting moods. It has its eye on developments in the Balkans, and it is giving due heed to the possibility that the immediate objective of German action may be to try and break the blockade through the Mediterranean. Even if this reading should prove true, however, it would not necessarily constitute a lasting bull point for the market. For, if the enemy is to attempt to win, he must ultimately break his full force on these shores, and if that happens, any "sideshow," no matter how important in long-term strategy, will count for nothing compared with the immediate problems of defence and their reaction upon gilt-edged and equity shares. It may be suggested, however, that the action of the authorities in putting out a smoke screen over the weekly Exchequer Returns is, in itself, an adverse influence on the gilt-edged market. Dealers and institutional investors alike have been impressed by the fact that no explanation has been tendered for a policy which was never adopted at any time during the war of 1914–18. And they have drawn the only permissible conclusion in the circumstances: that, if it is necessary to hide facts, they cannot be palatable facts. In the context of war finance the action of the authorities means that, if, despite their efforts, they are unable to prevent the emergence of inflationary symptoms, they at least hope to hide them from the public gaze. So futile a proceeding, when the consequences will be apparent in every sector of the financial system, justifies the perceptible attitude in the gilt-edged market that prices are as high as they need be for the time being. The recipe for a firm gilt-edged market is a display of financial strength—not a concealment of possible financial weakness.

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Dealings in War Bonds

The market in the new 2½ per cent. War Bonds which opened on Wednesday is not a normal, free market in the ordinary sense. Yet the Official List for that day contained 11 marks in the bonds ranging from the minimum price of par as high as 100½. The basis of dealings in the bonds, when they are freely obtainable from the tap at par, was explained in a leading article in *The Economist* of June 29th. The bonds are dealt in *ex* accrued interest, and the original subscriber who sells must therefore pay to the purchaser the amount of interest due from the day after the bargain is transacted to January 1st next, without deduction of tax. If such an original subscriber sold at par, he would thus have to pay slightly less than £1 5s. to a purchaser, and would receive on January 1st next an amount of approximately £1 5s. in respect of gross interest from the date on which he subscribed for the bonds, less deduction of tax at whatever standard rate may prevail at that date. Only special sales, therefore, are to be expected in the bonds so long as the tap remains open. Prices such as 100½, which were paid for the bonds at the commencement of dealings, can only anticipate severely increased taxation in the forthcoming Budget, against which purchasers who are not liable for tax on the gross amount of interest paid to them by sellers, are prepared in a few instances to hedge at a relatively generous price.

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The Stock Exchange in Wartime

The report of the Committee for General Purposes of the London Stock Exchange for the year to March 24, 1940, gives a full account of the adaptation of business to wartime conditions. The Temporary Regulations, under which business is now being conducted, are described in detail, and the implications of minimum prices in the gilt-edged market are discussed, though the Committee's defence for the introduction and timing of the new schedule of prices last March may be arguable. Extracts from the statistical section, which the Committee has happily decided to publish as usual, are given in the following table, together with a percentage comparison of nominal and market values for certain leading groups:—

OFFICIAL LIST

	1937	1938	1939	1940
No. of Lines of Secs. ..	5,522	5,629	5,693	5,681
Nom. amount, £mns....	17,697·7	17,930·2	17,976·1	18,209·3
Market valuation, £mns.	19,475·5	17,346·6	16,824·2*	17,624·4*

Valuation compared with nom. capital:—	%	%	%	%
British funds	+ 0·6	+ 0·2	− 4·7	− 1·7
Com. and indus.....	−139·2	+ 93·6	+ 93·1	+ 86·2
Foreign stocks.....	− 71·1	− 79·1	− 82·1	− 82·0
Home rails	− 26·3	− 29·2	− 45·2	− 35·8
Total	+ 10·0	− 3·3	− 6·4	− 3·6

* Including £485,484,592, the market value of shares of no par value in 1939, and £478,504,238 in 1940.

The number of lines of securities dealt in fell in 1939-40 from 5,693 to 5,681 after advancing during the previous three years. The rise in the nominal amount outstanding has, however, been continued from £17,976,100,000 to £18,209,300,000, and the market valuation, including that of shares of no par value, rose to £17,624,400,000, the highest level since £19,475,500,000 in 1937. At the end of March, the percentage depreciation on all classes of securities below nominal value was 3.6 against 6.4 in the previous year. On British Funds and Home Rails the depreciation improved from 4.7 to 1.7 and from 45.2 to 35.8 per cent. respectively. Depreciation on foreign stocks showed surprisingly little change from 82.1 to 82.7 per cent., and the appreciation of all classes of commercial and industrial equities was reduced from 93.1 to 86.2. Stock exchange values have fallen a long way since March, 1937, when the total of market values stood 10.0 per cent. above nominal values. In these difficult conditions, the Committee has carried out its onerous public duty with the same selflessness as in more peaceful times. It has arranged alternative dealing and clearing facilities at Denham to tide the "House" over conditions of dire emergency. But its first concern has been to maintain an effective market, and from recent decisions it is evident that this remains its guiding policy.

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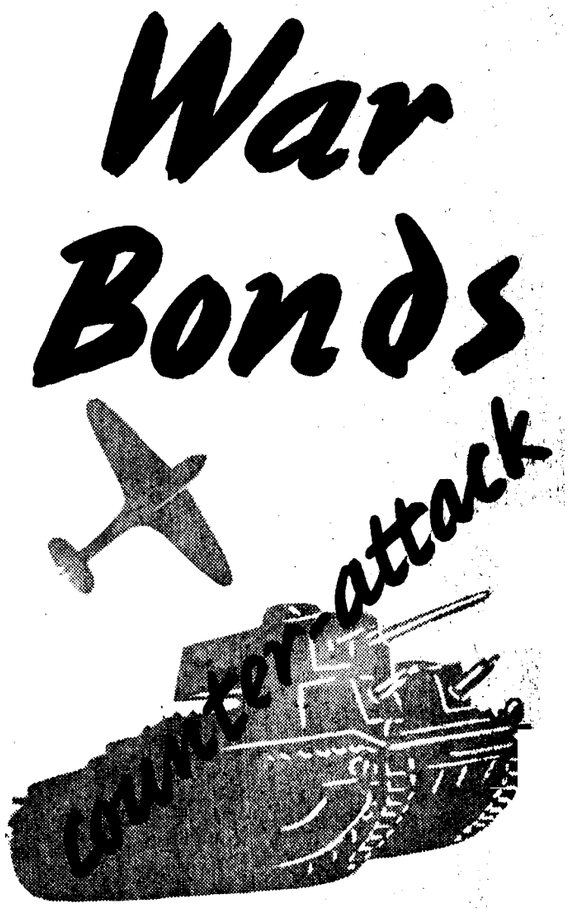
Bank Dividends Maintained

The maintenance of the interim bank and discount company dividends may reassure those timorous holders who, a fortnight ago, might have inferred from the market price of their shares that dividends had suddenly been jeopardised. There is an element of control in all bank profits which renders any inferences from the figures of limited value, and the mere maintenance of interim distributions is not in itself conclusive evidence regarding the movement of bank earnings. But it is clear from the half-yearly statements of the leading institutions that, although war may have increased their costs in some directions, it has also increased their revenue-earning funds. Such substantial increases in deposits during the past year as those shown by Barclays Bank (from £411.3 millions to £461.2 millions), the Westminster Bank (from £341.7 millions to £368.8 millions) and the National Provincial (from £301.2 millions to £330.8 millions) show

BANK AND DISCOUNT INTERIMS

Name and Shares	1939 Interim	1939 Year's Total	1940 Interim	Price July 11, 1939	Price July 11, 1940	Yield, July 11, 1940 £ s. d.
Banks	%	%	%			
Barclays "B" £1.....	7	14	7	69/–	61/9	4 10 8
National Prov. "B" £5 (£1 pd.)	7½	15	7½	66/–	52/–	5 15 5
Westminster £4 (£1 pd.)	9	18	9	84/–	66/–	5 9 1
Martins £20 (£2½ pd.)	7½	15	7½	170/–	137/6	5 9 1
Wms. Deacon's "A" £5 (£1 pd.)	6¼	12½	6¼	...	...	...
Midland £12 (£2½ pd.)	8	16	8	182/6	137/6	5 16 4
Lloyds £5 (£1 pd.)	6	12	6	54/6	39/6	6 1 6
Discount Cos.						
Alexanders £2 (£1 pd.)	7½	17½	7½	60/–	55/–xd	6 7 3
National "B" £7½ (£2½ pd.)	9	26	9	250/–	195/–xd	6 13 4
Union Discount £1	3¾	10	3¾	45/–	36/3xd	5 10 4



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the force of this point. Admittedly the counter movement to such increased deposits is mainly to be found in increased holdings of Treasury bills and to some extent in investments, for the more profitable advances are, generally speaking, lower, and the banks have also substantially increased their unremunerative till money. The net effect of these movements, however, has certainly not imperilled the interim dividends which are tabulated on the preceding page. Comparison of the current level of bank share prices with those of a year ago does not, in general, reflect the devastation which threatened this section of the market a little over a fortnight ago. But current yields, particularly on the partly-paid shares, are high enough to suggest that the market is now paying more regard to the equity element in bank shares and rather less to their traditional quasi-fixed interest character.

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Richard Thomas

The trading profits of the Richard Thomas group for the year to March last, before deducting income tax, comfortably achieved a new high record since consolidated figures were first provided in 1933. After the disturbed conditions of 1938-39, when the Ebbw Vale plant was being run in and trading profits were almost halved at £1,118,100, the new mill, encouraged by urgent war demands, has shown its profit-earning potentialities and the group's trading income has consequently jumped to £3,171,296. The interest of Richard Thomas shareholders in these results is at present academic. The group's total depreciation charge has been raised from £440,000 to £812,000 (the latter figure includes £400,000 written off development expenditure at Ebbw Vale and Redbourn). After virtually escaping any taxation liability for 1938-39—actually there was a charge of £77,067—the group has to provide in the latest year no less than £1,159,704, while the profit and loss account has been charged with the full amount payable in interest without any relief from general reserve as in the preceding year. The following table shows that, after providing for these various charges, the group's surplus available to meet special provisions rose from £271,781 to £566,871:—

	Years to March 31		
	1938	1939	1940
Consolidated Figures:			
Trading Profits	**2,139,517**	**1,118,100**	**3,171,296**
Depreciation (*a*)	443,778	471,485	829,591
Taxation	503,380	77,067	1,159,704
Interest, etc.	292,435	247,256(*b*)	552,365
Fees, staff funds, etc.	24,598	27,761	40,439
Outside shareholders	24,620	22,750	22,326
Surplus	**850,706**	**271,781**	**566,871**
Special charges	42,925(*e*)	537,212(*c*)	177,500(*d*)
Preference div.	202,822	Nil	Nil
Ordinary shares:—			
Earned	*604,959*	*Nil*	*Nil*
Paid	164,063	Nil	Nil
Earned %	*18·4*	*Nil*	*Nil*
Paid %	5	Nil	Nil
To reserves	902,306(*f*)	*Dr.287,285*(*g*)	...
Carried forward	355,050	376,904	807,393(*h*)

(*a*) Including amounts written off. (*b*) After transferring £200,000 from general reserve. (*c*) Ebbw Vale costs: £337,212 running-in loss, and £200,000 being proportion of debenture interest attributable to reconstruction. (*d*) Commutation of amounts due under agreements and compensation. (*e*) Provision against subsidiaries. (*f*) Of which £772,306 to reserve; £130,000 to contingencies. (*g*) Of which, £107,492 from contingencies and £179,793 from general reserves. (*h*) Includes £41,118 special credit.

This surplus has been employed to write off £177,500 in respect of commutation of amounts payable under agreements and the whole of the remaining profits, fortified by a special credit of £41,118, is carried forward. No reference is made in the report to trading conditions during the past year, though the displacement of Sir William Firth from the board is tersely recorded. The company's own accounts show a disposable surplus for the year of £351,573, compared with £20,207 for 1938-39. Of this sum, the required transfer of £100,000 to general reserve is made, together with a replacement of £267,429, which was drawn from reserve in the preceding year. Including a special credit of £33,161 the company is enabled to carry forward £32,100 in its own profit and loss account.

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The earnings possibilities during the current year are by no means simple to assess. On the assumption that the plant is operated at an optimum rate, trading profits will be substantial, but the report for the past year shows how vulnerable the group is for E.P.T. Assuming, however, that the same disposable surplus of the group were available to meet the required £100,000 transfer to the parent company's general reserve account and that no other special allocations were required, the balance of consolidated profits would be sufficient to meet extra sinking fund payments of £165,500 (which become due from 1941-42), and to cover the 6½ per cent. preference dividend with a handsome surplus. Such calculations are certainly forward-looking, but there are at least grounds for hope that preference shareholders should obtain some reward for their patience during the next year or two. Expectations for the stock, which is at present priced at 7s. 6d. must, of course, be tempered by the fact that it is non-cumulative.

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United Dominions Trust Reverse

The directors' report of United Dominions Trust includes a frank admission that the business of the company has been seriously affected by direct or indirect restrictions on almost all classes of business which the company normally finances. The board has, therefore, decided not to recommend a final dividend on the ordinary stock, which thus receives 6 per cent. for the year to June compared with 17½ per cent. in the preceding four years. The profits of the parent company amount to £65,627, compared with £217,496, and after meeting fees, preference dividends and the interim ordinary dividend, the balance carried forward is £30,957, compared with £37,035 brought in. Hence it is evident that had the directors decided to pay a final ordinary distribution it could not have been of material size. The report recalls that all losses which could have been foreseen have been provided for, but the company's liability for income tax has had to be treated in a special way. The total provision amounts to £138,500, but as much as £120,000 of this sum is provided by a transfer from contingencies reserve. The latter reserve has been fortified by a transfer of £250,000 from general reserve (which leaves the latter at £1,100,000, equal to the paid-up capital), and thus retains a surplus of £130,000. By this method of drawing on past profits the trust has been able to provide for all taxation on profits earned to date. The consolidated statement of the group shows how seriously the trust's business has been affected. Bills receivable and notes on hand, which stood at £7,536,489 a year ago, have been reduced to £4,205,639, while cash has fallen by approximately £350,000 to £708,963. Corresponding movements on the liabilities side of the balance sheet show a fall in loans and acceptances from £3,621,119 to £1,115,662 and in current, deposit and other accounts by nearly £1,000,000 to £2,117,867, and the balance sheet total for the group has fallen abruptly from £9,764,334 to £5,798,633. The United Dominions Trust occupies an outstanding position among hire-purchase finance concerns, and its experience during the past year is almost certainly better than that of less conservative companies. The chairman's review of the year's business discusses the many impediments to normal financing in wartime, including the payment of approximately 1 per cent. more on its funds, which it was unable to pass on to customers. It is satisfactory to note that collections have generally been good and that there is no reason for apprehension regarding future collections. Meanwhile the ordinary stock stands at 45s. compared with last year's highest level of 81s. 6d. and can only be retained for better times.

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Distillers' Accounts

Distillers' accounts for the year to May 15, 1940, add little to the information conveyed in the preliminary statement, which was discussed in last week's issue of *The Economist*. After meeting the preference dividend and other prior charges, some £2,149,640 is earned for the ordinary stock, of which £1,543,508 is absorbed by the 16¼ per cent. dividend. The company's general reserve has been reduced by the distribution of last year's capital bonus from £5,200,000 to £1,400,000. The fire insurance fund has, however, risen to £600,000, and the superannuation fund to £1,000,000. Thus the reserve position remains strong. Stocks, at £837,262, against £899,699, show little change, but cash holdings have increased strikingly from £3,239,713 to £7,471,258. On the liabilities side, creditors are up from £2,910,245 to £3,142,888. The company has suffered during the past year from Government restrictions on the output of grain and malt distilleries. While it must be expected that such restrictions will continue in force during the war, it is probable that the company's stocks will be adequate to meet the considerable demand for the company's products in this country and in the United States. The £1 stock, now quoted at 55s. 6d. ex dividend, yields £5 17s. 1d. per cent.

G.E.C. Record Profits

General Electric's gross profits reached a new record of £1,892,994 in the year to March 31, 1940, for the sixth year in succession. The increase over the previous year's record, at £116,895, compares with an increase of only £3,918 in 1938-39. Depreciation and taxation provisions have each been increased by over £100,000 to £495,442 and to £540,000 respectively. Consequently, net equity earnings show a decline from £716,050 to £629,507. They represent, however, a rate of 24.0 per cent. on the ordinary capital, against 23.5 per cent., and the 10 per cent. dividend plus 10 per cent. cash bonus as paid in the two previous years is thus maintained with a satisfactory margin. After placing a further £100,000 to general reserve, which now totals £4,700,000, the carry forward has been increased from £807,220 to £811,931. Profits of the past three years are analysed below:—

	Years to March 31		
	1938	1939	1940
	£	£	£
Profit	1,772,181	1,776,099	1,892,994
Depreciation	368,642	380,492	495,442*
Taxation	400,000	430,000	540,000
Pensions and fees	58,295	66,857	67,395
Preference dividends	185,840	182,700	160,650
Ordinary stock:—			
Earned	*759,404*	*716,050*	*629,507*
Paid	608,764	608,764	524,796
Earned %	*24·9*	*23·5*	*24·0*
Paid %	20†	20†	20†
General reserve.....	100,000	100,000	100,000
Carry forward	799,934	807,220	811,931

* Including £100,000 special depreciation. † Including 10 per cent. cash bonus.

These are eminently satisfactory results, and the balance sheet provides ample confirmation of intensive employment of the company's plant, to which the directors refer in their report. Stocks have jumped to £4,488,777, against £3,702,671, and debtors to £4,059,676, against £3,056,307. Hence the company has been compelled to raise additional working capital by means of a loan amounting to £1,015,000, which is repayable by December 1, 1944. Moreover, extensive realisation of Government securities to raise working capital has reduced the total from £643,632 to £99,967. Despite losses incurred last year by G.E.C. subsidiaries in France and China—with the prospect of further losses in these fields since the end of March—the earnings position is secured by Government business and by the opening up of manufacturing facilities in the Empire. The group, moreover, is not losing sight of its traditionally important export trade. The £1 ordinary stock at 67s. 6d. yields £5 18s. 6d. per cent.

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"Shell" Transport's War Losses

Lord Bearsted's statement at the "Shell" meeting was necessarily less informative in some respects, owing to considerations of national interest. But the chairman discussed the recent European losses suffered by the group with considerable frankness. He pointed out that the Axis countries, the four Scandinavian countries, and Holland, Belgium and France are severed from world trade and that in several of these countries the group has suffered large-scale destruction both of plant and of products. In view of inevitable Government restrictions and of declining trade with many markets which are still open, it is clear that profits will not easily be earned during the remainder of the war. Moreover, steeply rising production in Illinois has depressed prices in the United States and stocks are once more accumulating after being reduced by 36 million barrels in 1939. Nor has any improvement occurred in the Mexican Eagle position. The chairman, however, confirms the view that income would have been maintained at the normal level in the absence of widespread destruction of property. Earning capacity was not significantly impaired up to the end of 1939, but with knowledge of subsequent war damage, the operating companies refrained from distributing final dividends. Lord Bearsted reports that Dutch companies associated with the "Shell" group are operating from Curaçao, and that all possible steps have been taken to maintain the technical organisation despite the rupture of communications in Europe. Experts have been assembled in this country and a research organisation has been set up in the United States. In short, it is clear that the company is taking all possible steps to minimise wartime dislocation. The group's losses have been heavy; its assets remain immense and they are widely distributed.

Patons and Baldwins' Report

Shareholders of Patons and Baldwins will receive a reduced tax-free ordinary dividend for the year to April 27, 1940, despite the realisation of record equity earnings at £434,110. The reduction is due to the directors' decision to place more than half the distributable surplus to war contingencies reserve. The profit figure, which is, as usual, shown after administration expenses and taxation provision, and thus gives no guide to trading results, amounts to £687,435, against £539,023. After providing £184,621 for depreciation, against £158,621, the sum of £487,128 earned for dividends exceeds the 1938-39 figure by £125,243. The ordinary dividend is reduced from 10 to 8½ per cent. tax free, which is covered by earnings of 22.6 per cent., against 15.5 per cent., and absorbs £163,128, compared with £191,915 in each of the two previous years. Calculated at a gross rate, however, the distribution is equivalent to 13.6 per cent. and shows a negligible change compared with that of the previous year. The directors have placed £270,000 to special war reserve, against £75,000 to general reserve in the previous year, and have increased the carry forward from £74,007 to £74,989. The strength of the company's financial and earning position is fortified by the considerable stocks which it carries. Valued at £2,682,347 in the balance sheet, against £2,558,540 in 1938-39, these stocks, which provide a reserve against wartime shortage, form an appreciating asset in a period of rising prices. The converse, however, is to be traced in the directors' prudent establishment of a special war reserve. At 45s. the £1 ordinary stock yields £3 15s. 7d. per cent., tax free.

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Powell Duffryn Reports

Reports of the Powell Duffryn group for the year to March 31, 1940, indicate that trading conditions (as was suggested by the preliminary statements discussed in *The Economist* of June 29th) showed a marked improvement over the previous year. Nevertheless, they yielded lower profits than in any year except 1938-39. Profits of Powell Duffryn Associated, the operating company, struck after general expenses, depreciation and taxation, amount to £787,950, against £761,567. The sum earned for participating dividends, at £580,824, is nearly £40,000 higher than in the previous year, of which Powell Duffryn receives £276,667 and Welsh Associated £138,333. After placing the usual £150,000 to general reserve, the carry forward has been raised from £87,678 to £103,502. The balance sheet reveals a notable increase in cash holdings from £850,695 to £2,401,726, accompanied by a fall in stocks from £625,625 to £549,884. Powell Duffryn Steam Coal, with profits of £300,952, against £266,340, reports equity earnings of £269,103, against £229,203, equivalent to 8.1 per cent., against 6 per cent. This comfortably covers the ordinary dividend of 7½ per cent., against 6 per cent., and the carry forward is increased from £16,294 to £37,019. At 15s. 6d. Powell Duffryn Steam Coal ordinary £1 stock yields £9 14s. 6d. per cent. This return appears to reflect current uncertainties regarding the export coal trade.

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THE STOCK EXCHANGES

London

Note: all dealings are for cash

MARKETS opened firm on Monday, but an undercurrent of uncertainty soon set in. In mid-week, following the Chancellor's statement regarding the necessity of increased taxation, business stagnated. After a cheerful start, the gilt-edged market relapsed into inactivity. The foreign bond market was also idle. Industrials fell generally on Wednesday, and all commodity sections became easier, though tin shares were strong on Monday on the quota decision.

★

Long-dated securities were in demand on Monday in the *gilt-edged* market. Conversion 3½ and War Loan 3½ registered gains of ⅜ and numerous other issues put on ¼. Later, an easier tendency resulted in falls of ⅛ on Tuesday in all Funding issues, when dealings in 2½ National Defence Bonds took place at 100¼. In midweek, 2½ National Defence Bonds gained ⅛, but other issues were dull on the prospect of increased taxation and generally closed unchanged on the day. The *foreign bond* market was inactive throughout the week. Buying of South American issues early in the week, on reports that Nazi activity in these regions would be countered by American policy, was not maintained. Japanese bonds were weak on news of the unsatisfactory diplomatic situation between Tokyo and London. Continental issues did not attract attention. *Home rails* were in demand on Monday pending interim dividend announcements and good gains were realised by Southern preferred, and by G.W.R. 5 per cent. preference and 4 per cent. debentures. Rises were continued the next day despite a smaller turnover, but issues generally gave way in midweek when G.W.R. and L.M.S. ordinary fell by ½ and Southern preferred by 1 point.

★

The *industrial* market passed from strength early in the week to uncertainty and depression after the Chancellor's speech. Rolls Royce were weak, but the majority of motor shares advanced on Monday, when Distillers were marked out for buying on the strong report. Tobacco shares were easy throughout the week and the stores group, after some early buying, was particularly affected by adverse taxation prospects. In the iron and steel section most issues gave way, but Tube Investments, after gaining 3s. on Monday, remained strong. G.E.C. were in demand on the report.

★

Turnover was small among *Kaffirs*, and fractional losses occurred among market leaders on small selling from the Cape. Rand Mines fell ¼ on Monday and a number of leading issues, including Main Reef, Union Corporation, "Sallies," and Grootvlei were marked lower in midweek. The commodity position encouraged buying of *tin* shares, and Pahang, South Malayan and Tronoh all gained early in the week, though demand tended to fall off later. *Rubber* shares were again dull. Turnover was slight, but small losses were experienced by Anglo-Dutch and Allied Sumatra. In the *oil* market, last week's cheerful tone was not maintained. "Shell" issues reacted unfavourably to the annual meeting and Anglo-Iranian were weak on rumours of local political difficulties. Burmah Oil remained firm and enjoyed fractional gains on Tuesday and Wednesday.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices: 30 Ord. shares*	Security Indices: 20 Fixed Int.†
July 5 ...	3,218	4,335	58·1	118·3
" 8 ...	3,487	4,845	58·7	119·3
" 9 ...	2,918	4,280	58·5	119·4
" 10 ...	2,651	4,515	57·5	119·2
" 11 ...	2,648	4,585	57·8	119·3

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26).

DAILY AVERAGE 50 COMMON STOCKS

June 27	June 28	June 29	July 1	July 2	July 3
93·9	94·8	94·8	93·9	93·6	93·9
July 4 (a)	**July 5**	**July 6**	**July 8**	**July 9**	**July 10**
Closed	94·5	94·8	94·6	94·5	94·8

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.
(a) Independence Day.

New York

TRADING on Wall Street has stagnated throughout the week pending the holding of the Democratic National Convention. Markets failed to respond to the increase of $4,848,000,000 in the President's armament expenditure plan, which brings the proposed total to $10,000,000,000. Shares moved fractionally, and dealings have been negligible. Steel and motor issues were firm, though Packard shares were quiet in the absence of a settlement of negotiations for the British contract. The Secretary of Commerce has stated that the industrial recovery is gaining momentum. Steel mill activity, according to the *Iron Age*, has recovered to 87.5 per cent. of capacity, against 75 per cent. last week, which included Independence Day, and 88 per cent. in the previous week.

New York Prices

Total share dealings:—July 4, Closed (*a*); July 5, 280,000; July 6, 130,000; July 8, 230,000; July 9, 300,000; July 10, 280,000.

(*a*) Independence Day.

	Close July 3, 1940	Close July 10, 1940
1. Railroads		
Balt. & Ohio..	3⅝	3¾
Gt. Nthn. Pf..	22½	22¾
Illinois Cent.	7⅜	7⅝
N.Y. Cent.....	11⅝	11¾
Northern Pac.	5¾	6
Pennsyl. Rl....	19¾	19¾
Southern	11⅛	11⅜
2. Utilities, etc.		
Amer. Tel.....	159⅞	158⅜
Amer. W'wks.	8⅞	9⅛
Pac. Light.....	39½	40½
Pub. Sv. N.J.	36¼	37
Sthn. Cal. Ed.	26¾	26⅝
United Gas ..	12	12⅛
3. Commercial and Industrial		
Amer. Metal..	13½	14⅛
Am. Roll. Ml.	11	10¾
Am. Smelting	35¼	35
Anaconda	19⅞	19¼
Briggs	16⅝	16⅞

	Close July 3, 1940	Close July 10, 1940
Celanese of A.	25⅞	26
Chrysler	62¼	63½
Curt. Wr."A"	23	23
Eastman Kdk.	117½	118⅞
Gen. Elec. ...	30¾	30⅞
Gen. Motors..	42⅝	43¼
Glidden.....	12⅜	12¼
Inland Steel .	82½	82
Int. Harvest .	43	42⅝
Int. Nickel ...	23¼	23½
Liggett Myers	97	98
Nat. Dairy ...	13⅝	13½
Nat. Distillers	19¾	20¼
Nat. Steel	56½	56½
Proct. Gamble	62	62¼
Sears Roebck.	72	72
Shell Union...	8xd	8
Socony Vac. .	8½	8⅝
Stan. Oil N.J.	32½	34¼
20th Cen. Fox	6⅛	6⅝
U.S. Steel	50⅞	51¼
West'hse El...	89½	89⅞
Woolworth....	31¾	32
Yngstn. Sheet	31⅛	31¼

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	June 26, 1940	July 3, 1940	July 10, 1940
347 Ind'ls ...	80·9	111·4	85·2	86·5	87·0
32 Rails	20·7*a*	30·7	23·4	24·4	24·3
40 Utilities ..	71·2*a*	89·4	78·1	80·0	80·2
419 Stocks ...	69·9	94·8	74·2	75·6	76·0
Av. yield* ...	6·61% High	4·30% Low	6·26%	6·17%	6·11%

* 50 Common Stocks. *a* May 22nd.

Capital Issues

Week ending July 13, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	25,000	...	25,375
By Permission to Deal	Nil	...	Nil
Savings Certs.†	4,727,782	...	4,727,782
3% Defence Bonds†	6,849,245	...	6,849,245
2½% Nat. War Bonds‡	48,718,790	...	48,718,790

† Seven days to July 2, 1940; figures partly included in previous week's total. ‡ Nine days to July 9.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)...	931,177,489	578,222,356
1939 (New Basis) ...	*82,007,088*	*77,337,007*
1940 (Old Basis) ...	(*b*)916,369,082	563,613,949
1939 (Old Basis) ...	*51,150,867*	*47,500,788*

(*b*) Revised figure.

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	577,459,344	763,012	Nil
1939 (New Basis)	*50,508,867*	*24,647,336*	*2,181,004*
1940 (Old Basis)	563,471,493	142,456	Nil
1939 (Old Basis)	*31,340,697*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	563,534,138	1,189,005	13,499,213
1939 (New Basis)	*42,522,115*	*5,005,187*	*29,809,705*
1940 (Old Basis)	562,514,317	77,500	909,132
1939 (Old Basis)	*36,293,921*	*1,988,459*	*9,218,408*

"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

West Gloucestershire Water Company, Ltd.—Sale by tender of 4½ redeemable preference stock 1955 as will realise £100,000. Minimum price par.

BONUS SHARES

Reynolds Brothers.—Subject to consent of United Kingdom and South African Treasuries, this company will make a second distribution of one new share for every nine held on August 12th.

Shorter Comments

Company Results of the Week.—The upward trend of rubber earnings is continued this week by most companies. BERTRAM CONSOLIDATED net profits have risen from £24,045 to £49,931, and the dividend has been doubled at 14 per cent. From a similar increase in profits from £32,043 to £56,309, EAST ASIATIC has declared a dividend of 7 per cent. against 3 per cent. ANGLO DUTCH OF JAVA earned a gross income of £500,718 against £372,367. Net profits, however, increased only from £165,622 to £179,776, but the ordinary dividend is raised from 5 to 6 per cent. Among industrial companies, BRITISH GLUE gross profits increased from £78,960 to £113,347, but higher taxation left only a slight rise in net profits from £74,810 to £75,697, and the

(*Continued on page 55.*)

Industry and Trade

Further Fall in Unemployment

The number of registered unemployed in Great Britain has shown a further reduction, from 881,000 on May 20th to 767,000 on June 17th. As the accompanying table shows, the reduction was again fairly widespread and was by no means confined to the munition industries. The decline in unemployment in building and public works contracting may have been due partly to the acceleration of the preparations made against an invasion by sea and by air. These returns, however, no longer measure either changes in total unemployment or in our war effort on the home front. The

CHANGES IN UNEMPLOYMENT BETWEEN MAY 20TH AND JUNE 17TH
((INDUSTRIES CHIEFLY AFFECTED)

Decreases :—	
Building	20,489
Distributive trades	14,078
Public works contracting	12,203
Coal mining	8,180
Agriculture, horticulture, etc.	7,038
Dock and harbour service	6,956
Cotton	6,752
Local government service	6,565
Iron and steel	4,208
Metal goods manufacture	3,919
Engineering, etc.	3,537
Road transport	3,262
Miscellaneous food industries	3,012
Printing and book-binding	2,647
Textile bleaching, dyeing, etc.	2,614
Hotel, boarding house, etc., service	2,471
Shipping service	2,389
Gas, water and electricity supply	2,234
Increases :—	
Dressmaking and millinery	3,176
Tailoring	3,001

number of men called to the Colours between May 20th and June 17th has probably exceeded the reduction of 114,000 in the number of registered unemployed. Nor are there any statistics of the number of new entrants into industry, or of the transfer of workers from one industry to another or from unessential to essential jobs within the same industry. But although these details of labour movements are not available, the general impression is that the transfer of workers from unessential to essential industries is not even now proceeding as rapidly as it should.

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Aircraft and Machine Tools in America

Largely as a result of the influx of foreign orders, chiefly from the United Kingdom and France, activity in the American aircraft and machine tool industries has increased by leaps and bounds since the spring of last year. The extent of the increase is shown in the accompanying table, which gives the indices of employment in the two industries published in the June issue of the *Federal Reserve Bulletin*. The rate of expansion in the output of aircraft is steadily increasing. The current rate of production, however, is still much smaller than in this country, and is probably not more

INDEX OF EMPLOYMENT (ADJUSTED FOR SEASONAL VARIATION)
(1923–25 = 100)

	Machine Tools	Aircraft
1939—March	134	968
April	138	1,075
May	140	1,169
June	144	1,267
July	149	1,385
August	146	1,414
September	155	1,512
October	170	1,605
November	183	1,767
December	191	1,905
1940—January	197	2,050
February	204	2,062
March	209	2,075
April	215	2,101

than one-third of the British output. The pressure for machine tools remains very heavy. During the first few months of the war the orders booked were chiefly for foreign countries, but the proportion of foreign orders has now fallen to about 40 per cent. of the total, due to the increase in domestic requirements. As a result of the pressure of demand, a Machine Tool Co-ordinating Committee has been established. This Committee, which includes representatives of the Army and Navy, is to determine the needs of the Services, of domestic civil consumers and of foreign countries, and to arrange for a system of priority in deliveries.

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Cotton Export Drive

The new policy of the Cotton Board, about which rumour has been active for several weeks, has now been announced. In the first place, it has requested the Cotton Controller to authorise certain derogations from the fixed yarn prices on export orders booked to the end of October. Mr E. Raymond Streat says that these derogations will not exceed 5 per cent. of the prescribed margins for American type yarns, 10 per cent. for Egyptian type, and 5 per cent. of the prescribed doubling margins. Spinners and doublers

(*Continued from page 54*)

dividend is unchanged at 10 per cent. DARLINGTON AND SIMPSON, the steel rollers, show an extremely satisfactory increase in gross earnings from £45,709 to £101,389 and in net earnings from £37,732 to £61,657. The dividend is 2½ per cent. higher at 7½ per cent. J. G. GRAVES, the mail order firm, have suffered from the general decline in retail trading. Net profits have fallen from £92,123 to £55,369, and the dividend has been reduced from 25 per cent. to 15 per cent. SANGERS' dividend has been maintained at 25 per cent. Gross earnings have increased from £226,778 to £255,913, but net profits are slightly lower at £155,788. Rising profits are again reported by SCRIBBANS, whose net earnings at £58,755 are more than double the 1938-39 figure. The directors do not yet feel justified in resuming dividend payments. Net receipts of TELEPHONE RENTALS have fallen from £90,092 to £77,209. The dividend is maintained at 10 per cent., as in the three previous years. Government contracts have induced a welcome improvement in the position of VANTONA TEXTILES, whose total income of £72,880 has left a residue of equity earnings for the first time since 1931. Net profits of £56,779 compare with a net loss of £20,792 in the previous year and a 5 per cent. dividend has been declared. A gross income of £2,162,482 against £1,800,736 for VICTORIA FALLS POWER represents increased net profits of £681,790 against £652,036. The 15 per cent. dividend is maintained. UNITED GAS INDUSTRIES have suffered a fall in total income from £108,879 to £80,696, and in net profits from £89,343 to £64,302. The ordinary dividend has been reduced from 10½ to 9 per cent., and the 12½ per cent. dividend on the deferred shares has not been repeated.

MISCELLANEOUS

Tavoy Tin.—Total revenue for 1939, £237,663 (£165,606). Operating expenses, £138,983 (£112,983). Taxation reserve, £15,000 (£2,000). Prospecting, boring and special expenses, £38,662. Net profit, £2,964 (£1,024). Carry forward, £36,385 (£33,421).

Anglo-Dutch Plantations of Java.—Trading profit for 1939, £387,580 (£254,321). Net profit, £335,476 (£198,622). Taxation reserve, £134,000 (£22,000). N.D.C., £21,700 (£11,000). General reserve, nil (£25,000). Ordinary dividend 6 per cent. (5 per cent.). Carry forward, £57,253 (£57,477).

Sangers.—Net trading profit, year to March 31, 1940, £249,796 (£220,843). Taxation, £90,133 (£62,548). Contingency fund, £25,000 (nil). Staff fund, £2,000 (£2,000). Carry forward, £170,934 (£160,890). Ordinary dividend, 25 per cent., as before.

National Bank of New Zealand.—In a comment on the National Bank of New Zealand's profits on page 33 of last week's issue it was stated that an amount of £10,000 had been allocated to bonuses. This sum was in fact provided against premises.

Scribbans and Company.—Net profit, year to April 30, 1940, £58,755 (£58,368) after taxation, £50,294 (£35,033). Reserves, £55,000 (£22,500). Carry forward, £94,105 (£90,350). Dividend, nil (nil).

Titanine, Ltd.—Net profit, year to March 31, 1940, £32,263 (£31,601). Reserve, £10,000 (£12,000). Staff benefit fund, £2,000 (£2,000). Ordinary dividend 22½ per cent., as before. Carry forward, £2,752 (£489).

F. W. Woolworth.—Ordinary interim 20 per cent., against 15 per cent. Chairman announced in January, decision to bring interim more into relation with final payment.

Victoria Falls and Trans. Power.—Total revenue for 1939, £2,162,482 (£1,800,736). Depreciation, taxation, etc. £1,385,287 (£1,052,625). Net profit, £681,790 (£652,035). Ordinary dividend, 15 per cent., as before. Reserve, £200,000 (£150,000). Carry forward, £273,047 (£218,824).

will be free to quote within these limits, and it is hoped that a considerable amount of fresh business will result. For the moment traders, especially spinners, are rather disconcerted at this return to competitive bidding, with its possible lowering of American prices by up to 1d. and of Egyptian prices by 1d. to 5d. per lb. In the second place, private export syndicates are to be formed to produce cloth for markets in which their members have a common interest. Individual merchants, finishers, manufacturers and spinners are being invited to register as voluntary syndicates, and to agree among themselves as to what sacrifices each can contribute to secure export business. Formal agreements between members of a syndicate are not encouraged, especially as the Cotton Board is to appoint arbitrators to deal with any issues which may arise. The Board will also help by co-operating with the Cotton Controller and with the appropriate Government departments to ensure the production and delivery of the goods required. This system will be modified in the light of experience, as circumstances dictate, but it is hoped that it will have the immediate effect of eliminating the anxiety now felt in overseas markets as to the prospects of delivery of orders. Thirdly, a company is to be formed, under the chairmanship of Mr Frank Platt, to organise the production of cloth for markets where difficulties exist which cannot be overcome by individual firms or syndicates. Its directorate, which will be appointed in consultation with the Cotton Board, will represent all sections of the industry, and though the company will operate quite separately from the Board there will be close co-operation between the two. The purpose of the company is to organise production and sale through existing channels, in cases where it is clear that without its intervention it would be impossible to obtain, in the requisite quantity, the type of cloth required. The object of this new scheme is to secure sustained efficiency in facilitating export to every market which is open to this country. The problem is to be attacked detail by detail, and the complete absence of subsidies is an earnest of the intention to set up a healthy competitive trade based entirely on merit. Whether such a desirable consummation can be achieved by the means outlined, experience only can show. Lancashire, on the whole, welcomes the plan and expects good results from it. If it proves insufficient, it must be extended, for we cannot afford at present to leave one of our largest export industries in a condition of semi-paralysis.

* * *

Cancellation of Cotton Contracts

The Lancashire cotton industry is faced with the possibility of very serious losses, as a result of the Government Order relating to the restriction of home consumption of textiles, which allows for the cancellation of contracts, and of the refusal of Sir Andrew Duncan, the President of the Board of Trade, to relax them. Buyers who bought goods before April 16th which were not delivered by July 10th were permitted to cancel the contract. Some months ago home trade customers, taking the view that textile prices would advance, placed substantial orders with producers, delivery dates in some cases extending into next year. Owing to the depreciation in the value of stocks, it is feared that the new regulations will lead to bankruptcy in some cases. The various trade organisations are conferring in an effort to share the burden as equally as possible. But in present circumstances the industry must look to exports as a means of expanding sales.

Tea and Margarine Rationing

When the normal routine of the average Englishman or Englishwoman is disturbed by air raids, by unaccustomed spells of night duty, or by long hours of war work, the inevitable solace seems to be "a cup of tea." Although, therefore, tea stocks at the outbreak of war were high relative to consumption, it has been found necessary this week to impose a tea ration of two ounces per head per week. In 1918, an informal ration of this size was imposed through allocating to retailers amounts corresponding to the number of persons registered with them; in fact, the supplies were then in excess of the demand, and the ration was never fully absorbed. The present ration makes no provision for the registration of the individual customer with the retailer; supplies are to be obtained anywhere on presentation of the coupon. Apart from the effects of evacuation, however, the scale of tea distribution must be fairly well known, and if local stocks are sufficient to meet any initial demand, replacements can be fairly easily provided. It is announced that in a fortnight's time margarine and cooking fats (but not dripping or suet) will be rationed. The allowance will be two ounces of each, but the consumer will have the option of taking his butter ration or his cooking-fat ration or both in the form of margarine. He has thus a certain amount of freedom of choice within a total limit of eight ounces. The purpose of this additional rationing is to build up stocks against the possibility of temporary interruption in supply by attempted invasions.

* * *

Milk *v.* Beef

It is much to be regretted that the Government was unable to start its cheap-milk scheme simultaneously with the most recent rise in liquid milk prices, but this latest and most valuable addition to the social services should at any rate be in full operation before the winter. Its effect on the consumption of liquid milk is uncertain, since only experience can show how many of the mothers eligible for cheap milk for themselves and their children will take advantage of the scheme. But even the prospect of a small increase in demand, allied with the certain shortage of feeding-stuffs over the next winter, make it imperative that the milk supply should have priority over all other forms of agricultural production. Unfortunately, the farming opinions which seem to rule in Whitehall Place are mainly derived from the large arable farms of East Anglia and from the cattle-fattening districts in Scotland and the Midlands. Consequently, the recent increases in agricultural prices, when coupled with the uneven incidence of the burden of higher wages, has tilted the farmer's profit margin far too much in favour of beef and of the crops that are needed to grow it. If the pressure of the National Farmers' Union makes it impossible to secure the right types of agricultural production by the manipulation of profit margins, then some form of production quota and of rationing becomes essential—quotas to ensure an enlarged production of direct human foods such as potatoes, vegetables and cereals, and rationing, to ensure that the limited supply of feeding-stuffs is used for milk and not for pedigree beef cattle. Britain, herself blockading the Continent of Europe, is also a besieged island, in which the traditions and the vested interests created by 150 years of renowned cattle breeding must alike be sacrificed to the urgent task of providing the maximum amount of human foods in these grim years before the siege is lifted.

COMMODITY AND INDUSTRY NEWS

There have been no major developments on the commodity markets this week, and no important price changes. The export quotas for rubber and tin have been increased to provide for the large United States purchases of these materials. The increase in wheat and maize prices is due to bad weather. Cotton prices are firmer on the week.

*

Cotton (Manchester). — Raw cotton prices have been rather firmer this week and the publication of the official estimate of the area under cotton in the United States, 25,077,000 acres, had no effect upon them. Trading in the yarn market is still restricted, but owing to the export price concessions quotations have been more varied. Counts and qualities that were comparatively scarce a month ago can now be obtained quickly. In the weaving section in some quarters more orders have been cancelled than booked. Sales of both yarn and piece-goods have been below production, and the longer working hours have improved the supply position for Government contracts. There is a general belief that the Cotton Board's scheme, discussed in a Note on page 55, should lead to larger exports in the near future.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended June 28, 1940	Week ended July 5, 1940	From Aug. 1 to July 7, 1939	From Aug. 1 to July 5, 1940
American	39·9	41·3	952	1,435
Brazilian	5·4	6·4	295	259
Peruvian, etc.	4·1	4·2	127	208
Egyptian	14·9	6·1	329	380
Sudan Sakel	4·0	2·0	145	157
East Indian	7·0	6·9	432	400
Other countries	1·9	3·1	190	154
Total	77·2	70·0	2,470	2,993

Source: *Liverpool Cotton Association's Weekly Circular.*

*

Metals.—The use of iron and steel for non-essential building was prohibited, except under licence, by the Control of Iron and Steel (No. 11) Order, which came into force on July 8th. The Order forbids the use of steel already in the hands of consumers or contractors unless the purchase was authorised under the Steel Distribution Scheme. Licences will only be granted where it can be shown

(*Continued on page* 58)

COMPANY MEETINGS

NATIONAL BANK OF NEW ZEALAND, LIMITED

STRONG POSITION

The sixty-eighth ordinary general meeting of the National Bank of New Zealand, Limited, was held, on the 11th instant, in London.

The Rt. Hon. Lord Balfour of Burleigh (the chairman) said that the balance sheet figures showed some considerable and important changes. Deposit and current accounts at £14,905,000 were £1,607,000 higher than in the previous year. The returns of the trading banks to the Reserve Bank showed that their total deposits in New Zealand at the end of March were over £9,500,000 higher than a year earlier, so that the change in the National Bank's figures conformed with the experience of the banks as a whole. That increase was partly due to the New Zealand Government's war expenditure, but the main cause of it and of the decrease in this bank's advances of £642,000 to £11,279,000 was that the New Zealand Government exchange control had proved effective.

The accounts showed a net profit of £86,149, which was £20,375 less than last year. That considerable reduction in profit was wholly accounted for by increased taxation. The effects of the New Zealand exchange control and of the war had seriously impaired the bank's earning power. They were hopeful that some of the anomalies in the method of levying taxation in New Zealand would soon be remedied, but he thought it right to warn shareholders that any benefits which they might gain in that way might easily be swallowed up, especially in wartime, by increases in the rates of taxation. They proposed to pay a final dividend of 2½ per cent., making 4 per cent., less United Kingdom income tax, for the year, carrying forward £115,363, which was £1,232 more than last year.

EFFECTS OF WAR

The net overseas assets of the Reserve Bank and trading banks had increased from £NZ9,000,000 at the end of March, 1939, to £NZ23,000,000 at the same date this year and were thus almost back to the 1938 figure of £NZ26,500,000. That truly remarkable improvement was not entirely due to the effectiveness of exchange control and the more orderly control of imports; it was due largely to the war. Since war began the bulk of New Zealand's exports had been sold by the New Zealand Government direct to the United Kingdom Government and one of the consequences of that was that the Reserve Bank received payment for much of the produce as soon as it was shipped, whereas before the war the Reserve Bank and trading banks had received that payment only after perhaps two or three months. The cheerful picture presented by the figures of New Zealand's sterling balances could not therefore be taken purely at its face value. If New Zealand exporters reverted after the war to the former methods of finance, there would be a time-lag of some months during which little or no proceeds of exports would be received and there would be a corresponding drain upon the country's sterling balances. It was clear, therefore, that any demand at this stage for a relaxation of import restrictions would be premature.

From the bank's point of view, an unfortunate result of the New Zealand Government's commandeer of the main exports of the country and the direct sale to the United Kingdom Government was that trading banks no longer handled the exchange business. In addition, therefore, to a large reduction in import business on account of the import restrictions, they had also suffered the almost complete disappearance of their export business by reason of the commandeer. The work of the bank's bill departments, both here and in New Zealand, was probably more difficult than it had ever been, because for every bill that came into the bank there must be not only the examination which it received in the normal course of banking, but consideration of the effect on it of the ever-growing emergency regulations and instructions, and they now received a very much smaller return for that work.

It was, therefore, impossible to be optimistic about the course of their profits in the near future. For the time being, shareholders must be content with the knowledge that the bank was in a very strong and sound position, and was making its full contribution to the public service. For evidence of their soundness he referred the shareholders to the balance sheet. If he had been asked a year ago what sort of balance sheet he would like the bank to have had in the circumstances such as prevailed to-day, he might well have attempted to depict something very like the balance sheet that they now had before them.

The report was unanimously adopted.

BRITISH ELECTRIC TRACTION COMPANY, LIMITED

DIVIDEND POSITION

The forty-fourth ordinary general meeting of the British Electric Traction Company, Limited, was held, on the 5th instant, at Winchester House, Old Broad Street, London.

Mr J. S. Austen (the chairman), in the course of his speech, said: My speech to-day will be short, but I am hoping to tell you just exactly what you want to know, and I think that what you most particularly want to know is what the position of the company will be when we have to pay 100 per cent. excess profits tax, or, to put it in simpler words, you want to know what our dividend will be. I can tell you that in one word by saying that we should be in a position to pay 45 per cent. on the deferred ordinary stock. (Applause.) The deferred stock is now really in the position of a preferred ordinary stock which is entitled to receive 45 per cent., after which the Government take the balance.

If the 100 per cent. tax had operated, in respect of the past year, we should have been able to pay the deferred stockholders 45 per cent., as we are doing, and there would have been £80,000 to go to the Government in excess profits tax. That means that our profits would have to fall to the extent of £80,000 before your dividend is affected. We are at least entitled to hope that there will be no such falling off as that, but I must ask you to be content with that statement because in these times anything like prediction is out of the question.

I have but little to say about the past year beyond pointing out to you that our gross revenue was £745,000, and that it is not so very long ago that with some pride and pleasure I told you that we had passed the £500,000 mark. That increase in revenue has been accomplished without any—or practically any—rise in expenses. We have already told you that our working profit is up by £16,000, compared with the previous year, and that is not a war profit, because but for the war our receipts would have been greater.

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

GOLD MINES OF KALGOORLIE, LIMITED

EXPANSION OF OPERATIONS

The sixth ordinary general meeting of Gold Mines of Kalgoorlie, Limited, was held, on the 9th instant, in London.

Mr P. E. Marmion, the chairman, said that milling at an increased rate had begun in October, with the result that ore milled during the second half of the year had averaged 11,828 tons per month compared with an average of 8,692 tons for the first half.

In consequence of the decline in the sterling-dollar rate of exchange that had followed the outbreak of war, the value of gold in terms of Australian currency automatically increased during the second half of the year. The increase, however, did not accrue entirely to the company because of the introduction of a tax imposed by the Commonwealth Government on all gold produced, equivalent to 50 per cent. of its value in excess of £9 (Australian currency) per fine ounce. It was understood that gold mining companies, being subject to this unusual tax on production, were to be exempted by the Commonwealth Government from the recently proposed Wartime Company Tax and Undistributed Profits Tax, as well as from Federal Income Tax as at present.

With the increase in the scale of operations there was a satisfactory reduction in working costs, whilst, as contemplated, a somewhat lower grade of ore had been treated, the average recovery for the year being 6.22 dwts. per ton of ore treated against 6.60 dwts. for the previous period. The net profit at £122,244 reflected the benefit of lower working costs and showed the still more satisfactory improvement of 36 per cent. In view of the request of the Chancellor of the Exchequer to limit dividends to the amount paid in the previous year, the directors had decided not to distribute more than a final dividend of 5 per cent., which would bring the total for the year to 8¾ per cent.

The accounts disclosed that the company's position was highly satisfactory in all respects and fully justified the Board's policy in expanding the scope of operations. The proved and probable ore at the end of the year had been estimated at 657,000 tons assaying 5.1 dwts. per ton.

The report was unanimously adopted.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

WARTIME PRECAUTIONS

The annual general meeting of the "Shell" Transport and Trading Company, Limited, was held, on the 8th instant, in London.

Sir Robert Waley Cohen, K.B.E., presided in the absence of the Right Hon. Viscount Bearsted, M.C. (the chairman), who was unable to be present on account of work of national importance, and read the speech of the latter, which stated that the financial strength of the company had been maintained and its liabilities remained as small as ever. It had been considered advisable, having regard to the widespread destruction of property in European countries in all of which their operating companies had large interests, that the liquid resources of the group should be conserved. The operating companies had not found it possible to declare or to distribute any further dividends for the year 1939 beyond those which had enabled this company to pay the interim dividend in January last. Apart from the destruction of property which had taken place the group's results for 1939 would have made a not unfavourable showing; including the last four months of the year, and viewing the situation as it was at the end of the financial year, the declaration of further dividends by the operating companies would indeed have been fully justified. The policy of maintaining a strong financial position had played no small part in the prosperity of the group, and the board felt that shareholders would not wish them to depart from it.

It was impossible to give any indication of the present trend of the earnings of the companies in which they were interested. Statistical information was not coming in with the same regularity and promptness as under normal conditions, and shareholders would not expect him to appraise the position under the conditions ruling to-day. Many markets were closed, they had to keep constantly before them the possible closing of others, and so to arrange their affairs as to endeavour to reduce to a minimum the losses that might be involved.

There had apparently been a conception in the public mind that oil companies in time of war would make large profits. That was very far from the truth. He had many times pointed out that oil companies' profits compared with the capital involved were comparatively small. In wartime, with restrictions of every kind, a reasonable return on capital became still more difficult. They all agreed that in the public interest that was both proper and inevitable. There had therefore been nothing to counterbalance the losses in turnover which the temporary closing of these markets had brought about, but there were of course many other markets upon which war had not descended and where their companies were continuing to find a regular outlet for their products. It was inevitable, however, that the volume of trading would be restricted by the financial stringency which prevailed in all countries at the present time.

Before the outbreak of war they had taken steps to assure the continued maintenance of the group's technical organisation. At the outbreak of war a carefully prepared plan for the pooling of all marketing organisations in this country was put into effect, and the distribution of petroleum products in the United Kingdom and Northern Ireland had come within the control of the Petroleum Board. The advantages of such a scheme during wartime were obvious. The operation of the Petroleum Board was to be confined to the period of hostilities and a limited time thereafter which would be needed to revert to normal operations. With regard to the various exportation and producing companies in which they were interested, on the whole the board were satisfied with developments during the period under review.

The report and accounts were unanimously adopted.

(*Continued from page 56*)

that the building will be useful to the war effort. The output of iron and steel remains very high in this country and seven-day working is general. In the United States, steel mill activity reached 87.5 per cent. of capacity this week. There have been no important developments in other metal markets this week; the rise in the price of quicksilver has now been checked.

★

Tin.—As expected, the International Tin Regulation Committee at its meeting on Monday fixed the export quota at 130 per cent. of standard for one year from July 1st. Producers are thus assured of a high level of output for some time and although some producers may be unable to reach their full quota, production will be far higher than earlier in the year. The price shows little change on the week, though higher levels were reached during its course.

★

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
May 25	64·93	72·49
June 1	64·37	70·82
" 8	63·13	63·05
" 15	72·23	69·95
" 22	61·69	66·70
" 29	64·09	67·64

★

Grains.—Prices in the United States have been somewhat firmer owing to the deterioration in crop prospects, but in Canada "futures" are still about the minimum levels. The United States will continue the subsidy on wheat and flour for the 1940-41 season. The order that agriculture is to be developed at the expense of industry in France will mean that there will be an increase in the area under grain crops in 1940-41, but it is not yet known whether any very large expansion can take place at short notice. In the United Kingdom the general condition of the main crops is considered to be almost up to the average of the past ten years. Offers of Plate maize have been uninterrupted, but were resumed during the week at higher prices, due to reports of damage to the crop.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended June 29, 1940	Week ended July 6, 1940	From Aug. 1 to July 8, 1939	From Aug. 1 to July 6, 1940
N. America	315	398	29,375	21,983
Argentine, Uruguay	648	427	14,030	20,604
Australia	...*	...*	11,938	4,546†
Russia	...	...	4,539	114
Danube and district	54	92	9,352	6,843
Other countries	...	...	2,172	345
Total	1,017	917	71,406	57,435

* 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 29, 1940	Week ended July 6, 1940	From Apr. 1 to July 8, 1939	From Apr. 1 to July 6, 1940
Argentina	261	107	6,001	3,865
Atlantic America	50	113	397	514
Danube Region	...	33	891	507
S. & E. Africa	...*	...*	463	694†
Indo-China, etc.	...	...	414	91
Total	311	253	8,166	5,671

* Not received. † Incomplete since May 25th
Source: *The Corn Trade News.*

★

Oils and Oilseeds. — Substantial allocations of soft oils are being made to the margarine and cooking compound trades, both of which are now working on a co-operative basis and are to be rationed from July 22nd. There is little business on the linseed market and shipments from the River Plate ports last week were only small; the British blockade prevents delivery to Europe. Trading in Egyptian cottonseed and Indian oilseeds is prevented by the closing of the Mediterranean.

★

Rubber. — The export quota for rubber, like that for tin, has had to be increased this week to provide for the reserves being built up by the United States. As supplies were already above consumption the International Rubber Regulation Committee only raised the quota from 80 per cent. to 85 per cent. This is expected to provide a surplus sufficient to cover any losses which may be occasioned by damage to shipping.

Export Groups.—The following Export Groups have been formed since *The Economist* last published a list on June 29th:—

Agricultural Machinery and Implement Manufacturers.
Bathroom Fittings.
Essence.
Fine Arts Prints.
Knitting Pin.
Ophthalmic Optical.
Perforated Metal.
Rail and Telegraph Accessories.
Rubber and Plastics Machinery.
Safe and Strong Room Plant.
Surgical Instruments and Appliances.

The following Sub-Groups of the Ladies' and Children's Outerwear Export Group have been formed:—

Mantles and Costumes.
Children's Wear.
Gowns, Sportswear and Two-Piece Ensembles.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture) Total: Number	Total: Index, adjusted for seasonal variations	Of whom wholly unemployed	*Percentage of insured persons (aged 16–64) unemployed (incl. agriculture)*
	'000	1935 = 100	'000	%
1939				
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	*8·3*
Sept. 11	1,330	65·9	1,052	*8·8*
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	*9·0*
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	*5·9*
June 17	767	39·4	648	...

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 six days to July 6, 1940, total ordinary revenue was £20,872,000, against ordinary expenditure of £74,006,000 and issues to sinking funds of £269,927. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £561,648,000, against £174,823,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands): Apr. 1, 1939, to July 8, 1939	Apr. 1, 1940, to July 6, 1940	8 days ended July 8, 1939	6 days ended July 6, 1940
ORDINARY REVENUE				
Income Tax	15,129	32,304	4,883	9,005
Sur-tax	7,030	6,810	370	290
Estate, etc., Duties	23,070	25,350	2,140	2,400
Stamps	4,480	3,570	100	...
N.D.C.	5,790	4,960	750	650
E.P.T.	...	7,930	...	1,270
Other Inland Revenue	270	120	20	30
Total Inland Revenue	55,769	81,044	8,263	13,645
Customs	67,554	76,086	6,031	5,449
Excise	28,040	37,200	1,090	800
Total Customs & Excise	95,594	113286	7,121	6,249
Motor Duties	5,043	5,724	414	186
P.O. (Net Receipt)	1,514	3,250	*Dr. 100*	400
Crown Lands	320	280	...	...
Receipts from Sundry Loans	1,403	423	1,047	...
Miscellaneous Receipts	1,531	5,035	373	392
Total Ordinary Revenue	161174	209042	17,118	20,872
SELF-BALANCING				
Post Office and Broadcasting	21,036	21,450	1,300	1,200
Total	182210	230492	18,418	22,072

Expenditure	Issues out of the Exchequer to meet payments (£ thousands): Apr. 1, 1939, to July 8, 1939	Apr. 1, 1940, to July 6, 1940	8 days ended July 8, 1939	6 days ended July 6, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt	86,790	89,896	9,998	10,507
Payments to N. Ireland	1,911	1,928	278	231
Other Consoldtd. Fund Services	2,939	2,951	2,347	2,347
Total	91,640	94,775	12,623	13,085
Supply Services	241555	674066	24,685	60,921
Total Ordinary Expenditure	333195	768841	37,308	74,006
SELF-BALANCING				
Post Office and Broadcasting	21,036	21,450	1,300	1,200
Total	354231	790291	38,608	75,206

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £110,542 to £2,785,959, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,216,000 to about £9,504 millions.

OTHER ISSUES (NET)
(£ thousands)

Overseas Trade Guarantees	120
Anglo-Turkish (Armaments Credit)	23
	143

OTHER RECEIPTS (NET)
(£ thousands)

Section 26 of Tithe Act	220

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to July 6, 1940, are:—

(£ thousands)

Ordinary Exp.	768,841	Ord. Revenue	209,042
Misc. Iss. (net)	3,105	Gross borr.	565,144
Inc. in balances	391	*Less*— Sinking fds.	1,849
		Net borrowing	563,295
	772,337		772,337

FLOATING DEBT
(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt	Floating Assets
1939						
July 8	489·0	563·0	45·3	...	1097·3	608·3
1940						
Mar. 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
" 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
" 22	755·0	861·1	42·3	...	1658·4	903·4
" 30	770·0	856·0	36·6	...	1662·6	892·6
July 6	785·0	Not available				

TREASURY BILLS
(£ millions)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate %: s.	Average Rate %: d.	Per Cent. Allotted at Minimum Rate
1939						
July 7	40·0	63·3	37·0	16	8·32	44
1940						
Mar. 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
" 21	65·0	97·6	65·0	20	4·97	60
" 28	65·0	110·3	65·0	20	5·22	51
July 5	65·0	105·4	65·0	20	5·10	55

On July 5th 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 55 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 July 12th.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS
(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
June 25	5,732	4,290	61,000
July 2	4,728	6,849	
" 9	...	...	30,469
Totals to date	114,901*	109,344*	91,469†

* 32 weeks. † 3 weeks.

Interest free loans received by the Treasury up to July 9th amounted to 4,670 of a total value of £9,802,455. The Revenue Returns no longer show the amount of principal of savings certificates and 3% defence bonds which has been paid.

BANK OF ENGLAND RETURNS

JULY 10, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt.	11,015,100
In Circln.	610,377,749	Other Govt. Securities	615,633,063
In Banking Dept.	19,859,009	Other Secs.	2,841,057
		Silver Coin	510,780
		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

	£		£
Props.' capital	14,553,000	Govt. Secs.	146,652,838
Rest	3,369,377	Other Secs.:	
Public Deps.*	22,192,198	*Discs., etc.*	*3,874,936*
		Securities	*23,143,105*
Other Deps.:			*27,018,041*
Bankers	*107,000,486*		
Other Accts.	*47,783,915*	Notes	19,859,009
		Gold & Silver Coin	1,369,088
	154,784,401		
	194,898,976		194,898,976

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

THE WEEK'S CHANGES
(£ thousands)

Both Departments	Amt. July 10, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	610,378	− 2,193	+ 102,449
Deposits: Public	22,192	+ 5,594	− 7,332
Bankers'	107,000	− 33,121	+ 19,889
Others	47,784	− 1,043	+ 11,002
Total outside liabilities	787,354†	− 26,377†	+ 126,008
Capital and rest	17,922	+ 18	+ 082
COMBINED ASSETS			
Govt. debt and securities†	773,301	− 24,658	+ 325731
Discounts and advances	3,875	− 1,571	− 5,356
Other securities	25,984	+ 34	+ 3,212
Silver coin in issue dept.	511		− 198
Gold coin and bullion	1,606	− 163	− 245460
RESERVES			
Res. of notes and coin in banking department	21,228	− 2,357	− 17,909
"Proportion" (reserve to outside liabilities in Bankg. dept.)	11·9%	+ 0·5%	− 13·6%

COMPARATIVE ANALYSIS*
(£ millions)

	1939 July 12,	1940 June 19	1940 June 26	1940 July 3	1940 July 10
Issue Dept.:					
Notes in circ.	507·9	589·1	602·2	608·2	610·
Notes in banking dept.	38·5	41·2	28·1	22·1	19·
Govt. debt and securities†	299·1	626·3	626·2	626·7	626·
Other secs.	0·2	3·2	3·3	2·8	2·
Silver coin	0·7	0·5	0·5	0·5	0·
Gold, *valued at s. per f. oz.*	246·4	0·2	0·2	0·2	0·
	148·50	*168·00*	*168·00*	*168·00*	*168*
Deposits:					
Public	29·5	35·3	58·0	16·6	22·
Bankers'	87·1	103·7	82·7	140·1	107·
Others	36·8	46·9	50·3	48·8	47·
Total	153·4	185·9	191·0	205·5	177·
Bkg. Dept. Secs.					
Government	100·4	130·6	151·1	171·2	146·
Discounts, etc.	9·2	3·5	4·7	5·4	3·
Other	22·6	27·0	23·5	23·2	23·
Total	132·2	161·1	179·3	199·8	173·
Banking dept. reserve	39·1	42·7	29·5	23·6	22·
	%	%	%	%	%
"Proportion"	25·5	22·9	15·4	11·4	11·

* Government debt is £11,015,100; capital £14,553,000. † Fiduciary issue raised from £580 millions to £630 millions on June 11, 1940.

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between July 4th and July 11th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. fcs. (25·22½), 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. Bel. Congo Fr. 176 –¾.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent pm.-par. Canada, ½ 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 £	July 5, 1940	July 6, 1940	July 8, 1940	July 9, 1940	July 10, 1940	July 11, 1940
Tallinn, Ekr.	18·159	14¾*	14½*	14⅝*	14⅝*	14⅝*	14⅝*
Riga, Lats	25·22½	19⅛*	18¾*	18¾*	18¾*	18¾*	18¾*
Budapest, Pen.	27·82	20⅝*	19¾*	20⅛*	20⅛*	20⅛*	20⅛*
Kovno, Lit	48·66	21½*	20⅝*	21⅛*	21⅛*	21⅛*	21⅛*
Belgrade, Din.	276·32	155*	150*	150*	150*	150*	150*
		195*(g)	190*(g)	190*(g)	190*(g)	190*(g)	190*(g)
Sofia, Lev	673·66	305*	295*	300*	300*	300*	300*
Helsingfors, Mk	193·23	190–210	190–210	190–210	190–210	190–210	190–210
Alexandria, Pst	97½	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Lisbon, Esc.	110	98½–	98½–	98½–	99½–	99½–102	99½–102
		101½	101½	101½	100½		
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16–	17 15/16–	17 15/16–	17 15/16–	17 15/16–	17 15/16–
		18 1/16	18 1/16	18 1/16	18 1/16	18 1/16	18 1/16
Kobe, Yen	†24·58d.	14⅝-15¼	15¼-⅞	14⅞-15½	14⅞-15½	14 15/16–	14 15/16–
						15 7/16	15 9/16
Hongkong, $	† ...	14⅞-15⅛	14⅞-15⅛	14⅞-15⅛	14⅞-15⅛	14⅞-15⅛	14⅞-15⅛
Rio, Mil.	†5·899d.	3 5/16*	3 5/16‡	3 5/16‡	3 5/16‡	3 5/16‡	3 5/16‡
Valparaiso, Pes.	40	95*	95*	95*	95*	95*	95*
Lima, Sol. (e)	17·38	23–27	22½-25½	23–26	23–26	23–26	23–26
Montevideo, $	† 51d.	21¼-24¼	22–25	21¾-23¾	21¾-23¾	21¾-23¾	21¾-23¾
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3½–4¼	3⅝–4⅝	3⅝–4⅝	3⅝–4¼	3⅝–4¼	3⅝–4¼
Bogota, Pes.	...	6¼*	6*	6*	6*	6*	6*

* 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.
(e) 90 days. (g) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended July 8, '39	July 6, '40	Aggregate January 1 to July 8, '39	July 6, '40		Week ended July 8, '39	July 6, '40	Aggregate January 1 to July 8, '39	July 6, '40
Working days :—	6	6	159	159	Newcastle	1,770	1,227	41,509	37,353
Birmingham	3,549	3,116	65,280	61,763	Nottingham	617	556	13,461	11,766
Bradford	1,114	1,190	22,812	42,564					
Bristol	1,423	1,862	35,852	46,271	9 Towns	28741	32182	614663	710906
Hull	1,015	863	21,634	21,872					
Leicester	848	871	19,232	20,558	Dublin	8,789	7,920	170715	164933
Liverpool	5,891	6,982	136223	158330	Sheffield*	1,919	1,120	29,503	17,970
Manchester	12484	15215	258660	310429	Southampton†	...	103	...	930

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between July 5th and July 11th:— Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1 1/32%; 3 months, 1 1/32%; 4 months, 1 1/16–1⅛%; 6 months, 1⅛–1¼%. Treasury bills: 2 months, 1–1 1/32%; 3 months, 1 1/32%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
July 5	21 11/16	21⅝	July 10	21 5/16	21¾
„ 8	21 11/16	21⅞	„ 11	21 3/16	21⅝
„ 9	21 11/16	21 9/16			

NEW YORK EXCHANGE RATES

New York on	July 4, 1940	July 5, 1940	July 6, 1940	July 8, 1940	July 9, 1940	July 10, 1940
London :—		Cents	Cents	Cents	Cents	Cents
Cables		369(b)	377	376¾	377¾	375
Switzerland, Fr.		22·67	22·68	22·67	22·67	22·67
Italy, Lire		5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark		40·05	40·05	40·05	40·05	40·05
Stockholm, Kr.	Markets	23·87	23·88	23·88	23·88	23·88
Montreal, Can. $	Closed	87·250	88·000	86·750	85·625	85·500
Japan, Yen		23·48	23·48	23·48	23·48	23·48
Shanghai, $		6·30	6·40	6·30	6·30	6·30
B. Aires, Peso. (mkt. rate)		21·30‡	21·40‡	21·25‡	21·30‡	21·35‡
Brazil, Milreis		5·10	5·10	5·10	5·10	5·10

‡ Official buying rate 29·78. (b) Business done. (c) Nominal.

The U.S. Federal Reserve Banks return will be found on page 63.

BANK STATEMENTS

BARCLAYS BANK LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940	ASSETS	June 30, 1939	June 30, 1940
Deposits	411,303	461,154	Cash	47,872	52,032
Balances with Subsidiary Banks	16,770	9,044	Balances with other British Banks	14,632	19,602
Acceptances and endorsements	15,387	19,526	Money at call, etc.	25,176	25,412
"A" shares, £4	3,430	3,430	Bills Discounted	47,572	77,207
"B" shares, £1	11,761	11,761	British Govt. Stocks	89,368	99,008
"C" shares, £1	667	667	Brit. Dom. and Col. Govt. Stocks	6,623	7,776
Reserve fund	10,750	11,250	Other investments	358	359
			British Linen Bank	3,721	3,723
			Other sub. Banks	3,287	2,554
			Advances	208,573	201,485
			Acceptances, etc.	15,387	19,526
			Bank premises	7,499	8,148
Total	470,068	516,832	Total	470,068	516,832

DISTRICT BANK, LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940	ASSETS	June 30, 1939	June 30, 1940
"A" shares	1,896	1,896	Cash	8,441	10,307
"B" shares	316	316	With other banks	2,971	3,822
"C" shares	764	764	Money at call, etc.	8,724	8,301
Reserve fund	2,976	2,976	Bills of exchange	6,702	11,115
Deposits	83,433	93,050	British Govt. Stocks	26,176	27,912
Acceptances	215	1,699	Dominion, Colonial Stocks, etc.	2,248	2,628
Endorsements	8,390	2,787	Other investments	249	216
			Advances	32,253	33,108
			Acceptances	8,605	4,486
			Bank property	1,621	1,593
Total	97,990	103,488	Total	97,990	103,488

WESTMINSTER BANK LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940	ASSETS	June 30, 1939	June 30, 1940
Paid-up capital	9,320	9,320	Cash	34,669	39,078
Reserve	9,320	9,320	With other banks	12,238	15,634
Current, deposit and other accounts	341,717	368,777	Money at call and notice	23,334	36,274
Acceptances and endorsements	19,432	20,412	Bills discounted	40,837	53,771
Note issue in Isle of Man	13	17	Advances	136,757	131,457
			Investments	104,288	102,878
			Share in allied banks	2,992	2,992
			Acceptances, etc.	19,432	20,412
			Bank premises	5,255	5,349
Total	379,802	407,846	Total	379,802	407,846

MARTINS BANK, LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940	ASSETS	June 30, 1939	June 30, 1940
£20 shares, £2½ paid	2,349	2,349	Cash in hand and with Bank of England	10,191	13,036
£1 shares fully paid	1,811	1,811	With other Banks	4,133	3,522
Reserve fund	3,550	3,600	Money at call, etc.	5,130	6,430
Current, deposit and other accounts	98,376	113,017	With banks abroad	173	26
Notes in circulation (Isle of Man)	19	19	Treasury bills	3,010	9,300
Acceptances	2,725	1,699	Investments	30,758	37,757
Endorsements	4,503	7,267	Bills discounted	1,431	648
			Loans and advances	46,462	43,242
			Items in transit	1,473	3,144
			Other assets	508	911
			Bank premises	2,836	2,780
			Acceptances and endorsements	7,228	8,966
Total	113,333	129,762	Total	113,333	129,762

NATIONAL PROVINCIAL BANK, LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940	ASSETS	June 30, 1939	June 30, 1940
Capital paid up	9,479	9,479	Coin, etc.	30,035	36,170
Reserve fund	8,500	8,500	With other banks	10,157	14,405
Deposits	301,247	330,816	Money at call, etc.	15,096	17,306
Due to subsidiaries	241	221	Investments	75,158	79,341
Acceptances	9,192	11,095	Investments in subsidiaries	2,514	2,514
			Bills discounted	35,230	59,648
			Advances	143,863	132,299
			Premises	7,414	7,333
			Acceptances	9,192	11,095
Total	328,659	360,111	Total	328,659	360,111

WILLIAMS DEACON'S BANK, LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940	ASSETS	June 30, 1939	June 30, 1940
Capital issued	1,875	1,875	Coin, etc.	4,117	4,262
Reserve fund	900	900	With other banks	2,278	3,414
Current, deposit and other accounts	37,238	43,748	Money at call	5,732	8,611
Acceptances	318	462	Bills discounted	1,080	3,451
Endorsements	1,549	1,640	British Govt. Stocks	10,084	11,050
			Other investments	1,105	1,189
			Advances	14,569	13,526
			Premises	1,048	1,020
			Acceptances	318	462
			Endorsements	1,549	1,640
Total	41,880	48,625	Total	41,880	48,625

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Distillers Company	May 15	2,441,253	...	2,199,467	2,636,365	79,200	1,543,508	16¼	476,385	+100374	2,493,731	2,232,202	22½(a)
Kinloch (Charles) & Co.	Mar. 31	64,697	...	14,196	31,155	...	10,000	10	4,000	+ 196	58,065	14,136	10
South African Breweries	Mar. 31	866,862	...	402,809	521,442	35,729	363,532	20†	...	+ 3,548	695,271	464,315	22½
Financial Land, etc.													
Duff Development Co.	Mar. 31	63,205	2,599	23,901	37,657	...	20,857	16	...	+ 3,044	37,381	18,475	10
Murrayfield Estate	May 31	1,932	...	1,233	4,256	...	937	5	...	+ 296	1,834	1,237	5
Selected Land	Mar. 31	5,233	...	19	8,179	...	20,000	(c)	Dr12,000	− 7,981	11,099	7,695	14
Trust & Loan of Canada	Mar. 31	130,866	2,027	40,969	42,269	...	...	...	15,000	+ 25,969	91,284	Dr. 2,639	Nil
United Dominions Trust	June 30	65,627	...	30,822	67,857	13,500	23,400	6	...	− 6,078	217,496	125,701	17½
United Gas Industries	Mar. 31	80,696	...	64,302	76,868	24,988	39,150	9	...	+ 164	108,879	89,343	10½(d)
Iron, Coal and Steel													
Charrington, Gardner, etc.	Mar. 31	53,938	14,477	34,512	64,050	...	29,680	14†	2,500	+ 2,332	62,543	40,393	15†
Powell Duffryn Stm. Coal	Mar. 31	300,952	...	297,215	313,509	27,001	249,489	7½	...	+ 20,725	282,514	266,340	6
Thomas (Richard) & Co.	Mar. 30	1,717,677	653,873	351,573	351,573	...	...	...	319,473	+ 32,100	792,203	20,207	Nil
Welsh Assocd. Collieries	Mar. 31	135,957	...	136,616	141,129	90,699	47,606	1½	...	− 1,689	128,397	125,937	½
Rubber													
Anglo-Dutch of Java	Dec. 31	500,718	113,138	179,776	237,253	...	180,000	6	...	− 224	372,367	165,622	5
Bertam Consolidated	Mar. 31	69,994	...	49,931	73,540	...	49,538	14	...	+ 393	32,643	24,045	7
Cicely	Mar. 31	28,224	2,500	16,954	23,001	900	13,343	10	...	+ 2,711	13,486	4,999	5
Djapoera	Mar. 31	6,915	...	3,675	4,336	...	3,250	5	...	+ 425	2,541	111	Nil
East Asiatic	Mar. 31	75,323	...	56,309	82,439	...	56,000	7	...	+ 309	43,124	32,043	3
Kinta Kellas	Mar. 31	26,778	848	14,713	21,527	...	15,250	10	...	− 537	9,610	5,736	2½
Prye	Mar. 31	7,379	1,000	3,325	4,117	...	2,481	2½	...	+ 844	4,420	1,354	1·66
Tea													
Arnakal	Mar. 31	16,711	1,500	3,806	4,835	...	3,125	5	...	+ 681	12,941	7,348	5
Badulipar	Dec. 31	38,660	...	8,451	17,118	1,980	6,944	10	...	− 473	32,561	9,426	10
Belseri-Chardwar	Dec. 31	6,813	277	1,803	1,923	1,123	578	3	...	+ 102	5,743	1,617	2
Bogawantalawa	Mar. 31	29,159	...	14,802	16,799	5,261	9,352	10	...	+ 189	25,140	13,732	8½
Longai Valley	Dec. 31	12,042	...	3,018	7,326	1,572	1,375	2½	...	+ 71	13,169	4,410	...
Looksan	Dec. 31	7,984	...	2,587	4,825	375	1,172	7½	...	+ 40	7,054	3,252	7½
Rungajaun	Dec. 31	24,058	709	7,300	14,365	648	4,134	12½	2,500	+ 18	18,588	7,623	10
Trusts													
Monks Investment	May 15	52,682	...	21,323	32,177	...	13,525	3½	5,000	+ 2,798	49,648	20,386	3½
Scottish Cities	May 31	31,303	...	7,838	24,000	6,750	...	...	1,000	+ 88	34,410	9,399	1
Other Companies													
Berry Wiggins and Co.	Dec. 31	59,512	...	53,712	120,353	20,825	25,625	(b)	...	+ 7,262	55,934	50,984	(b)
British Glues, etc.	Apr. 30	113,347	...	75,697	107,503	47,250	17,500	10	10,000	+ 947	78,960	74,810	10
Brown, Thomas, & Sons	Jan. 31	25,902	...	15,810	17,734	7,425	6,750	5	2,000	− 365	25,343	18,411	5
Bulmer and Lumb	Apr. 30	28,535	3,344	16,191	35,448	...	5,865	8	13,500	− 3,174	14,345	10,572	6
Colthrop Board, etc.	May 31	137,379	5,000	47,259	64,369	9,909	31,191	10	5,000	+ 1,159	72,295	31,480	10
Darlington and Simpson	Mar. 31	101,389	...	61,657	76,520	15,600	22,500	7½	20,000	+ 3,557	45,709	37,732	5
General Electric Co.	Mar. 31	1,892,994	495,442	790,157	1,597,377	160,650	524,796	20	100,000	+ 4,711	1,776,099	898,750	20
Graves (J. G.)	Jan. 31	108,187	1,413	55,369	105,444	14,332	32,495	15	...	+ 8,542	138,023	92,123	25
Greyfriars Press	Apr. 30	29,560	...	12,296	29,785	...	15,625	7½	...	− 3,329	40,846	27,950	10
Hazell, Watson & Viney	Mar. 31	43,118	...	21,051	66,117	7,302	15,604	4†	...	− 1,855	68,910	47,258	8†
International Sponge	Dec. 31	52,542	2,503	6,362	17,460	3,906	...	...	...	+ 2,456	48,326	4,415	...
Sangers, Ltd.	Mar. 31	255,913	...	155,788	316,678	25,058	95,686	25	25,000	+ 10,044	226,778	156,294	25
Scribbans and Co.	Apr. 30	141,896	26,978	58,755	149,105	...	...	...	55,000	+ 3,755	100,057	28,368	Nil
Telephone Rentals	May 31	134,532	...	77,209	121,884	...	52,236	10	30,000	− 5,027	128,073	90,092	10
Vantona Textiles	Mar. 31	72,880	12,000	56,779	56,779	13,174	8,619	5	...	+ 34,986	Dr. 1,573	Dr. 20,792	Nil
Victoria Falls Power	Dec. 31	2,162,482	...	681,790	900,613	151,113	276,453	15	200,000	+ 54,224	1,800,736	652,036	15
Yorkshire Dyeware, etc.	Mar. 31	34,970	...	28,764	36,289	...	19,844	12½	9,000	− 80	30,754	23,035	10
Totals (£'000's):	*No. of Cos.*												
Week to July 13, 1940	*46*	*12,265*	*1,340*	*6,208*	*8,685*	*766*	*3,859*	...	*1,285*	+ *298*	*10,308*	*5,939*	...
Jan. 1 to July 13, 1940	*1,373*	*290,211*	*23,266*	*160,034*	*226,814*	*35,058*	*99,345*	...	*18,568*	+ *7,063*	*268,044*	*163,566*	...

† Free of income tax. (a) Absorbed £1,743,963. (b) 10½ and 16⅔ per cent. (c) Bonus issue to former deferred shareholders. (d) Also 12½% on Deferred Shares.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
BANKS				
Commerl. of Australia	3¾†	7 1/12	Aug. 23	7 1/12
District Bk. "A", "C"	9⅛*	...	July 31	9⅛*
Do. "B"	5*	...	July 31	5*
Hongkong & Shanghai	£2½*	...	Aug. 12	£2½*
Isle of Man Bank	6.-ps.*	...	July 15	6.-ps.*
Lloyds Bank "A"	6*	...	Aug. 3	6*
Do. "B"	2½*	...	Aug. 3	2½*
Midland Bank	8*	...	July 15	8*
National Provincial	7½*	...	Aug. 1	7½*
Provincial of Ireland	11* pa.	...	Aug. 1	11* pa.
Union Discount	3¾*	...	July 25	3¾*
Westminster	9*	...	Aug. 1	9*
Do. £1 shares	6¼*	...	Aug. 1	6¼*
Williams Deacon's Bk.	6¼*	...	...	6¼*
INSURANCE				
Victory Insurance	...	6	...	6

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
TEA AND RUBBER				
Bukit Rajah Rubber	...	4	July 27	3
Lebong Tea	...	10	...	7½
Pelmadulla Rbr.	11†	15	...	10
MINING				
Bisichi Tin	7†	10	...	Nil
Do. (1940)	3*	...	...	Nil*
British Tin Investment	4*	...	Aug. 10	1½*
Kampong Lanjut Tin	10*	...	July 24	2½*
London Tin	...	7	Aug. 20	4
Zinc Investments	...	12½	...	Nil
INDUSTRIALS				
Australian Estates	...	3	...	Nil
Beans Industries	10*	...	July 12	10*
Bovril (Deferred)	2½*	...	July 31	2½*
British Invest. Trust	5*	...	Aug. 1	5*
British Steam Invest.	3†	5½	July 31	6½
Duff Development	10†	16	...	10

‡ Free of income tax.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
Franco Signs	4†	5	July 25	10
General Aircraft	...	5	...	Nil
General Electric	...	20	Aug. 12	20
Hampshire (F. W.)	20*	...	...	Nil*
Impd. Indus. Dwllgs.	‡2½†	‡5	...	‡6
Marston Valley Brick	1¼†	5	...	10
R. Plate Invest. Trust	5*	...	Aug. 1	5*
Smithfd. Animal Prdts.	6*	...	July 12	Nil*
United Dominions Tst.	Nil†	6	...	17½
United States Deb. Cpn	4*	...	July 31	4*
Vantona Textiles	...	5	...	Nil
Waygood-Otis	10*	...	...	12½*
Weber (L. & J.) and Phillips	3½*	...	July 20	2½*
White (John) Boots	6¼*	...	Aug. 10	5*
Williamson Manfg.	6¼†	12½	...	18¾
Woolworth (F. W.)	20*	...	...	15*

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	+ or −	Aggregate Gross Receipts 1940	+ or −
B.A. and Pacific	52	June 29	‡1,124,000	− 70,000	71,223,000	−3,896,000
B.A. Gt. Southern	52	29	‡1,784,000	− 37,000	119,875,000	− 572,000
B.A. Western	52	29	‡777,000	− 176,000	40,684,000	+1,499,000
Canadian Pacific	26	30	†$4,729,000	+1514000	75,385,000	+13577000
Central Argentine	1	July 6	‡1,488,500	− 709,000	...	...

† 9 days. ‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	July 10, 1940	Name	July 10, 1940	Name	July 10, 1940
For. Bond.	Unquoted	National D.	9/—10/–	Key. Gold	6/4½xd bid
Limited Inv.	10/—11/6xd	Century	9/10½–11/4½	Br. Ind. 4th	9/1½–10/10½
New British	6/4½–7/4½	Scottish	8/9–10/3	Elec. Inds.	10/7½–12/1½xd
Invest. Tr.	8/9–10/9*	Univ. 2nd	10/10½–12/4½	Met. & Min.	8/4½–9/10½
Bk. & Insur.	11/9–14/9*	Inv. Flex.	7/6–8/9	Rub. & Tin	Unquoted
Insurance	10/9–13/3*xd	Inv. Gen.	10/4½–11/4½	Producers	4/6–5/6
Bank	12/6–14/6*	Key. Flex.	7/1½ bid	Dom. 2nd	3/9–4/9
Sct. B.I.I.T.	9/9–11/9*	Key. Cons.	6/9 bid	Orthodox	5/3–6/6

* Free of commission and stamp duty.

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 High	Low	Prices, Jan. 1 to July 10, 1940 High	Low	Name of Security	Price, July 10, 1940	Ch'ge since July 3	Yield July 10, 1940 £ s. d.
				British Funds			
71⅛	61	76¾	68⅛	Consols 2½%	72½	+½	3 9 0
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	107½	+½	3 14 5*f*
...	...	98¾	98½	Conv. 2% 1943–45	98⅝	...	2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	98½	+½	2 14 9
99⅛	92⅞	103	97¾	Do. 3% 1948–53	101	...	2 19 2
99½	87	102¼	94	Do. 3½% after 1961	100	+¾	3 10 5*f*
112⅛	103¾	112	107½	Do. 5% 1944–64	108½	...	2 17 2
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	90	+½	3 3 10
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	95¼	+¼	3 2 6
95⅛	87½	99½	95	Fund. 3% 1959–69	96¾	+1	3 3 11
109½	100½	113¾	105⅜	Fund. 4% 1960–90	110¾	+¼	3 5 1
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	100¼	...	2 11 0*k*
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	99¼	+¾	3 1 1
...	...	100½	100	War Bds. 2½% 1945–47	100¼	...	...
108⅜	102	111½	105 13/16	Victory Bonds 4%	109¼	+¾	3 13 10*j*
...	...	100⅜	98	War L. 3% 1955–59	100	+½	3 0 0
98⅞	86	101⅝	93⅛	War. L. 3½% af. 1952	99⅜	+½	3 10 7*f*
83⅞	73	89⅛	80¼	Local Loans 3%	85½	+½	3 10 2
99	91	100	97½	Austria 3% 1933–53	98	...	3 4 0
64	55½	71¼	59¾	India 2½%	68	...	3 13 6
90	78	97¼	82¼	Do. 3½%	92½	...	3 15 8
115¼	104½	115	105¼	Do. 4½% 1958–68	110	...	3 15 3
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austria. 5% 1945–75	102	...	4 11 2
103½	98	102¼	99	Canada 4% 1940–60	100½	...	4 0 3*f*
112½	103	110⅞	106	Nigeria 5% 1950–60	107	...	4 2 10
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4 14 4
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4 0 0
				Corporation Stocks			
111½	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4 2 4
81⅝	72	85	78	L.C.C. 3%	79	...	3 16 3
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3 12 0
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3 13 0
				Foreign Governments			
91½	73¾	92¾	78½	Argen. 4½% Stg. Bds.	79½	...	5 13 2
65½	34	58½	22	Austria 4½% 1934–59	25	...	13 10 0*l*
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23½	6½	35½	20	Brazil 5% Fd. 1914	22	+1	11 7 4*p*
19	9	23	9	Chile 6% (1929)	10½	...	14 5 8*n*
55½	23½	45¼	12	China 5% (1913)	15	−5	...
72	30	63	25	Czecho-Slovakia 8%	*	...	...
86¼	58	79¾	54½	Egypt Unified 4%	55	−2	7 5 6
12½	9	10½	8	French 4% (British)	*	...	...
44	4	7⅝	5	German Dawes 5%	5½	...	...
33⅛	3	6½	3¾	Do. Young Ln. 4½%	5½	...	...
30	15	24½	12½	Greek 6% Stab. Ln.	*	...	...
35½	15	25	17	Hungary 7½%	17	...	26 9 4*h*
61½	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to July 10, 1940 High	Low	Last two Dividends (a) %	(b) (c) %	Name of Security	Price, July 10, 1940	Ch'ge since July 3	Yield July 10, 1940 £ s. d.
				Railways			
10	3¾	Nil	Nil	B.A. Gt. Sthn. Ord.	4½	...	Nil
9½	4⅞	Nil	Nil	Can. Pac. Com. $25	*	...	...
52	22	½ *c*	3½ *c*	Gt. Western Ord.	29	+1	12 1 0
80	34½	Nil *c*	5 *c*	LNER 5% Pref. 1955	40	...	12 10 0
60	20	Nil *c*	4 *c*	Do. 4% 1st Pf.	28	+1	14 6 0
24	9	Nil *c*	1½ *c*	L.M.S. Ord.	12½	+½	12 0 0
60½	21½	Nil *c*	4 *c*	4% Pf. 1923	29	+1	14 0 0
70½	35	2 *a*	2 *b*	4% Pf.	43	+1	9 6 0
65¼	24	Nil *b*	1½ *a*	Lon. Trans. "C"	30	+4	5 0 0
22	7	Nil *c*	1¼ *c*	Southern Def.	9½	...	13 3 2
79	35½	1 *a*	4 *b*	Do. 5% Pf. Ord.	47	+7	10 12 9
104	58½	2½ *a*	2½ *b*	Do. 5% Pf.	68½	+7	7 6 0
				Banks and Discount			
67/9	51/-	10 *b*	7½ *a*	Alexanders £2, £1 pd.	55/-xd	+1/6	6 10 9
342½	316½	6 *a*	6 *b*	Bank of England	325	...	3 13 10
£51	£43½	8 *c*	8 *c*	Bk of Montreal $100	*	...	...
30/9	21/9	5 *a*	5 *b*	Bk. of N. Zealand £1	22/6	...	7 2 5*e*
73/3	46/6	7 *b*	7 *a*	Barclays Bank £1	62/-xd	−1/7	4 10 0
9½	5¼	5 *a*	5 *b*	Chtd. of India £5	6	...	8 6 9
52/-	45/-	5 *b*	5 *a*	District B. £1 fy. pd.	48/9	−1/3	4 2 0
£95	£52	£2½ *b*	£2½ *a*	Hongkong and S. $125	£63	+£4	8 5 0
54/6	30/-	6 *b*	6 *a*	Lloyds £5, £1 pd.	40/-xd	−5/-	6 0 0
8¾	5 17/32	7½ *b*	7½ *a*	Martins £20, £2½ pd.	6¾	+¾	5 11 0
85/-	68/-	8 *b*	8 *a*	Midland £1, fy. pd.	80/-	+2/6	4 0 0
5⅝	4	5 *b*	5 *a*	Nat. Dis. £2½ fy. pd.	4½xd	+⅛	5 11 0
32½	24½	8 *a*	8 *b*	N. of Ind. £25, £12½pd	25½	...	7 16 9
69/9	39/-	7½ *b*	7½ *a*	Nat. Prov. £5, £1 pd.	52/6	...	5 14 0
444	385	8½ *b*	8½ *a*	Royal Bk. of Scotland	395	...	4 6 0
48/6	29/-	6¼ *b*	3¾ *a*	Union Discount £1	36/3xd	+5/9	5 10 0
85/-	46/-	9 *b*	9 *a*	Westmtr. £4, £1 pd.	67/6	...	5 6 6
				Insurance			
24⅜	15¾	40 *a*	50 *b*	Alliance £1, fully pd.	17	+½	5 5 9
13⅛	8⅜	4/6 *a*	6/- *b*	Atlas £5, £1¼ pd.	8¾	+¼	6 0 0
16⅝	8 25/32	†25 *a*	†25 *b*	Pearl (£1), fy. pd.	10½	+1½	4 15 3†
15 5/16	9 5/16	6/- *a*	6/- *b*	Phœnix £1, fy. pd.	10	+½	6 0 0
28⅜	16¼	†84·075 *c*		Prudential £1 A	19	+1½	4 8 0†
8¼	5	11 *a*	19 *b*	Royal Exchange £1	6¼	+½	4 16 0
7	4¼	†10 *b*	13¾ *a*	Sun Lf. Ass. £1 fy. pd.	4½	...	5 17 9
				Investment Trusts			
498	476½	11 *a*	14 *b*	Alliance Trust	490	...	5 2 0
187½	180	3½ *a*	8½ *b*	Anglo-Amer. Deb.	180	...	6 13 4
188	155	6 *b*	4 *a*	Debenture Corp. Stk.	162½	...	6 3 0
187	168	5 *a*	8 *b*	Invest. Trust Def.	170	...	7 13 6
165½	139	3 *a*	7 *b*	Trustees Corp. Ord.	147½xd	−5	6 15 0
175	140½	6 *b*	4 *a*	United States Deb.	157½	...	6 10 6
				Breweries, &c.			
125/6	96/3	†20 *b*	†5 *a*	Bass Ratcliff Ord. £1	103/1½	+7½d	4 17 0†
57/6	36/3	6 *a*	11 *b*	Courage Ord. £1	45/-	+2/6	7 11 0
70/3	46/-	6¼ *a*	10 *b*	Distillers Ord. £1	56/6	−4½d	5 15 0
83/-	45/-	14 *b*	11 *a*	Guinness Ord. £1	60/-	+1/3	8 6 9
76/6	47/-	16 *b*	7½ *a*	Ind, Coope & Allp. £1	58/9	+3/9	8 0 0
52/9	30/6	12 *b*	6 *a*	Watney Combe Def. £1	42/-	+4/6	8 11 9
				Iron, Coal and Steel			
6/6	3/-	10 *c*	10 *c*	Baldwins 4/-	4/-	...	10 0 0
34/7½	13/1½	†5 *a*	†10 *b*	Brown (J.) Ord. 10/-	17/6	...	8 11 6†
8/9	3/6	4 *a*	6 *b*	Cammell Laird 5/-	5/-	...	10 0 0
24/7½	11/3	3 *a*	5 *b*	Colvilles Ord. £1	14/6	−11½	11 0 0
28/1½	12/6	10 *c*	10 *c*	Dorman Long Ord. £1	15/-	−7½d	13 6 9
26/11¼	13/6	†2½ *a*	†4 *b*	Guest Keen &c.Ord.£1	18/9	...	6 19 0†
27/9	13/1½	7½ *a*	15 *b*	Hadfields 10/-	17/6	...	12 17 6
22/7½	11/3	2 *a*	5½ *b*	Powell Duffryn £1	15/7½	...	9 12 0

Prices, Jan. 1 to July 10, 1940 High	Low	Last two Dividends (a) %	(b) (c) %	Name of Security	Price, July 10, 1940	Ch'ge since July 3	Yield July 10, 1940 £ s. d.
				Iron, Coal, &c.—cont.			
34/6	20/-	10 *c*	12 *c*	S. Durham Ord. £1	21/3	−1/3	11 5 9
54/9	33/9	†7½ *b*	†2½ *a*	Staveley Coal, etc. £1	38/9	+1/3	5 3 9†
47/6	26/-	12½ *c*	12½ *c*	Stewarts & Lloyds £1	32/6	+7½d	7 13 0
39/-	17/6	10½ *b*	4 *a*	Swan, Hunter £1	20/-	−1/3	14 10 0
24/3	11/6	5½ *b*	2½ *a*	Un. Steel Cos. Ord. £1	15/-	−7½d	8 0 0
21/10½	9/6	4 *a*	6 *b*	Vickers 10/-	12/9	−1/-	7 16 0
				Textiles			
8/10½	2/6	Nil	Nil	Brit. Celanese 10/-	3/3	+3d	Nil
38/6	21/3	5 *a*	5 *b*	Coats, J. & P. £1	26/3	−1/3	7 12 3
39/10½	20/3	2 *a*	5 *b*	Courtaulds £1	24/4½	−1/7½	5 14 9
35/9	23/1½	2½ *a*	5 *b*	English Swg. Ctn. £1	25/-	...	6 0 0
24/4½	11/9	Nil *c*	7½ *c*	Lancs. Cotton Corp £1	14/4½	...	10 8 6
61/3	42/6	†10 *c*	†8½ *c*	Patons & Baldwins £1	45/-	+1/3	3 15 6†
				Electrical Manufactg.			
43/1½	26/3	10 *c*	10 *c*	Associated Elec. £1	34/6	+3/3	5 16 0
92/6	66/3	5 *a*	15 *b*	British Insulated £1	70/-	+2/6	5 14 6
69/-	46/3	5 *a*	10 *b*	Callenders £1	50/-	+2/6	6 0 0
20/-	11/6	12½ *b*	7½ *a*	Crompton Park. A 5/-	12/6	...	8 0 0
33/9	16/3	10 *c*	10 *c*	English Electric £1	21/3	+1/3	9 8 0
83/-	52/6	20 *c*	20 *c*	General Electric £1	68/9	+6/3	6 3 9
				Gas and Electricity			
38/3	23/6	3 *a*	5 *b*	Clyde Valley Elec. £1	28/9	+1/3	5 11 9
42/6	20/6	10½ *c*	10½ *c*	County of London £1	25/-	+1/3	8 8 0
27/-	18/-	2½ *a*	3½ *b*	Edmundsons £1	20/6	+6d	5 17 0
18/3	11/6	2⅘ *a*	1 1/10 *b*	Gas Light & C. £1	12/3	...	7 6 9
83½	32	2 *a*	4 *b*	Imp. Cont. Gas Stk.	35	−2	17 2 0
32/6	23/6	2½ *a*	5 *b*	Lancashire Elec. £1	25/-	...	6 0 0
21/-	12/-	2½ *b*	Nil *a*	London Ass. Elec. £1	13/1½	...	3 16 0
31/4½	17/6	2½ *a*	4½ *b*	North-East Elec. £1	20/-	+1/3	7 0 0
42/3	22/-	4 *a*	6 *b*	Northmet Power £1	25/-	+1/3	8 0 0
38/7½	24/-	2½ *a*	5½ *b*	Scottish Power £1	25/7½	+7½d	6 4 9
39/6	24/-	3 *a*	5 *b*	Yorkshire Electric £1	27/6	+1/3	5 17 0
				Motor, Cycle and Aircraft			
17/6	7/6	30 *c*	15 *c*	Austin 5/-	13/9	+2/6	5 9 0
16/4½	6/-	7½ *b*	4 *a*	Bristol Aero. 10/-	8/6	+1/-	13 10 0
36/3	17/3	12½ *c*	12½ *c*	De Havilland Air. £1	18/9	+1/3	13 6 0
16/9	7/-	†15 *c*	†12½ *c*	Fairey Aviation 10/-	10/-	+6d	12 10 0†
18/7½	12/4½	5 *c*	6 *c*	Ford Motors £1	16/-	+1/-	7 10 0
15/7½	6/-	17½ *b*	15 *a*	Hawker Siddeley (5/-)	8/9	+1/-	12 2 0
60/7½	39/4½	12½ *b*	2½ *a*	Lucas, J. (£1)	42/6	+2/6	9 8 0
88/3	28/9	25 *c*	20 *c*	Leyland Motors £1	47/6	+5/-	8 8 0
27/7½	16/9	45 *c*	40 *c*	Morris Motors 5/- Ord.	18/9	+1/3	10 12 0
4 21/32	2¼	17½ *b*	5 *a*	Rolls-Royce £1	2¾	...	8 4 0
12/3¾	6/-	22½ *c*	25 *c*	Standard Motor 5/-	8/3	+9d	14 2 0
				Shipping			
22/7½	12/3	5 *c*	4 *c*	Furness, Withy £1	13/-	+6d	6 3 3
23/9	13/6	4½ *b*	2 *a*	P. & O. Def. £1	14/6	...	9 0 0
20/-	14/-	5 *c*	5 *c*	Royal Mail Lines £1	14/6	−6d	6 19 0
10/9	4/-	Nil *c*	Nil *c*	Union Castle Ord. £1	5/-	...	Nil
				Tea and Rubber			
16/7½	5/9	6 *c*	4 *c*	Allied Sumatra £1	7/6	...	10 13 3
27/3	14/-	2 *a*	4 *b*	Anglo-Dutch £1	15/-	...	8 0 0
32/10½	20/-	2½ *a*	7½ *b*	Jokai (Assam) £1	22/6	+1/3	8 17 3
3/11¼	2/3	4 *a*	6 *b*	London Asiatic 2/-	2/9	+1½d	7 5 0
34/9	20/-	4 *a*	6 *b*	Rubber Trust £1	22/6	+1/3	8 17 6
3/3	1/7½	9 *c*	5 *c*	United Serdang 2/-	1/10½	+1½d	5 6 0
				Oil			
60/3¾	23/1½	15 *b*	5 *a*	Anglo-Iranian £1	32/6	−1/3	13 6 0
27/7½	14/6	17½ *b*	12½ *a*	Apex (Trinidad) 5/-	18/9	+1/3	8 0 0
73/6	35/-	5 *a*	16 *b*	Burmah Oil £1	41/3	−3/9	10 4 0
81/10½	28/9	†20 *c*	†5 *c*	Shell Transport £1	31/10½	−3/11½	3 2 6†
80/-	45/6	7½ *b*	7½ *a*	Trinidad Leasehlds £1	56/3	+2/6	5 6 6
				Miscellaneous			
62/6	38/9	7½ *a*	7½ *b*	Assoc. P. Cement £1	46/3	+2/6	6 9 6
44/3	23/9	5 *a*	5 *b*	Barker (John) £1	26/3	...	7 12 0
44/6	27/6	*m*29 *c*	30·9 *c*	Boots Pure Drug 5/-	37/6	+7/6	4 2 6
56/-	31/3	4 *a*	8½ *b*	Brit. Aluminium £1	37/6	+7½d	6 13 3
107/6	53/1½	†20 *c*	†19 1/6 *c*	Brit.-Amer. Tob. £1	65/-	+1/3	5 18 0†
60/-	42/6	7 *a*	10 *b*	British Oxygen £1	50/-	+3/9	6 16 0
52/6	37/6	12½ *b*	7½ *a*	Brockhouse (J.) £1	38/9	+1/3	10 6 6
65½	27	4 *c*	4 *c*	Cable & Wir. Hdg.	36	...	11 2 0
6 3/16	3⅛	15 *b*	11⅔ *a*	Carreras 'A' Ord. £1	4	+½	6 13 3
38/9	19/9	9 *c*	12 *c*	Dunlop £1	24/6	+6d	7 6 9*d*
10/1½	4/-	5 *c*	Nil *c*	Elec. & Mus. Ind. 10/-	5/3	...	Nil
28/3	16/3	15 *a*	25 *b*	Ever Ready Co. 5/-	20/6	+2/6	9 15 0
6 3/16	3¼	7½ *a*	20 *b*	Gallaher Ltd. Ord. £1	3¾	+⅛	7 6 6
28/6	17/6	25 *b*	15 *c*	Gestetner (D.) 5/-	17/6	...	11 8 9
93/9	65/-	20 *b*	5 *a*	Harrison & Cros.Df.£1	67/6	−2/6	7 8 0
40/6	26/3	5 *a*	5 *b*	Harrods £1	27/6	...	7 5 6
33/9¾	17/6	3 *a*	5 *b*	Imp. Chem. Ord. £1	23/3	−6d	6 16 0
13/9	5/-	5 *c*	Nil *c*	Imp. Smelting £1	6/3	...	Nil
6 11/32	3 5/16	†7½ *a*	†15½ *b*	Imp. Tobacco £1	4¼	+1/16	5 8 0†
$49 9/16	$30¼	$2·25 *c*	$2·00 *c*	Inter. Nickel n.p.	*	...	...
12/3	9/-	5 *b*	5 *a*	International Tea 5/-	10/-	...	5 0 0
34/3	15/-	4¾ *a*	5¼ *b*	Lever & Unilever £1	19/4½	−2/6	10 6 0
32/9	24/6	20 *c*	10 *c*	London Brick £1	27/6	+1/3	7 4 0
87/6	67/6	5 *a*	15 *b*	Lyons (J.) Ord. £1	72/6	...	5 10 0
54/4½	25/-	15 *a*	23⅓ *b*	Marks & Spen. 'A' 5/-	31/3	+2/6	5 18 0
4 1/32	2¾	5 *a*	12½ *b*	Metal Box £1	3⅛	+⅛	5 12 0
87/6	45/-	12½ *b*	7½ *a*	Murex £1 Ord.	62/6	+5/-	6 8 0
23/7½	13/9	4 *a*	6 *b*	Pinchin Johnson 10/-	16/-	+1/-	6 5 0
17/6	12/6	15 *b*	3 *a*	Ranks Ord. 5/-	14/-	...	6 6 9
61/6	36/3	2½ *a*	12½ *b*	Spillers Ord. £1	43/9	+2/6	6 16 0
57/9	35/-	10 *b*	3½ *a*	Tate and Lyle £1	41/10½	+1/10½	6 6 0
45/6	29/6	5 *a*	5 *a*	Tilling, Thos. £1	31/3	...	6 8 0
26/3	16/-	25 *c*	20 *c*	Triplex Safety G. 10/-	18/9	+2/6	10 13 3
96/9	59/9	13¾ *b*	10 *a*	Tube Investments £1	71/3	+6/3	6 12 6
68/-	41/3	11¼ *b*	3¾ *a*	Turner & Newall £1	50/-	+1/3	6 0 0
52/6	40/7½	7½ *b*	5 *a*	United Dairies £1	40/7½	−1/10½	6 3 0
28/3	15/-	22½ *c*	28⅛ *a*	United Molasses 6/8	17/6	...	8 11 6*g*
66/3	38/9	50 *b*	20 *a*	Woolworth Ord. 5/-	48/9	+3/9	7 6 6
				Mines			
65/7½	26/3	95 *c*	95 *c*	Ashanti Goldfields 4/-	33/9	...	11 5 0
11/9	6/3	*i*5 *b*	*i*3½ *a*	Burma Corp. Rs. 9	7/-	+3d	11 6 0†
51/3	22/6	10 *b*	3¾ *a*	Cons. Glds. of S. Af. £1	25/-	+1/3	11 0 0
15	11½	95 *b*	95 *a*	Crown Mines 10/-	12¼	+¼	7 14 0
8¼	2 17/32	Nil *c*	Nil *c*	De Beers (Def.) £2½	3	+¼	Nil
41/6¾	25/3	11¼ *b*	11¼ *a*	Randfontein £1	26/3	−1/3	17 2 9
11 5/16	5⅝	25 *b*	25 *a*	Rhokana Corp. £1	6	...	8 6 9
16/-	7/-	5 *b*	10 *a*	Roan Antelope Cpr. 5/-	9/-	+1/-	8 6 9
10⅛	6⅞	75 *b*	75 *a*	Sub Nigel 10/-	7¼	...	10 6 [illegible]
7 11/16	5	2/6 *a*	5/6 *b*	Union Cp. 12/6 fy. pd.	5½	...	7 5 [illegible]
88/9	30/-	Nil	Nil	W. Witwatersrand 10/-	35/-	+5/-	Nil

(*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 75½% 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 per cent. out of capital reserve. (*p*) Yield worked on a 2½ per cent. basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	July 2, 1940	July 9, 1940
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Mt.	29 7½	29 9
Eng. Gaz. av., per cwt.	7 1	7 1
Flour, per 280 lb.—		
Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	16 10	16 5
Oats ,, ,, ,, ,,	11 4	11 6
Maize, La Plata, 480 lb., f.o.b.	...	13 3
Rice, Burma, No. 2, per cwt.	9 0	15 7½
MEAT—Beef, per 8 lb.—		
English long sides	4 8	4 8
	6 0	6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4	4 4
	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.)—		
Home Produced	109 8	121 4
Imported	85 0	85 0
COCOA (per cwt.)—		
Accra, g.f.	34 0	34 6
	35 0	35 6
Grenada	55 0	55 0
	59 0	62 6
COFFEE (per cwt.)—		
Santos supr. c. & f.	44 0	44 0
Costa Rica, medium to good	65 0	65 0
	98 0	98 0
EGGS (per 120)—English (Std.)	22 6	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English, New	14 0	13 0
	15 0	14 0
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
Refined London—		
Granulated, 2 cwt. bags	36 10	36 10
West India Crystallised	36 9	36 9
	37 9	37 9
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	0 7	0 7
	2 4	2 4
Rhodesian, stemmed and unstemmed	1 0	1 0
	2 6	2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·59	7·79
,, Giza, F.G.F.	11·17	11·22
Yarns, 32's Twist	14·32	14·44
,, 40's Weft	15·57	15·69
,, 60's Twist (Egyptian)	25·85	26·15
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 3	s. d. 24 0
COTTON—*continued.*		
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	s. d. 35 3	s. d. 35 0
,, 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 4	13 2
,, 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 4	12 2
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26 0 0	26 0 0
JUTE (per ton)—		
Native 1st mks., c.i.f. London	Nom.	Nom.
Daisee 2/3, c.i.f. Dundee, Sept.–Oct. (new)	29 15 0	28 5 0
SISAL (per ton)—African, July-Sept.—No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	16 6	15 6
	17 0	16 0
China fil	17 0	17 0
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—		
64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3	28 3
	28 9	28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	282 6	302 6
Steel rails, heavy	255 0	255 6
Tinplates (home, i.c. 14 × 20)	26 0	26 0
NON-FERROUS METALS (per ton)—		
Copper (*d*)—Electrolytic	62 0 0	62 0 0
Tin—Standard cash	262 15 0	263 5 0
	263 0 0	263 15 0
Three months	265 5 0	263 5 0
	265 10 0	263 10 0
Lead (*e*)—Soft foreign, cash	25 0 0	25 0 0
Spelter (*e*)—G.O.B., spot	25 15 0	25 15 0
Aluminium, ingots and bars	110 0 0	110 0 0
Nickel, home delivery	190 0 0	190 0 0
	195 0 0	195 0 0
Antimony, Chinese	98 0 0	98 0 0
	99 0 0	99 0 0
Wolfram, Chinese ......per unit	...	...
Platinum, refined ......per oz.	9 10 0	9 10 0
Quicksilver ...... per 76 lb.	57 0 0	57 0 0
	60 0 0	60 0 0
GOLD, per fine ounce	s. d. 168 0	s. d. 168 0
SILVER (per ounce)—		
Cash	1 9 13/16	1 9 11/16
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton—(*b*)		
4-ton loads and upwards per ton	s. d. 44 6	s. d. 44 6
CHEMICALS—		
Acid, Oxalic, net ......per ton	60/0/0	60/0/0
,, Tartaric, English, less 5%	s. d. 1 6½	s. d. 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
	11/0/0	11/0/0
Crystals ...... per ton	5/5/0	5/5/0
	5/10/0	5/10/0
COPRA (per ton)—S.D. Straits, c.i.f.	13/10/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland 40/50 lb.	0 5⅝	0 5
Cape, Jo'burg Ord.	0 5⅞	0 5
Dry Capes, 18/20 lb.	0 8	0 7
English & Welsh Market Hides—		
Best heavy ox and heifer	0 7	0 7
	0 8⅜	0 8⅜
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 10	1 10
	3 0	3 0
Shoulders	1 2	1 2
	2 0	2 0
Insole Bellies	0 10	0 10
	1 4	1 4
Dressing Hides	2 0	2 0
	2 4	2 4
PETROLEUM PRODUCTS (per gal.)		
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
Fuel oil, in bulk, ex instal. Thames—		
Furnace	0 7¼	0 7¼
Diesel	0 8	0 8
ROSIN (per ton)—American	25 0 0	25 0 0
	35 0 0	30 0 0
RUBBER (per lb.)—	s. d.	s. d.
St. ribbed smoked sheet	1 1 1/16	1 0⅝
SHELLAC (per cwt.)—TN Orange	80 0	80 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)—		
Linseed, raw	44 0 0	44 0 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	7 7 6
Oil Seeds, Linseed—		
La Plata	15 0 0	15 0 0
Calcutta	16 17 6	16 7 6

(*b*) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (*c*) Higher Pool prices in some zones. (*d*) Price is at buyers' premises. (*e*) Including import duty and delivery charges.

AMERICAN WHOLESALE PRICES

	July 3, 1940	July 10, 1940
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, July	78¼	74⅝
,, Winnipeg, July	71⅜	71⅜
Maize, Chicago, July	61	62
Oats, Chicago, July	32¼	30½
Rye, Chicago, July	43	43¼
Barley, Winnipeg, May	33¾	34¼
METALS (per lb.)—		
Copper, Connecticut	11·50	11·50
Tin, N.Y., Straits, spot	52·00	51·25
Lead, N.Y., spot	5·00	5·00
METALS (per lb.)—*cont.*	Cents	Cents
Spelter, East St. Louis, spot	6·25	6·25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, July	4·60	5·00
Coffee, N.Y., cash—		
Rio, No. 7	5⅜	5⅜
Santos, No. 4	7⅛	7⅛
Cotton, N.Y., Am. mid., spot	10·70	10·58
Cotton, Am. Mid., July	10·37	9·97
Cotton Oil, N.Y., July	6·20	6·00
Lard, Chicago, July	6·00	5·82½
MISCELLANEOUS (per lb.)—*cont.*		
Petroleum, Mid-cont. crude per barrel	Cents 102	Cents 102
Rubber, N.Y., smkd. sheet spot	20¼	20¼
Do. do. Aug.-Sept.	19¼	19⅛
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·75	2·70
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	1·01	1·78
Moody's Index of staple commodities, Dec. 31, 1931 = 100	156·4	156·0

TRANSVAAL GOLD OUTPUT

Statistics for June, 1940 (on basis of £8 8s. 0d. per fine ounce)

Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz. s. d.
Anglo-Amer. Corp.		£	£	
Brakpan	135,500	254,872	100,458	101 10·2
Daggafontein	161,500	384,037	218,430	72 5·8
East Daggafontein	70,000	152,337	53,414	109 1·9
S. Af. Land	110,000	254,263	138,459	76 6·6
Springs	165,000	373,675	200,035	78 1·4
W. Springs	94,000	169,557	67,929	100 9·1
Cent. Mng.-Rand M.		Fine ozs		
City Deep	107,000	25,961	69,301	114 11
Cons. M. Reef	206,000	32,314	71,728	124 0
Crown	356,000	85,012	323,418	92 4
Durban Deep	186,000	36,272	102,291	112 5
E. Rand Prop.	220,000	47,245	130,973	113 3
Geldenhuis	69,000	9,064	20,257	124 2
Glynn's Lyd.	9,800	3,036	8,075	114 11
Modder B.	90,000	15,329	60,676	90 5
Modder East	130,000	22,343	78,005	98 10
New Modder	195,000	30,241	106,399	98 9
Nourse	82,000	16,220	34,760	125 3
Rose Deep	82,000	12,802	25,724	128 2
Transvaal G.	30,000	4,840	5,646	143 7
Gen. Mining		£		
Van Ryn	61,000	57,277	8,002	149 0
W. Rand Cons.	230,000	353,589	157,218	96 7
Goldfields		Fine ozs	£	
Venterspost	107,000	20,865	44,341	125 7·7
S. and Jack.	145,000	28,276	84,138	108 10·3
Robinson Deep	128,000	28,289	99,984	97 9·3
Sub Nigel	63,500	41,047	232,321	54 11·1
Vogels.	72,800	18,635	59,778	103 11·5
Rietfontein	33,000	5,039	15,053	108 4
Luipaards Vlei	55,000	12,113	33,161	114 8·1
"Johnnies"		£		
E. Champ D'or	33,000	69,081	35,574	81 11
Gov. Areas	235,000	398,252	185,063	91 0
Langlaagte	111,000	126,100	10,295	155 9
N. State Areas	119,000	251,446	134,116	79 8
Randfontein	390,000	469,979	132,307	121 11
Van Ryn	103,000	122,761	27,002	131 11
Witwatersrand	85,000	100,696	17,006	141 8
Union Corp.		Fine ozs		
E. Geduld	156,000	44,845	246,255	58 1
Geduld	113,000	25,221	112,795	78 8
Grootvlei	96,000	25,212	98,216	90 2
Marievale	46,000	12,315	34,090	112 10
Modder. Deep	48,300	5,864	8,381	141 1
Van Dyk	92,800	23,202	82,177	97 4

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; Argentine, 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	July 13, 1939	June 26, 1940	July 5, 1940	July 11, 1940
Resources				
Gold certifs. on hand and due from Treas.	13,605	17,653	17,840	17,944
Total reserves	13,966	18,043	18,190	18,316
Total cash reserves	353	379	338	360
Total U.S. Govt. secs.	2,525	2,473	2,450	2,450
Total bills and secs.	2,553	2,485	2,461	2,461
Total resources	17,341	21,298	21,488	21,556
Liabilities				
F.R. notes in circn.	4,523	5,144	5,248	5,232
Excess mr. bank res.	4,450	6,800	6,810	6,830
Mr. bank reserve dep.	10,350	13,723	13,737	13,764
Govt. deposits	791	301	221	297
Total deposits	11,778	15,163	15,203	15,336
Total liabilities	17,341	21,298	21,488	21,556
Reserve ratio	85·7%	88·8%	89%	89%
Banks and Treasury: Resources				
Monetary gold stock	16,174	19,871	20,065	20,166
Treas. & bk. currency	2,885	3,012	3,014	3,015
Liabilities				
Money in circulation	7,041	7,780	7,924	7,884
Treas. cash and dep.	3,343	2,487	2,411	2,488

IMPERIAL JAPANESE GOVERNMENT

SIX PER CENT. STERLING LOAN OF 1924

The Imperial Japanese Government announce that the operation of the Sinking Fund for the period 10th January, 1940, to 10th July, 1940, has been carried out by way of purchases on the Market, and that BONDS value £285,225 (nominal) have been so purchased and are now CANCELLED.

10th July, 1940.

CITY OF TOKYO

FIVE AND A HALF PER CENT. STERLING LOAN OF 1926

The City of Tokyo announce that the operation of the Sinking Fund for the half-year ended 30th June, 1940, was carried out by way of purchases on the Market, and that BONDS value £62,300 (nominal) were so purchased and are now CANCELLED.

8th July, 1940.

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England's Example

"ENGLAND will save herself by her exertions and Europe by her example." Pitt's words have, with justice, been on every lip in recent weeks. Of the exertions that will be necessary we are all sufficiently conscious; the Prime Minister knows his people when he tells them without disguise of what they may have to undergo. But what of the example by which we are to save Europe? In what does that consist? We may be quite sure that it does not consist in a mere defensive passivity, however dogged or heroic. On the military side, there is virtual unanimity that we cannot win unless we attack wherever and whenever we can. To be content with standing on the defensive would be disastrous for the country's domestic morale. And it is not the sort of example in which Europe will be able to see a way of salvation. Defending our fortress is our immediate task; but it will not win the war. In the jargon of the moment, we must answer the Nazi dynamic with one of our own. We must impose on others our own conviction that our system is not only physically stronger than Hitler's, but morally preferable and emotionally more attractive.

So strongly is one section of opinion impressed with this necessity that it is calling for a new English Revolution to breed in this island a new race of fanatics. But to leap to such a radical conclusion is surely to leap much too far out of the frying-pan of passivity. We should certainly not baulk at the most revolutionary notions in wartime, if they serve to win the war. Between 1914 and 1918, the need to win the war led to the adoption of many things, large and small, from the emancipation of women to summer time, which would have required a revolution in thought in peacetime, but which, once adopted under stress of war, remained as permanent elements of the national life. There will be others in this war, and there must be no shrinking from them. It was suggested in *The Economist* a fortnight ago, for example, that the institution of a National Minimum standard of life, guaranteed by the State, would not only be a social reform desirable in itself but of direct assistance in the financing of the war. If such a reform were coupled, as it may have to be, with a maximum limit to the income that any individual could enjoy after he had paid his direct taxation, we should have achieved a substantial reduction in the inequity of incomes far more smoothly and effectively than if that had been our avowed aim. There should be no shrinking from necessities of this kind merely because they are radical. But to argue, as is being argued in some quarters, that the war is an opportunity for the minority, under cover of the need for an "English dynamic," to foist on the majority revolutionary notions which are neither necessary for the war nor capable of attracting the support of the nation, is to betray the whole spirit of English life and open the gates to Hitler in the act of opposing him. The collapse of France has surely taught us how precious a thing is the real national unity that prevails in this country. We are perhaps the only great people in the world with a really instinctive national unity, an unquestioning loyalty not merely to the land we live in (the French had that, and it led them to abandon all that France stood for to save her fair face), but a loyalty to our community and our history and our liberties—things that cannot survive surrender.

This unity of England has not been forged by a revolutionary tradition. On the other hand, it would not have

survived if our tradition had been one of merely avoiding revolutions. We have avoided the doctrinal excesses with which new ideas have forced themselves on our Continental neighbours. But we have never resisted the new ideas themselves. On the contrary, the English tradition has been to welcome them with eager curiosity and to graft them on to the continuing growth of the nation. We fought the French Revolution and its heirs for a quarter of a century—and emerged not only as the most liberal nation in Europe but as the avowed champion of Liberalism. The secret formula of England is to be at once conservative and progressive, to press forward with new ideas just as fast as the mass of the people can be carried along, but no faster.

When, then, we are faced, as we are to-day, with the need for a new dynamic, the answer must be that it can only be an English dynamic. The English tradition has brought us many things of which we have a right to be proud. It has brought us freedom for ourselves and toleration for others. It has brought us wealth and power. It has brought us the leadership of the greatest Imperial State the world has ever known, and the only one that has ever been ruled by consent alone. It is not failing us now. If there is any failure, it is that we have been tending to forsake our tradition. Faced with the menace of a Continental heresy of the Right, too many of us can think of nothing but to take refuge in a Continental heresy of the Left. The English tradition is not to bow the head to the East, whether it be to Mecca, to Munich or to Moscow, but to see what can be taken from each new fanaticism to enrich our own heritage.

It would be foolish to deny that there is much that we could learn from the Nazi-Fascist heresy. There is the lesson of the results that can be achieved by a modern State through the use of careful, far-sighted planning and cohesive organisation. We can absorb those lessons without weakening our principle of democratic consent or infringing our fundamental liberties; our constitution has never confused democracy with chaos. We can also learn from Germany the lesson of the joy with which the individual citizen gives his service to the community. In England, we can organise this dormant spirit for peace as well as for war. We can steer the middle course between the slave State, to which the individual gives all and receives nothing but kicks in return, and the purely charitable State which is looked upon as a year-round Father Christmas. That, too, can be done without any diminution, but rather with an enhancement, of our liberties.

This eclecticism is the traditional English answer to the challenge of a new secular religion, and it has served us far better than any adherence to one universal system or another. But the eager progressive spirit has been lacking in the last two decades. Instead of taking pride in being in the van, we have tended to run on our acquired momentum and to fall behind in consequence. In our relation to the outside world this has been most noticeable. Until March 18, 1939, the only guiding principle in British foreign policy was that the last risk in our history had been taken on November 11, 1918. In domestic politics we have drifted into that complacent negative spirit of doing nothing save under compulsion which now inspires the whole Governmental machine of the country and saps its energies. In economic affairs, the damage done has been even greater. Our economic policy since the last war, and especially in the last decade, has not bred efficient business men who would now be available to run the inflated State machine. There has been no need to exercise the talents of the competitive producer in a community where monopoly has been fostered, where restriction has been a virtue and where a protective tariff or a subsidy has been forthcoming for every failure. The financial wizard, the amalgamator, the lobbyist have flourished; but not the producer. These are the results of Baldwinism; we have been run too long by old men, whose ideal for their country is a comfortable old age. It is significant of the spirit they have bred in us that an adventurer is to-day the antithesis of a gentleman.

From this stagnation under the sign of the furled umbrella we need to return to the tradition of the Gentleman Adventurers of England, which inspired both the Elizabethans and the Victorians. We all of us believe that we can construct in this island a system that will be stronger in war, richer in peace and nobler in aim than any Continental tyranny. Our immediate task is to prove it. The first phase of that task is the feat of arms to which we are now addressing ourselves. But the other phases, which cannot safely be postponed, are also urgent. In the economic and social fields the technique needed for war is not so very different from that needed for peace; the organisation of production and the equitable distribution of the resources available to the community. The war provides both an opportunity and an inescapable obligation to see how far a bold leadership can go in organising productive efficiency and in fostering social justice without injuring the unity of the nation or destroying the liberty of the subject. It is by these means and not by any synthetic importation that we can provide a dynamic example and reconquer the moral leadership of Europe.

Another Budget

THE Supplementary Budget—perhaps it would be wiser to call it the First Supplementary Budget—is to be opened by Sir Kingsley Wood on Tuesday. It is coming earlier than was expected, but not a day too soon. Three months have been more than enough to demonstrate the total inadequacy of Lord Simon's Budget of April; the only surprise can be that anybody in the Treasury imagined, even at that time, that the financial problem of war could be coaxed into so undersized a strait-jacket. The biggest change in the three months has, of course, been the scale of expenditure. Lord Simon's figures provided for a total expenditure, on war objects and peace objects alike, of £2,667 millions. But expenditure in June was already running at the rate of £3,476 millions a year, and in the first thirteen days of July it was at the rate of over £3,700 millions a year. The estimate of £4,200 millions for the probable "ceiling" of the Government's expenditure, mentioned in *The Economist* as long ago as September and widely derided at the time, begins to look like an under-statement. The second change since April is in the readiness, or rather the eagerness, of the public to bear whatever burdens are put upon them. Even if Lord Simon's estimate of expenditure had been reasonable, it was hardly courageous finance to raise only £1,234 millions of it by taxation. Now that at least £1,000 millions must be added to the expenditure figure, now that large-scale borrowing has become no easier and now that the public is asking to be allowed to make sacrifices, a new accounting is imperatively necessary.

To say this is easy. But what new resources are open to the Chancellor? There has been talk in the Press of another shilling on the income tax and of further increases in the duties on spirits, tobacco and petrol. It is to be hoped that the poverty of imagination revealed by these reports exists only in Fleet Street and that it is not an accurate reflection of the Chancellor's mind. Not that there is anything wrong in principle with such further increases in existing taxes as are practicable; on the contrary, there is everything to be said for them, since an increase in an existing tax never meets with the same resistance as the first imposition of a new tax. But the problem cannot be solved in this way. For one thing, no single tax is so perfect in equity that it can safely be increased *ad infinitum*. And secondly, our existing tax system has so many gaps that it would be grossly unfair merely to increase the burden reposing on those who now pay the taxes. The largest and most familiar gap is the so-called "middle incomes," which are lightly treated at present because they fall midway between the fields in which direct and indirect taxation operates. For example,

a married man with two children and an earned income of £480 a year pays less than 4 per cent. of his income in income tax, even with the standard rate at 7s. 6d. in the £; but, on the other hand, his income is too large to be seriously affected by the duties on beer, spirits, tobacco, sugar and the rest. No increase in income tax that would be tolerable to those richer, or in indirect taxation that would be tolerable to those poorer, will impose any appreciable sacrifice to him. If we are really to make an effort to raise the maximum possible amount in taxes—a principle to which universal assent is given—we cannot afford to be content with the existing structure of taxes.

Unfortunately, the only new venture in taxation that was included in the April Budget was an unhappy one. The Purchase Tax illustrated very conspicuously the fundamental defect of all indirect taxes. If its net was to be cast wide it would give rise to justified complaints that it imposed a disproportionately heavy burden on the poor. If, in the attempt to meet this criticism, extensive exemptions were granted, it would yield no revenue. Sir Kingsley Wood has been going through the ordeal by deputation, and it is confidently reported that he has decided to drop the tax and replace it with a more specific tax, or taxes, on luxury goods. A luxury tax is admirable for general economic reasons; in fact, if luxuries can be adequately defined, the rate of tax should be so high that it is prohibitive—and, incidentally, unproductive of revenue.

Luxury taxes, in short, make a smaller contribution to the financial problem the more effectively they serve their main purpose. In fact, it is very doubtful whether indirect taxes can be of very much service to the Chancellor of the Exchequer. The only ones that would produce any sizeable revenue would be taxes on necessaries, which would be so unfair in their incidence as to be politically impracticable. If we are in earnest about raising the revenue, we must swallow the bitter pill of deciding to make drastic increases in direct taxation. This is the special harm that has been done by the three months that have been wasted since April; customs and excise duties can be increased at any moment, while direct taxes can only be altered in the course of the financial year at the cost of great inconvenience. We cannot, however, afford to wait until next April; the difficulties must be faced and the inconvenience borne.

To say that the additional revenue must be raised by direct taxation is not by any means the same thing as saying that it must be raised from the rich. It will be a necessary part of any scheme that is to have the appearance of equity that the burden on the rich, heavy though it is, should be increased still further; indeed, it might well be considered in dead earnest whether an absolute maximum limit should not be set to the income that any individual can draw in wartime. But as has frequently been pointed out in *The Economist*, there is not much more revenue to be exacted from the rich, even with confiscatory taxation. Any substantial increase in the revenue to be raised by direct taxes must come from the middle and smaller incomes. Indeed, the central problem of war finance is to find some means by which a direct levy can be made on virtually *all* incomes. To enact a special tax on wages would be asking for the maximum of political trouble. The method that would be simplest, both in politics and in fiscal technique, would be to extend the existing income tax to cover all incomes. Clearly there cannot be an individual review of every income in the country and an extended income tax would, for that reason, have to be levied at a flat rate with no distinction between persons; it would also have to be collected at the source (which would have the incidental advantage of bringing an immediate yield to the Exchequer). The suggestion is, in short, that the standard rate of income tax should first be reduced to, say, 2s. or 3s. in the £ and then collected at the source on all incomes in excess of, say, 5s. a day or the equivalent amount per week or per month. A graduated surtax, based on an individual review of each income, could then begin at the point where income tax now begins and advance by progressive stages up to a maximum of 100 per cent. above the accepted wartime limit for individual incomes.

These are, of course, only the bare bones of a proposal that is advanced only as an example of the sort of new departure in fiscal methods that could be resorted to and would be acceptable to the public. In any such scheme there would clearly be detailed problems to solve. For example, equity would demand that some part of the yield should be returned in the form of family allowances—to be regarded, for this purpose, not so much as a social service but as a rebate of taxation. A special rate of taxation would have to be determined for company reserves (the tax now deducted from dividends is, of course, only a convenient first approximation, subject to increase or diminution when the individual's income is examined, and this arrangement might well stand). But in general a tax such as has been suggested (not for the first time) would be entirely feasible and very productive of revenue. Something on these lines is, in fact, the only means by which we can make any substantial progress towards a solution of the purely financial problem of war. The alternative suggestion of taxes on capital hardly survives examination. A tax on capital, if small enough, would merely be a discriminatory income tax on incomes from property, and if there is a case in equity for this, it can be incorporated in the income tax. If the tax on capital is heavier than can be paid out of the annual yield of the property, it is a means of reducing the National Debt by compelling existing property owners to assume responsibility for it. Such a levy makes no contribution to the problem of war finance, since no amount of transfers of title to existing debt or existing property can affect the level of present consumption. Moreover, if there is to be a levy on capital to meet part of the cost of the war, it should fall, if not exclusively at least with greater weight, on those whose wealth increases during the war—and they cannot now be identified.

But the one thing that would be fatal would be to dismiss a tax on capital—or for that matter on anything else—merely because it is radical or distasteful to one section or another of the public. The more radical the solution—provided efficiency and equity are served—the more successful it is likely to be in tapping new sources of revenue.

There can be very little doubt that our financial situation, though still possessing all the elements of ultimate strength, has weakened since April. On both sides of the vicious spiral, official policy has been applying stimulants rather than brakes, whether it be by inflationary finance or by an expansive wage policy. Sir Kingsley Wood now has a chance to restore the balance in some degree. He will not do so by patchwork.

The President's Powers

EARLY this month the Republican party sprang a surprise and nominated Mr Wendell Willkie, pro-Ally business man and one-time Democrat, as candidate for President of the United States. This week it has been the Democrats' turn. Mr Roosevelt had already been elected to serve two terms of office, and no President has ever been elected for a third. The President told the convention plainly that he did not seek another term; and he has organised no ostensible support for his nomination. But Mr Roosevelt remains the obvious choice. Indeed, he was the only choice, if it was the wish of the Democrats to win this year's election, and the party delegates, assembled in the heart of isolationist America at Chicago, had to decide. They nominated Mr Roosevelt.

Meanwhile, it is certain that, whatever President may be inaugurated next year, he will favour aid to the Allies. It is assured, therefore, that during the months that must elapse until then, there will be no fresh pressure upon the White House or upon Congress to turn sharply back towards stricter isolation from the European conflict.

What degree of backing the Allies will be given is not so sure. At both the Republican and Democratic Conventions the formal party statements on foreign policy were reserved and cautious in the extreme. Even the Democratic "platform" ran far behind the established policy of Mr Roosevelt—and behind the express views of Mr Willkie, too—in its statement of support for the Allied cause.

Actually, the reluctance of the two parties' organisers to antagonise the isolationist sentiment that is still strong among a section both of Democrats and Republicans was inevitable. At this stage of the proceedings, the main aim is to offend as few people as possible. American parties, operating throughout a great Continent with widely varying sectional interests and sharply divergent points of view, are not based upon unified and distinct programmes of policy. Their "platforms" are designed to capture the allegiance of as many districts and as many sentiments as possible. Their object is simply to command a majority of votes, and in the upshot it will be left to the new President, and him alone, to speak for the Union with a single voice on the crucial issues of the day.

This does not mean that either Mr Roosevelt or Mr Willkie will necessarily have power to act on his belief that resistance to the dictator states is both right and necessary. It is quite true, as Professor Laski makes abundantly clear in an illuminating series of lectures on the American Presidency published recently in book form*, that in the day-to-day manipulation of foreign relations the President of the United States is very powerful indeed. President Roosevelt himself has always acted boldly on the assumption laid down over a century ago by Jefferson that "the transaction of business with foreign Powers is executive altogether." It is the President's function to conduct or guide all diplomatic negotiations. It is his duty to state the interests of the Union and the mind of its people in relation to world events; and it is his task to educate that mind to the inwardness of what goes on in foreign countries.

Mr Roosevelt has trained up a newly-aware public opinion with great skill. Mr Willkie's victory in the Republican ballot owed much to the spreading consciousness of danger, underlined by the dramatic course of events abroad, that Mr Roosevelt's leadership has evoked. But, while the President shapes foreign policy, Congress has the final voice. The Senate makes or breaks treaties. Only the two Houses of Congress can declare war. Mr Roosevelt himself has found his hands tied and his discretion limited by Congress's neutrality legislation.

The President leads, it is true, but Congress legislates. "Congress has more power than any other legislature in the world." In Britain, the Prime Minister controls a majority in Parliament. The Cabinet initiates all laws and financial acts, and Parliament follows. In the United States the President is not master of Congress. He cannot dissolve it or compel its support. The American Cabinet does not make policy or impose policy upon the legislature. In the last war Woodrow Wilson never called it together. It is little more than a body of individual advisers chosen by the President, and its members have neither voice nor vote in Congress. Congress is independent. Its leaders are the party leaders among its members, and its "ministers" are the various chairmen of Senate's specialised committees. By tradition and constitutional arrangement, one of its main functions is to check and curb the President, for Madison's dictum that "the accumulation of powers in a single hand is the very definition of tyranny" still stands in the United States. Congress is still resisting George III.

The consequence is not fortunate for American policy. The interpretation of the President as merely "the executor of the sovereign legislative will" might work in practice were Congress capable of formulating a single unified plan of legislation and policy. But as Bagehot once put it, "You cannot *find* the supreme people" to whom the American Constitution accords the task of ruling. Congress is an irresponsible body with no powers over administration. It is not committed by rigid party ties over the majority of its members to the support of any set programme of measures. It represents the patchwork interests of Continental America and, having no power to act, it lacks cohesion.

This state of affairs is the work of history. The Constitution was made when fear of executive despotism was uppermost. It was run in when the vast empty spaces of the States made Government control and guidance unnecessary and undesirable. There was room to move freely, room for rugged individual enterprise and little need for rules and orders. *Ne pas trop gouverner*, as Professor Laski points out, was the appropriate slogan of politics; and it has lingered on to defend property and business freedom against encroachment by the Government. So the President leads and Congress need not follow. The President initiates policies and Congress can set them aside without having to find other and better ones to take their place.

Ever since Mr Farley, showman and boxing promoter, put Franklin Delano Roosevelt across at the Democratic Convention eight years ago, this tradition of weak government has found no favour at the White House. Like Jackson, Lincoln, Theodore Roosevelt and Woodrow Wilson, the second Roosevelt was inspired by America's need for strong government in crucial times. The economic depression was then deep and dire enough for the sufferings of the "forgotten men" who voted for him to call the tune. The leaders of business were out of credit, and the President had his way. The view that "democracy needs clear direction and it cannot get this unless the central motive force rests in the executive's hands" prevailed for a time over the inhibitions of traditional procedure.

But the emergency passed. The belief that Mr Roosevelt was offending too greatly, and often with little wisdom, against the canons of American politics grew. Business was hampered and overtaxed. Public debt was mounting. A new doctrine of Government charity seemed to be superseding the gospel of individual independence. There was too much government. Mr Roosevelt was elected for a second term in 1936, but the anti-presidential rôle of Congress was resumed, even though a majority in both Houses were Democrats. The President's plans to reform the Supreme Court, to reorganise the administrative system and to provide for large-scale relief and aid to agriculture were blocked or whittled away.

Mr Roosevelt was going too fast. Neither Congress nor the bulk of the population were ready to go with him all the way. But his position was not decisively weakened. It is an abiding strength of American Presidents that they are chosen by a vote of the whole people. They have the ear of the people in a sense that no other leaders, outside the compulsions of the dictatorships, have; and Mr Roosevelt has never ceased to take the people into his confidence, to explain and instruct and cajole. His personal hold has never slackened; and he is still the Democratic Party's greatest asset, and therefore the only leader likely to assure to Democrats the spoils and patronage that go with office.

In the eyes of the world, the issue at the election is the European war, and the President has the unique claim of having consistently used his office to teach the American people to see straight and think realistically about the world tragedy. But, in American eyes, there are constitutional issues at least as deep. There is a revulsion against un-American strong government, against the "personal" rule that Harding expressly repudiated when he succeeded Woodrow Wilson. There is a feeling that costly Government encroachment under Mr Roosevelt has failed to justify the breach with a *laisser-faire* past, inasmuch as it has not solved the nation's economic problems. In sum, there is a wide belief that to take the unprecedented step of according to Franklin Delano Roosevelt what was refused by George Washington, namely, a third term of office, might be to destroy the safeguards of 150 years of constitutional development, and to open the door to radical and unknown changes in America's political system. The American people have always swung back to weaker guides after their brief doses of strong rule. Taft followed Theodore Roosevelt. Harding and Coolidge came after Woodrow Wilson.

* "The American Presidency." By Harold J. Laski. Allen and Unwin. 286 pages. 7s. 6d.

In democracies no man is indispensable. Mr Roosevelt is sincerely conscious of this, and his attitude towards a third term has been correct and scrupulous. But this is an emergency, and in spite of their inhibitions, their checks and balances and traditional compromises, the American people have always followed real leaders in times of emergency. Washington, Jefferson, Lincoln, Wilson and Mr Roosevelt himself; Professor Laski gives the list. "I shall ask the Congress (said Mr Roosevelt seven years ago) for broad executive power to wage a war against the emergency as great as the power that would be given to me if we were in fact invaded by a foreign foe." The import of these words is surely no less strong now than it was then; and it will be a crucial test of America's institutions and political sense to see whether the next President, whether he is Mr Roosevelt or Mr Willkie, will be given the authority and backing that the world crisis has made imperative.

The Labour Market

A WEEK ago an Order in Council gave welcome evidence of the Government's intention to use the emergency powers over persons and property already granted to it by Parliament. Some of the drastic new powers taken were obvious steps to provide against the consequences of heavy air raids or invasion. The Minister of Home Security may clear or destroy premises. The Minister of Agriculture may move and billet livestock. Other powers were more clearly in the main stream of war organisation. The Minister of Labour may set up tribunals to settle trade disputes. He may prohibit strikes or lock-outs and require the observance of specified terms and conditions of employment.

It is not surprising that some suspension of the normal processes and sanctions of industrial bargaining should now be definitely contemplated. Even now, it appears that the tribunals will only be used when haggling has reached a deadlock; wages will still depend, inequitably as between one group of workers and another, upon the strategic strength of different unions; and they will still tend to climb steadily upwards. It is only surprising that these steps were not taken sooner and that, up to now, there is no general fiat against actions calculated to slow down or impede the flow of war supplies; and hardly less surprising that no measures are yet in sight to set bounds to the advance in wages that threatens to undermine the already rickety structure of war finance. The sharp rise last month in the cost-of-living index was a danger signal; rising prices, rising wages, rising costs, then rising prices again, and so on round the spiral.

The one quality above all others that is to be looked for in war leaders is the ability to see the solution to major problems through to the last practical detail, and then to apply the needed remedies swiftly and comprehensively. It is not enough, in the control of labour, to cash a full draft on the willingness of workers to work long hours and surrender holidays. It is not enough to arrange with trade unions for the employment of unskilled men on skilled work in meticulously approved conditions. The problem is to bring together every available man or woman and every available machine in the war factories to work on every available ounce of material, and then to ensure full and continuous working of the factories night and day. Its solution involves the abandonment of peacetime practices, just as the solution of the wartime shipping problem involves the substitution of the State requisitioning of ships for the peacetime allocation of cargoes through the freight market. There is no time or justification for the normal ways of hiring labour. State control of production must mean State control of hiring, of wages, hours and conditions of work. It means control of the labour market.

Mr Bevin has not hesitated to begin the task. One of his first moves was to insist upon the Ministry of Labour's employment exchanges being made the clearing houses of essential labour. He has taken powers to prevent the movement of workers from coal-mining and agriculture. He has set a formal ban upon the practice of poaching labour by offering high wages as bribes. A count has been taken of the labour available in key industries, and Sir William Beveridge is at work surveying the labour resources available. The raising of the income limit for unemployment insurance to £420 a year will bring many "transferable" workers within the scope of the employment exchanges. Engineers of all kinds have been called upon to register specially for service.

But the job has still to be finished. The distribution of labour between occupations is still determined by differences in wages which still move freely in the market and not by national need. There is still no compulsion upon workers to move from jobs that are not necessary to work that is, or upon employers to take in trainees in large numbers to cope with expanded war work in the future. The labour market has still too much liberty to go its own way.

This is not to say that either workers or employers have set themselves in opposition to the war effort. Far from it. In many factories employees are willingly working far too hard either for efficiency or good health. "All the evidence shows (admitted Mr Bevin in a speech on Wednesday) that we have carried on with these long hours too long and production is on the decline rather than increasing." From August 1st the Factory Acts which give special protection to women and young persons are to be fully applied again. But a major reason why drudgery is demanded is the absence of new recruits to eke out their labour, a lack of wide training schemes to man the expansion of production. It will not be easy to organise the Industrial Army, for there is a shortage of skilled workers to fill the key positions. It is this that delays the enlistment of the 250,000 women whom Mr Bevin has said he could find room for. But, on the other hand, so long as new recruits are not called up and trained, so long will the burden on the scarce skilled men remain heavy, and so long will the brake on expanded output stay unreleased. It is true that it can only be done by "devious ways and dilution." But it must be done. At present both trade unions and employers are doing their best to adapt their peacetime methods to the needs of the present crisis. They await instructions, and instructions must be given.

The Government should know by now what numbers and categories of labour their programmes of supply will call for, not only now or next month, but next year as well. And it is the Government's job to see to it that labour is now transferred or put in training to meet those requirements. The ordinary procedure of business anticipation or of collective bargaining cannot do this. Only the drafting and enforcement of a fully articulated Government plan can do it.

If the Government is to tell workers as well as employers where to go and what to do, two things follow. In the first place, wages cannot be bargained for beyond very narrow limits; they must be fixed. In the second place, they must be fairly fixed. The recognised terms and conditions of employment must be respected, and workers must be protected against loss. Strikes and lock-outs are crimes against the war effort, but there must be alternative safeguards. Trade unions and employers must have their full share in the tribunal machinery, and there must be no danger of the century-old structure of labour rights being needlessly shattered by the urgencies of war.

It is for Mr Bevin to grasp the nettle. Only he can do it, once the Government realises that wages and employment cannot simply be allowed to find their own level in wartime any more than prices and production can. The powers are his. He must use them.

NOTES OF THE WEEK

A Third Term for Mr Roosevelt?

The Democratic National Convention has done what was expected of it and has nominated President Roosevelt as the party's candidate for a third term of office. It refused to be put off by his statement that he did not seek the nomination, and, with a meticulous assessment of his popularity, gave him 946$\frac{13}{33}$ votes out of 1095½ on the first ballot. But awareness of the fact that, with a popular opponent and the complications of the third-term issue, the election cannot be taken for granted, revealed itself in the drafting of the platform and the concessions to the isolationists that were thought necessary. These concessions do not mean that the Democratic Party is not behind Mr Roosevelt's foreign policy. Still less do they mean that Mr Roosevelt is going to have to bend his course, since he has paid even less attention than most Presidents to the platform on which he has been elected. They are merely the politicians' natural reaction to the nomination of Mr Willkie by the Republicans. Were the Republican candidate an isolationist, it would be smart politics for the Democrats to be brazenly interventionist, in the hope of attracting dissident Republicans. But as Mr Willkie is as strongly in favour of helping Britain as Mr Roosevelt himself, the Democratic Party managers are anxious to pick up as many isolationist strays from the Republican camp as they can. These party manœuvrings will not affect the reality of the situation—which is that the continuity of Mr Roosevelt's policy is assured—though they may affect the quality of the talk that will fill the air until the Tuesday after the first Monday in November.

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The Tokyo Agreement

The agreement with Japan to close the Burma road for three months has received a frigid reception in Parliament and the reaction of the Commons undoubtedly mirrors the chagrin and disappointment felt in the country at large. Nobody likes the solution. Nobody thinks it is a useful contribution towards the establishment of better relations. There is a widespread sense of shame that the Chinese, whose tenacity and heroism have carried the struggle through three years of gruelling warfare, are to be deprived by our action of armaments and materials vital to the continuance of their defence. "War supplies" has been interpreted in the most elastic sense and is to include trucks and petrol. Thus we threaten not only the resistance but even the economic activity of Free China. Obviously, however, the step was not taken because the British Government thought it in any way proper or justified. It was taken on strictly realist grounds. We are engaged in a major war in Europe and our most powerful Continental ally has collapsed. Our Dominions are sending many of their trained troops to defend the Mother Country. So heavy are the actual and potential duties of the Navy that an extension of naval warfare into the Pacific might tax its capacity to breaking point. Nor can we rely on positive help from America at a time when the Presidential campaign and the Atlantic seaboard have the monopoly of public attention.

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Nevertheless, even for opportunist reasons, there are certain objections to the Tokyo agreement. Will our policy of conciliation secure us a *quid pro quo?* We have such melancholy evidence of the direction in which appeasement works that it is surely grossly optimistic to conclude that a mere closing of the Burma road for three months will satisfy Japan. The Army leaders are impatient at the obstinate refusal of the China incident to close. Since they are unwilling to attribute the length of the struggle either to China's skill or to their own lack of it, a scapegoat has to be found and we have been cast for the rôle. Japan is determined to make use of the European war to break every lifeline leading to Chungking. There is little reason to suppose that Japan will take a more moderate line, a presumption which the formation of the new Konoe cabinet only confirms. Admiral Yonai's Mipistry was brought down by the Army simply on grounds of "insufficient dynamism." The new Cabinet may well be a prelude to a single party state for which a policy of alliance with the Axis would have certain strong attractions. It is difficult to escape the conclusion that Japan's pretensions will grow as our embarrassment increases.

Solution by Conference?

Britain and Japan are not alone concerned in the Far Eastern question. The goods which have passed along the Burmese and Indo-Chinese routes have been of the most diverse origin, including supplies from Russia, India and America. The United States has already expressed its disapproval of the arrangement which, Mr Cordell Hull maintained, interfered with the free flow of international commerce. Russia will, for the next three months, be China's principal source of supply. The fate of Chungking may well depend on Stalin's readiness (and ability) to increase supplies. Finally, there is China herself, whose Ambassador has already lodged a vigorous protest in London. It is in the ultimate interests of all these Powers that the war in China should cease. The need for peace is so obvious that even the apparently irresponsible declaration made by the Colonial Secretary at Singapore that Britain would be willing to mediate between the two belligerents is not in substance damaging. It depends on the terms of the mediation. A Five-Power Conference—the belligerents, together with the United States, Russia and Britain—has been suggested as a means of reconciling China's right to independence with Japan's economic needs. The recent history of mediation by conference is not, however, encouraging. We have emphatically restated our determination to impose nothing on China which she does not freely accept, and would China freely accept a thing Japan, in her present inflated mood, would be prepared to offer? Possibly a threat of joint action against Japan by the three outside Powers might induce a mood of reason, but the possibility of such action is remote. It should, nevertheless, be the aim of our policy to keep the common interests of the other Powers before Japan's eyes. The Japanese can learn from Hitler the trick of isolating her opponents. Our utmost diplomatic activity should be exerted in Washington and Moscow to secure whatever measure of co-operation is compatible with the two States' diversion of interest elsewhere.

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Indecision in Berlin?

The Continent resounds with Germany's threats and prophecies. In a week, two weeks, a month, Britain, which in the person of Mr Churchill has "committed suicide," will no longer exist. The British public are disintegrating with terror. Only the severest measures of repression are keeping the Home Front intact. Military resistance will be negligible. Germany, gathering her power in the tremendous encircling arc from Narvik to Hendaye, can batter down the British defences in less time that it took to overrun Holland. What are we to make of these terrific threats, coming as they do from Italian as well as German sources and alternated with reports about an "ultimatum" or a conference to settle the problems of "New Europe"? The blow fell on the Low Countries and on Norway swiftly, silently and without warning. The Dutch had barely time to man their defences; the French line was still unorganised when the blow fell. Why so much inflated bombast before the greatest attack of all? Again, Germany's military preparations, although apparent, are still hardly adequate to the immensity of the undertaking. From light craft in Norwegian harbours it may be possible to harry Iceland or even to effect landings in the Shetlands. But barges will not conquer the Forth. Nevertheless, we cannot conclude that no attack will be launched. The "false lull" is one of Hitler's weapons of attack. The idea of invasion itself has been too much stressed to be now abandoned. Nor can Hitler secure Europe so long as British freedom is unassailed. All we can safely conclude is that Hitler has not yet fully determined the how and the when. We do not envy him the decision.

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New Courts for Old

In seeking powers to secure law and order in the event of invasion or heavy air attack, the Government has the unanimous backing of Parliament and the people. Experience in the European war has made it quite plain that the behaviour of the civilian population may well be militarily decisive. In an emergency, it may prove impossible in some places for the civil courts to operate, and this week a Government Bill sought to avoid the necessity of handing over the administration of summary justice in such areas to military courts. There is no provision in English law for

the proclamation of martial law, and, in preserving order and preventing sabotage, looting and undesirable movement by civilians, military courts must inevitably be hampered by the fact that their *ad hoc* acts may be retrospectively condemned. Moreover, there is a long-standing prejudice in this country against exposing civilians without absolute need to the decisions of military tribunals. In the last war, a regulation subjecting civilians to courts martial in certain circumstances was withdrawn, and in this war a similar step was deliberately avoided in the drafting of the early defence orders. This week, the proposal was to set up special civil courts in war zones to be administered by single officers of high judicial standing appointed by the Lord Chancellor and each aided by two justices of the peace. The normal safeguard of appeal is omitted, but the rules of evidence and the right of prisoners to know the charge and be defended are retained. The courts will have power to administer any existing law as the need arises, and they can sentence to death. In the Commons, the first version of the Bill found wide disfavour because of its vague terms. It was not clear in what circumstances the courts would be set up, or what in detail their powers and procedure would be. It was argued by some Members that, unless the position were better defined, the virtue of having civil instead of military courts would be lost, and courts martial, with their provision for representation of the prisoner and review of the sentence, might even be preferable. Actually, the Government's intentions were more clear-cut and less sinister than the *carte blanche* of the Bill suggested or than might perhaps have been inferred from the drastic punishments lately meted out to foolish and often quite harmless chatterers about war prospects. After Sir John Anderson had met a representative group of Members to work out clarifying amendments, the Bill was passed.

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Silence or Common Sense?

It is still something of a gamble to have hastily set up an entirely new system of courts for home war zones, and a great deal will depend upon the personnel operating them. The benefit of having civil courts to deal with the "apprehension and punishment of offenders" (the Bill's description) in an emergency lies in their ability to preserve the right of fair trial, as far as possible; and the new tribunals will have the difficult task, in very onerous circumstances, of protecting the community and the individual at one and the same time. Not least among the considerations that have made critics sceptical of the special courts' working is the extraordinary and sometimes frivolous way in which the new regulations against remarks "liable to cause alarm or despondency" have been used. It is true that, in many cases earlier in the war, quite serious offences against national security were too lightly punished. But that is no argument at all for light words to be made the occasion for over-serious penalties now. Idle chatter is not usually dangerous enough to justify such savage action; and, so far from being inimical to the national interest, conversational speculations about the war are positively helpful to morale and public sanity. The fact is that people are being exhorted too much to keep their mouths closed. Silence is not a virtue, and the so-called Silent Column was a poor idea. The only cure for giving away vital information is, admittedly, prison; but the antidote to rumour and defeatism is common sense.

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Pound and Dollar

Even those unversed in the complexities of modern exchange control will appreciate the importance of any measures to strengthen the position of the pound, and to augment our supplies of dollar exchange. In the past there have been two pounds: an official pound, worth $4.03, and a "free" pound, which, having escaped the authorities' net, could only be sold at a cut price in New York. Enemy propaganda has made much of the periodical weakness of free sterling. That, however, was not merely a poor advertisement for the pound. The existence of any free market at all implied that the authorities were failing to obtain precious dollars which should have been canalised for war purchases. The free market has now been virtually closed, by a series of technical steps explained on page 93. This satisfactory change will have threefold consequences. In the first place, the exchange relations between London and New York will be wholly separated from any other centre. They will form a bilateral channel rendering control and settlement of outstanding balances a relatively simple matter. To teachers of the classical doctrine of free exchanges and the ubiquity of the pound sterling, the new arrangements may savour of heresy. Actually they will prevent exchange-runners in all other countries outside enemy control from realising their holdings of sterling at cut prices in the only market which is open—the New York market. An international currency which is at the mercy of such operations is better brought under effective control. That will now be done. Secondly, the new arrangements make the long-needed distinction between "old sterling"—that is, sterling balances already held in this country on foreign account—and "new sterling"—balances arising from current trade transactions. As a result, old balances will become subject to tightening control, and the debilitation to current trade payments caused by a drain of foreign-held sterling funds through indirect channels from this country should be removed. Finally, those dollar supplies which have hitherto leaked through holes in the authorities' net should now be caught. We need every available dollar to pay for essential imports from the United States. The spectacle of dollars dribbling away through the free market has too long been evident; its disappearance will be heartily welcomed.

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Half-light on War Finance

Protest against the suppression of vital financial facts from the weekly Exchequer Return has proved availing. The critics are to be pacified by the promise of the Chancellor of the Exchequer to make the full figures available at monthly intervals. But we may be pardoned for looking this gift-horse in the mouth, since there was nothing wrong with the teeth, at least, of the horse which the Treasury still prefers to keep in the dark. It is the Chancellor's intention to publish the weekly receipts from the Savings Campaign as at present, because this "is the best form of publication"—in other words, they have publicity value. But apparently, because the constituent items in the floating debt—Treasury Bills, Ways and Means advances, and the new Treasury Deposits—are interchangeable, and fluctuations in one week are "apt to be misleading," we are presumed to be safer with no knowledge for three weeks out of four. For the Chancellor to argue, as he did in reply to Mr Pethick-Lawrence, that misapprehension has arisen because it was not realised that it is only intended to alter the publication of the figures from one week to one month, is beside the point. Those who examine the weekly returns are surely competent to assess the significance of the changes which they show. If not, they are also incapable of interpreting the monthly returns aright. There is a thoroughly objectionable vagueness about the deletion of these items from the return. Monthly particulars will be better than nothing. But will the figures be promptly published or subjected to some time-lag, like the Exchange Equalisation Account figures? It would be helpful if the Treasury would say precisely what information we may expect—and when.

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The Cost of Living

An article in *The Economist* two weeks ago urged the need for a programme to guarantee a minimum standard of living to every citizen. The grounds for this plea included, not only equitable treatment for low-paid workers and poor families, but also the urgent necessity of combating hit-and-run inflation with all its disastrous consequences for working people. The time for such a programme, and for a wages policy among the trade unions concentrated on lifting up the least well-off, is running short. By June the official cost-of-living index had risen by a fifth since war started. This index is a very poor reflection of living habits to-day, and the rise may have in fact been more than a fifth. For poor people buying in small quantities it certainly has been. In June, though the whole index only rose 3½ per cent., the index of food prices rose 6 per cent. Potatoes, milk, eggs and fish had gone up, and since then the pressure on food prices has grown. Eggs are scarce and, in the new situation at sea, imported foodstuffs, though not likely to be really

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short, are sure to become less plentiful. At present, the Government subsidises the price of some foods, and offers milk at cheapened prices to children and expectant mothers. It is an expensive policy, benefiting both well-to-do and poor, and it is strangely coupled with the policy which permits wages, and therefore all kinds of costs, to be raised as prices rise. Farm wages and costs have been raised by law. It is more than ever plain that the way out is, on the one hand, to stem the tide of general wages and cost increases and, on the other, to concentrate aid, in allowances, extra wages, subsidies or cheapened prices, on that section of the community which, without aid, must fall into destitution.

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The Italian Front

So far the war with Italy has not taken on very definite shape. The abandonment of the struggle by France has obviously destroyed our previous plan of campaign and new lines of strategy have had to be prepared on the basis of considerably reduced resources. Both on the sea and in the field the defection of France leaves us weaker than we were, and it is doubtful whether for the time being a land offensive could be mounted. Successes on the Libyan frontier, where we have secured a number of forts and are foiling all attempts to relieve Fort Capruzzo are offset by the border fighting in Abyssinia, where the Italians succeeded in evicting us from Kassala, Gallabat and Kurmak between July 3rd and July 7th, while on July 15th Moyale was evacuated after five days' resistance. These setbacks have no very general significance, but are evidence of the Italians' local superiority in numbers and equipment. For the defence of Kenya we rely on the Kenya Regiment, battalions of the King's African Rifles, some detachments from Rhodesia and India, and a field force from South Africa. Against these the Italians have a colonial army which has behind it five years' experience of constant warfare against the Abyssinian tribesmen, and is, almost certainly, on a better war footing than the troops collected for the defence of a long since pacified Kenya. Britain's difficulties on land are, however, to some extent offset by successes in the air and at sea. The recent naval engagement in the Mediterranean degenerated into a boatrace, with Italy winning home to her shore defences by several lengths. In the air, raids are being carried out incessantly on enemy territory, and Tobruk must have been rendered, if not unusable, at least a very uneasy port of call. Our finest achievement was, however, the destruction of 20 enemy aircraft in one encounter. The Navy is eager for an engagement the Italians refuse to seek.

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Authoritarian France

The form of France's new essay in Government has, after a certain dissension in the French National Assembly, been finally approved. Supreme powers are vested in the Head of State, who combines, in the manner of the Party State, the functions of Prime Minister and of President. To the Senate and Chamber will be allotted only limited legislative power, and the Cabinet will be responsible to the Chief of State alone. These assemblies, in any case, will bear little resemblance to the institutions of Republican France. The Senate will be partly nominated by the Chief of State, partly recruited from the ranks of the "eminent" in all spheres of life, while the popular assembly may be elected on a corporative basis. The administration of France is to be reorganised and the old provincial units of the Bourbon era will be restored in order to "mitigate centralisation" and give the provinces a life independent of the capital. The proposed removal of the seat of Government to Versailles—provided German acquiescence can be secured—is another—and quite fantastic—relic from the Bourbon past. The flavour of the new France is to be "disciplined and authoritarian." Work, the family, the soil and the fatherland are to be the sinews of the new national existence. Economically, "excessive industrialism" will be abandoned and France will "integrate herself" into the "Continental system" as an agricultural producer supplemented by light industries for quality goods. The decrees bringing this new France to life were signed on July 12th. Two days later, France celebrated the 151st anniversary of the Fall of the Bastille.

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In memory of our long friendship and in face of the agony through which France has passed, we must allow no bitterness of disappointment to turn our criticism of the new French regime into attacks upon France herself or into fuel for the Nazi propaganda machine. We need not, for example, repeat the cheap jibes of a Goebbels or a Rosenberg and twit France on an experiment of "renewal and rebirth" engineered by politicians and bankers and led by retired soldiers in the 'eighties. Nevertheless, certain aspects of the new French regime must be dwelt on because of their general implications. We are seriously asked to believe that what has happened in France is a collapse of the French democratic system under the weight of its own evils and the substitution for it of a regime in keeping with the new spirit of Europe and capable of restoring France's spiritual unity and moral strength. Let us admit that the Third Republic was ridden with class conflicts and group rivalries. Can a new order be based merely on the suppression of one side of the conflict, the destruction of the workers' liberties, the establishment—by discredited reactionaries—of a regime in which the people will have no part? Let us admit that France was the prey of selfish materialist interests. Is it a solution to impose the selfish interest of one group on all the rest? Let us admit that the workers of France were "undisciplined." Is it a solution to hand them over to the discipline of the Gestapo? There is more balance between industry and agriculture in France than in most countries, and in any case it is no way out to eliminate industry and thus to sacrifice the people's standard of living. The whole system of democracy may have needed reconsideration and reform, but who can seriously suppose that the way to reform democracy is to abandon it and return to the system which two hundred years ago called for the passionate and bloody protest of the Revolution? Finally, even if the Pétain experiment were in every way instant with life and promise, it would still be true that no new and abiding system can be worked out at a time of foreign occupation and in co-operation with the invader.

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Evacuation Overseas

Because the Government cannot spare naval vessels for convoys, the scheme for sending children to the Dominions, which has had such wide publicity and won such enthusiasm, has had to be postponed indefinitely—at the very moment when the United States has decided to abolish its quota restrictions for children coming from war zones. It is impossible to criticise the Government's decision not to release naval vessels, for at present the all-powerful consideration is national security, and though applications under the Government's scheme covered 200,000 children, only about 7,000-8,000 would have left each month. But it is also impossible not to feel that the difficulty of arranging convoys might have been thought of before the scheme was launched. When it was discussed in the House of Commons just over a fortnight ago, Mr Shakespeare gave no warning that this difficulty might arise, yet it was known then that the future of the French fleet was, to say the least, doubtful. In fact, Mr Churchill freely admitted on Thursday that the full bearings of the question had not been realised to begin with. And, unfortunately, the fact that many children, by private arrangements, have crossed the Atlantic, has aroused a spirit of resentment and accusations of favouritism towards the well-to-do. Mr Attlee made it quite clear on Tuesday that such children have gone on unconvoyed ships at their parents' own risk; and it would indeed have been foolish to have denied them the chance of moving to safety just because the Government's own scheme has to be postponed. But Mr Attlee did not satisfy the House of Commons, which returned to the attack on Wednesday; and it has to be admitted that a situation has arisen which is not only somewhat detrimental to national unity, but also presents a splendid opportunity for German propaganda, which can be relied upon to draw a lurid picture of rich children being sent by the Government to safety while others are left at home to face starvation and invasion. But there is still the possibility of proceding with the scheme, though perhaps on an even smaller scale, by sending children of grant-aided schools on unconvoyed ships, making no charge for transport, but disclaiming all responsibility for their safety from enemy action. The parents' decision, as in the case of those making private arrangements, would thus be final.

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Distressed Areas

Despite German allegations to the contrary, there is no general flight from the coastal defence zones or from districts regularly visited by enemy bombers. The bulk of the population in these places are carrying on as usual and, to take only one example, trainloads of London workers who live by the sea still return home every evening. It is money, far more than people, that the coastal areas are losing. A comparatively small but financially very important exodus of residents with leisure and means is going on. Seaside places make their living out of visitors who are now forbidden, and the departure of well-to-do hotel dwellers is making matters worse. Houses and shops have fallen empty; tradesmen and small businesses are hard hit; and local authorities cannot raise the rate income they expected. The Government is pledged to come to the aid of local authorities in the event of anything like a financial breakdown, and the Minister of Health has meanwhile advised them either to raise their rates to meet the present deficiency or to obtain temporary loans. There are areas where evacuation has been voluntary. The Government has powers, to be applied first to certain areas in East Anglia and on the South-East Coast, of compulsory evacuation, and an Order last week provided for a moratorium in respect of rent, rates, mortgages, hire purchase and other regular payments in all places forcibly cleared.

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It is plain that the Government will be compelled to sustain the cost of wartime changes in the distribution of population. Local rating, inadequate even in face of longer drawn-out peacetime movements, is helpless in face of these rapid shifts; and it is unavoidable that people driven from their homes, or deprived of their livelihood, should look to the Government for work or maintenance, and the earnest of some compensation. If the movement of industrial workers to munitions centres is added in, an appreciable migration is probable, and problems of housing and feeding, as well as of employment, have already arisen. A plan for communal feeding in any serious emergency has been worked out. It is in all these matters that the continued surveillance and advice of the Barlow Commission, or of some filial body, expert in the understanding of the problems arising from redistributions of population, might have been of great use. As the war near home proceeds, the whole question of shifting masses of people and waxing or waning industries will take on vital importance, and it will be quite impossible to deal with it satisfactorily on a piecemeal basis. For the moment, the Government, very rightly, does not want people to move without need, because of the danger to military operations and public morale. But whether they move or not, questions of lost livelihood and compensation will still arise. Some wide scheme is needed to provide for sufferers.

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The Press *versus* the B.B.C.

The long feud between the newspapers and the B.B.C. has been fanned recently by what appeared to be two scoops given to the B.B.C.—the appointment of the Duke of Windsor to be Governor of the Bahamas and the story of the sinking of the *Arandora Star*. The official announcement of the Duke's appointment was, in fact, given to the Press and the B.B.C. simultaneously at 8.50 p.m., but "owing to a misunderstanding" the censorship ban on the cabling of the news to Empire and foreign countries was not withdrawn until 9.35 p.m. after it had been given out on the B.B.C.'s 9 o'clock news bulletin. Mr Duff Cooper has denied that it is the established policy of the Government to give the B.B.C. priority in the dissemination of official announcements, but they do frequently appear to have been nicely timed for the 9 o'clock news when they are too late for the evening newspapers. And the B.B.C. is not subject to the same compulsory censorship as the overseas news services. But the most serious complaint is still that too little news is released, whether broadcast or printed. The B.B.C.'s bulletins are repetitive, not simply because there are too many of them each day, but because it is given too little news to put in them; and the diminished sheets of the newspapers are very lightly occupied. It is admirable, no doubt, that the official announcements of air-raids should read like the old weather forecasts, so that air-raids come to be taken for granted. But the recent policy of suppressing the number of civilian casualties is based on an entirely false reading of the mind of the people, and it is some improvement that a monthly total is to be issued. Good news is encouraging; bad news, so far from causing panic, brings the people into a closer unity against the common foe. No news, especially when it is known that the facts are there, breeds confusion, rumour and all their attendant ills.

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Unemployment and National Service

Mr Bevin has complete powers over the services of every citizen and can, in theory, direct anybody to do anything. In practice, he is exercising his powers indirectly and is transferring persons to war work by pressure and persuasion rather than by compulsion. An early example of this was the raising of the reservation age in certain industries while postponing the date, so that men below the new age limit could in the meantime transfer into war jobs where they would still be reserved. A more direct form of pressure has been announced this week, with the amendment of the unemployment insurance regulations. Henceforward, any person convicted of refusing to comply with the Minister of Labour's direction to perform any service will be debarred from unemployment insurance for a period of six weeks (subject to appeal to a court of referees); and lower standards of pay and less favourable conditions of work in the new job will not be accepted as an excuse for refusing it. Hitherto, under the Unemployment Insurance Acts, a skilled worker has been able to draw benefit for four to six months while holding out for wages and conditions equal to those he had previously enjoyed. Moreover, there is an even greater departure from trade union principles in the provision that the excuse that the job offered is different from the worker's normal occupation will also not be accepted. In these piecemeal ways we are now setting about the recruitment of an industrial army; but the burden of arms production is still largely falling on the original workers. It is a reasonable question to ask whether the Minister of Labour could not, as an interim measure, encourage an extension of the scheme by which a group of professional people is working evening and week-end shifts in a munitions factory to relieve the regular staff.

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Accidents and Output

Wastage of industrial man-power by defective organisation, training or recruitment is a grave fault in wartime. Wastage by excessive hours and overwork is another. A third, less widely appreciated, is wastage by accidents. Accidents multiply under the pressure of war work, and present facilities for preventing them or for bringing about the injured worker's recovery are a long way from adequate. Drastic reforms are not possible on the instant, but three immediate steps are; they are the burden of a Fabian tract ("War Effort and Industrial Injuries," by Hermann Levy, 3d.) just published. The first step is to introduce fresh measures to prevent accidents; accidents acknowledged to be preventible bulk largest in the casualty list. The second is to make sure that all injuries are treated at once and in the right way. The third is to see that injured workers are put right as soon as possible; medical after-care, physical training and reconditioning are not provided for by workmen's compensation. This task, to minimise the number of workers taken away by injury and to secure their return in the shortest possible time, might be the work of joint bodies of employers and employees. Indeed, in cotton, flour and paper-milling, Durham coal-mining and the Yorkshire refractories industry, such bodies already exist. They would have the duty of keeping safety precautions and first-aid gear up to the mark inside factories and of supervising the process of rehabilitation in injured workers' homes. Above them, supervising and guiding, might be Mr Bevin's new Factory and Welfare Advisory Board.

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Aluminium Supplies

The surrender of France has upset the balance of bauxite supplies (the raw material of aluminium) between Germany and her satellites and the rest of the world. In 1938, Germany, Greece, Italy, Jugoslavia and Hungary produced 1,347,000 metric tons of bauxite, or 36½ per cent. of the world's total output in that year. But as France is the largest single producer—her output was 683,400 tons in 1938—Germany now has access to more than one-half of the world's

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total supplies. Germany, therefore, now has all the bauxite she is likely to need, while the supplies of the rest of the world have been temporarily diminished. Although the output of some of the other producing countries—British and Dutch Guiana, British Malaya, the Dutch East Indies, the United States, and Russia—can be increased fairly rapidly, the availability of French supplies has hitherto reduced the demand on shipping. There is also some stringency in this country in the processing stages, and Lord Beaverbrook has found it necessary to issue an appeal for aluminium pots and pans in order to prevent a hold-up in the output of aircraft, pending the expansion of bauxite production in other countries. But if the temporary shortage is likely to be serious, the surrender of objects made from aluminium should be made compulsory. The control of aluminium supplies is to be transferred from the Ministry of Supply to the Ministry of Aircraft Production; stocks of aluminium goods in shops will be requisitioned as the need arises; and there is much scrap in merchants' hands to be drawn upon. Lord Beaverbrook's appeal was spectacular, but it betokens a shortage rather than a famine of aluminium.

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Coins of the Realm

The output of coin from the Royal Mint last year, shown in the table below, was exceptionally great. It will be noticed, however, that the rise compared with 1938 is, with the exception of farthings, confined to silver coins. This continues a movement begun in 1920, when the Government decided to call in the whole of the silver coinage then in circulation and replace it with coins of a lower silver content, which involved minting £60 millions of silver coins—some 1,000 million pieces. Until 1935 the quantity of silver minted fell short of that withdrawn by £6 millions; but in 1936 a demand for additional silver arose and continued up to and throughout 1939, the quantity of silver increasing over the four years by about £12 millions. Of the silver coinage, the nimble sixpence continues to be the most popular—slot machines and meters and fixed-price stores having called for incredibly large quantities in recent years. The florin and the half-crown now enjoy about equal popularity, although doubts were expressed when the florin was introduced in 1849—as a sop to decimal-coinage enthusiasts—as to whether there was any need for two coins so close in value. The bronze coinage issued last year, though only about half that

	1938 £	s.	d.	1939 £	s.	d.
Silver—						
Crowns	341	10	0	115	10	0
Half-crowns	789,175	7	6	2,022,544	2	6
Florins	764,730	0	0	2,168,180	4	0
Shillings	505,795	7	0	1,124,867	9	0
Sixpences	333,610	19	0	735,240	1	0
Threepences	84,856	15	6	21,750	7	6
	2,478,509	19	0	6,072,697	14	0
Maundy money	58	5	10	54	1	2
Nickel-brass threepences	196,080	0	0	74,580	0	0
Bronze—						
Pence	515,790	0	0	225,935	0	0
Halfpence	86,610	0	0	60,500	0	0
Farthings	7,760	0	0	23,170	0	0
Grand Total	3,284,808	4	10	6,456,936	15	2

of 1938, was, nevertheless, well above the average. The public demand for bronze coinage, particularly pennies, is something of a mystery. It does not seem to bear any very close relation to industrial activity; indeed, there have been boom years when no pennies at all were struck. But in recent years vast quantities have been issued, especially in the last quarter of 1936, when the enormous demand resulted in the issue of £368,000 of pennies—nearly 90 millions—in three months. Now it is announced that no more pennies are to be issued until further notice, which will save over 800 tons of copper a year. The total in existence is equivalent to 3s. per head of the population, so that the economy is fully justified, and, in any case, there is always the brass threepenny bit, a more widespread use of which would reduce the need for pennies. An article in *The Economist* (March 23, 1940, page 509) pointed out the unpopularity of the farthing and the importance of small change in a period of rising prices. It is interesting, therefore, to note that the number of farthings issued last year was the greatest on record. On the other hand, there were fewer halfpennies issued; and it is just possible that the increase in London Transport's penny fares to 1½d. and the introduction of 2½d. fares will cause temporary shortages in the supplies of halfpence.

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Experiment Deferred

The first national casualty of the war was the closing of the Pioneer Health Centre at Peckham. That this was inevitable is brought out in the report for 1938 and 1939. Evacuation, calling-up and the migration of women to industry have tended to break up family life; and it is on the family that the whole basis of the Centre's work resided. The health of the whole family, from infancy to old age, was the object of its health services; every member of the family could find in the buildings and grounds occupations for his leisure hours. That the family is the smallest unit on which all social construction must be based is the first of the Centre's guiding principles. The other, no less important, is the emphasis on health rather than sickness. This does not, of course, mean that the necessity for an early detection of disease is ignored. Indeed, the periodic overhaul of each member of the family, by which many a serious illness can be nipped in the bud, is still its principal service. But the Centre's staff wisely realised that such overhauls can do more harm than good if they create a family of hypochondriacs, and the technique employed, in strong contrast to that of ordinary clinics, is based on the study of health, not on the study of cure. The value of this "approach to health" attitude has been so clearly proved that the necessity for teaching the new technique to students was recognised, and the possibility of establishing in the Centre a Training School for Health was envisaged before the war came and shut its doors. Now, all that remains at Peckham is the office and the preparation of a report covering the four years of the research into health, though at the Centre's farm, seven miles away, a few mothers and young children are proving that one of the secrets of health lies in proper nutrition. But the Peckham experiment is too valuable to die. When the war, with all the disease and misery it entails, is over, it will surely revive to play its part in restoring health and happiness.

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The Pilgrim Trust

The tenth birthday of the Pilgrim Trust fell in May this year, when it was still under the shadow of the loss of its founder, Edward Harkness, and one of its trustees, Lord Tweedsmuir. Moreover, war has necessarily curtailed many of its activities, particularly those concerned with the preservation of churches and other historical treasures which are now threatened with a danger more deadly than the death-watch beetle. But the trustees' original decision to suspend new activities entirely in the event of war was happily reviewed in December, when they agreed to consider selected appeals with a special wartime emphasis. The Trust is working hand in hand with the Board of Education and the various voluntary organisations which found they had a very special task to perform in the first black-out winter, both among the civilian population and the Services. The trustees agreed to devote the sum of £25,000 to the support of music, painting and drama all over the country; and a small committee—the Committee for the Encouragement of Music and the Arts—was set up to supervise the financial assistance and the various experiments in helping amateur drama and in encouraging the appreciation of music and painting—it has recently guaranteed grants for ten concerts by the London Philharmonic Orchestra in the provinces. And through the beginnings have been small because of the small budget with which the Committee has had to work, the Treasury has agreed to double the trustees' gift of £25,000 and has offered another £25,000 if a similar sum is obtained voluntarily—this the Pilgrim Trustees hope will be forthcoming from the Carnegie Trust. These activities of the Pilgrim Trust may seem out of place now that total war has begun and danger has ousted boredom. But though holidays may be forgone, leisure cannot be; and there are few better ways of spending leisure than in the enjoyment of the heritage which the people in this country are fighting and working to protect.

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Shorter Notes

Further restrictions on aliens have been introduced by an Order prohibiting the employment of all aliens in certain places, industries and establishments, unless a permit has been obtained. The Order applies to places prohibited under the Official Secrets Act or protected under the Defence Regulations; munition factories; public undertakings, such as gas, electricity and railway companies; naval, military or air force hospitals; and canteens and clubs, or any other organisation where the alien might come into contact with members of His Majesty's Forces.

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For reasons of economy the full return of expenditure on public social services is not being published during the war, but a statement giving the main new figures appeared in "Hansard" of July 2nd, from which the following table has been compiled:—

Service	Great Britain 1936–37	Great Britain 1937–38	Total number of persons directly benefiting from the expenditure 1936–37	Total number of persons directly benefiting from the expenditure 1937–38
	£'000	£'000		
Unemployment Insurance & Assistance Acts:—				
Unemployment benefit (*a*)	44,416	45,489	13,465,000*	13,907,000*
Unemployment allowances	41,872	41,405		
Nat. Health Insurance Acts	39,784	39,937	19,842,000*	21,127,000*
Old Age Pensions Acts (*b*)	90,137	92,938	4,089,732	4,178,188
War Pensions Acts	39,461	38,358	882,000	855,850
Education Acts	115,257	119,234	7,953,296	8,014,330
Public Health Acts (*c*)	19,659	21,645	Not available	Not available
Housing Acts	43,809	45,133	...	...
Relief of the Poor Acts	51,470	47,478	1,729,115	1,643,320
Other (*d*)	8,280	8,926	Not available	Not available
	494,145	500,543	...	...

* Numbers given are those of insured persons. (*a*) Including agricultural scheme. (*b*) Including Contributory Pensions Acts. (*c*) Relating to hospitals and treatment of diseases and to maternity and child welfare work. (*d*) i.e. Physical Training and Recreation Act, Approved Schools Acts, Lunacy and Mental Deficiency Acts.

As was to be expected, the Opposition parties in Canada have refused Mr Mackenzie King's invitation to their leaders to join a War Committee of the Cabinet, on the ground that it would have given them responsibility without real power. In New Zealand, on the other hand, a War Cabinet of five, including the Opposition leaders, has been formed and is to control New Zealand's war effort. The general Cabinet, in which the Opposition is not represented, is to continue to control all other matters, and the War Council, which includes representatives of labour and industry, is to remain in being. It will be interesting to see if this extraordinary division of powers will be feasible and whether the three bodies can avoid treading on each other's toes.

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The Australian Director-General of Information is introducing a positive form of censorship over the Australian Press by making regulations requiring any newspaper to allot space, and any broadcasting station to give time, for the publication of any specified matter. It is explained that the object is to compel the correction of damaging misstatements instead of suppressing them before they are published. But it cannot be said that it is in any way preferable to compel the publication of Government-formed opinion than to ban the expression of public opinion; and the regulations have naturally had a very hostile reception in Australia.

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The last step in the removal of foreign control in Egypt has been taken with the abolition of the *Caisse de la Dette Publique*. British participation in the control of Egypt's outstanding debt is now at an end.

THE WORLD OVERSEAS

"Aerial" Warfare

(By a Correspondent)

HOSTILITIES in the ether broke out long before the start of the present war, and they are now being waged day and night by belligerent, non-belligerent and neutral nations. For the first time in history the ether is a battlefield on which is being tested a new and powerful instrument of war.

Radio news and propaganda cannot be subject to regulations and censorship abroad in the same way as articles in the Press, for, although a Government can forbid the entry of foreign newspapers into its territory, it is often very difficult, if not impossible, to prevent individuals from listening to foreign broadcasts. Even the severe penalties imposed by the German Government have evidently not deterred German listeners, for much time is spent on German home stations in denying news given in the B.B.C. German news broadcasts. And if wireless sets are confiscated, the owners are unable to listen to the news and propaganda of their own Governments.

There is no means of determining the exact number of silent spectators to this aerial warfare, but it has been estimated that there is a total audience of about 250 million persons in 130 countries. According to the International Broadcasting Union, there are about 70,500,000 receiving sets in existence, of which some 35,000,000 are in Europe, 29,500,000 in North and Latin America, and the remainder scattered in different parts of the world. The listener with a commercial three-wave set now suffers from a growing Babel in the ether. On the long and medium wavelengths of Europe, as well as on the international short wavelengths, he finds, perhaps separated only by a hair's breadth, a German station talking English, a British station talking German, a French station talking Serbian, a Russian station talking French, an Italian station talking Arabic, and a Japanese station talking Portuguese.

It is interesting to compare the ways in which the most important stations present their news and talks for home and foreign consumption. The Russian news bulletins for home listeners, for instance, are very different from those broadcast in foreign languages. The illiteracy of a large mass of the Russian people made the radio the easiest and best means of bringing to them the news and wishes of the Government. Group listening was encouraged; and every club, school, factory, association and army mess has organised group listening to different talks and news bulletins. The Russian listener gets in the daily news bulletin what people of other countries get in their daily newspapers. Frequently, the items are such as would only appear over here in local papers. For instance, if Russia were to have a "dig for victory" campaign, every gardener whose allotment was flourishing would have a chance of mention in a news bulletin. In fact, any achievement in any field of national importance is given prominence.

The foreign news given on the Russian radio for home consumption is mostly objective and is presented in the form of a review of different items from different capitals, with the name of the agency supplying the particular items. An important place is naturally given to news from the Far East, and, again naturally, the items given are from the Chinese side. But it is not easy to judge from Moscow broadcasts in Russian the prevailing trend in Russia's foreign policy, except by inference from the selection of the items and the amount of space given to each country. Otherwise, the news is given without bias and is quoted verbatim from the various agencies, the forming of opinion being left to the listener himself.

Very different are the broadcasts of news and talks in foreign languages designed for listeners abroad. Radio Moscow was one of the first stations to start broadcasts for foreign consumption, and the Soviet now broadcasts in 62 languages and dialects. In the early days, foreign peoples were exhorted to strike off their capitalist and bourgeois chains; but as an increasing number of Governments recog-

nised the Soviet Union, the Russian wireless became less explosive, and it now dwells mostly on the triumphs of the Communist experiment, its aims, aspirations and advantages.

In her foreign news services, also, it needs regular listening to judge the change in Russia's attitude to events abroad. For instance, after the Russo-German Pact, attacks on Nazism and Fascism stopped, and the main subject of the propaganda talks was the new "imperialist" war. Lately, the "agreeable" relations between Britain and Russia have caused the attacks on the "imperialists" to be eliminated; and the main news features at present are the reorganisation of Bessarabia and Bukovina and the introduction of a new system of government in the Baltic States.

The German Way

The German news bulletins and talks in the home programmes are broadcast, not only over the German stations, but also over all the occupied stations—Prague, Warsaw, Radio Paris, Paris P.T.T., Brussels, Hilversum, Oslo. The chief subject is Mr Winston Churchill, who is called the "world's greatest criminal"; and the rest of the news deals with conditions in Great Britain as seen through German eyes. The German public is told that the British people are paralysed with fear of a German invasion, that the courts are packed with people charged with defeatism, that Britain is practically starving, that morale is very bad, that "men and women in Great Britain feel the need of raising their courage by resorting to drink," and so on. In addition, a large part of the talks and news deals with the "British lies" given out by the B.B.C.

A speciality of the Berlin radio is to put over from time to time some incredible story, which is given to the public as special information. Such was a recent story about a secret agreement between the Jewish Agency for Palestine and the British Government, to come into force immediately after the war, by which a Jewish state of Judæa will be created in Palestine and the King of England will be crowned King of Judæa.

Each broadcast to a foreign country is prepared to suit the peculiarities of the listener. For instance, broadcasts in English for Great Britain are different from broadcasts in English for South Africa or the United States. The announcer tries the personal touch. Talks from Zeesen for South Africa are actually announced as given by Lord Haw-Haw, as the Germans have taken advantage of the nickname to strengthen their personal relations with their listeners.

The news is, as usual, specially prepared in the Goebbels laboratory; but all the anti-British propaganda, which is put over for home consumption, is carefully left out; and in broadcasts for British listeners the announcer assumes the attitude of the former Labour Opposition and tries to gain the confidence of the listeners by pointing out the same problems and making the same criticisms which appear in the pages of the British Press.

A special news service is organised for Germans living overseas. These broadcasts in most cases encourage the undermining, for the sake of the Fatherland, of the countries in which the Germans are living.

The Italian radio, which a short time ago was known for its objective news service, is now, of course, much more under German control, and the listener to Radio Rome has at times the impression that he is listening to another German-occupied station.

The B.B.C.

The attacks and streams of propaganda put over the air by the Nazi and Fascist stations are counteracted by the B.B.C. foreign news services. London now gives broadcasts and talks in German, Czech, Polish, French, Norwegian, Arabic, Italian, Dutch, Portuguese, Spanish, Swedish, Turkish, Finnish, Greek, Bulgarian, Serbo-Croat, Magyar and Danish. The news bulletins are given impartially, for the B.B.C. believes that the greatest asset is to win the confidence of foreign listeners and that the best way to win confidence is by presenting impartial news. Foreign news bulletins are on the whole similar to those broadcast in the home service and, compared with the German ones, they lack sensation. The editors do their best to choose items of particular interest to the country concerned, but the presentation of the news is still not adapted enough to the listeners' tastes. The foreign listener can feel that the bulletin was "made in England" by the way the news is served. A freer hand given to the announcers, who are in most cases nationals of the countries concerned, would help to make the news service more palatable to the foreign listener.

In addition to its news service, London gives many talks in foreign languages, most of them at present being directed to Germany, Italy and France. In most of the talks addressed to the German people the speakers try to expose the "real values" of Nazism and Nazi propaganda. In many cases, too, they are doing their best to achieve the personal touch; some of them are becoming a regular feature of every foreign broadcast, and are in this way becoming radio personalities to the foreign listeners.

According to reports from neutral countries, the effectiveness of the B.B.C. broadcasts is much greater than the German. London is regarded as a source of reliable information, and the listeners look forward to the bulletins. It is, however, difficult to say how far the broadcasts in English penetrate into Germany. The ban on listening, the replacing of large radio sets with small "people's sets," the Gestapo—all these have to be considered before any estimate can be made of the effect of British broadcasts on the German public.

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America Changes Her Mind

[FROM OUR WASHINGTON CORRESPONDENT]

FOR the past six weeks, American opinion has been changing too fast for correspondence, even Clipper-carried, to have any pertinence by the time that it can get into print across the ocean. German successes since May along the eastern shores of the Atlantic have given the American people a shock comparable to that which Englishmen and Frenchmen felt over similar events in Eastern Europe. Rapid stocktaking, followed by rapid action, has consequently changed the situation from day to day.

This international stocktaking is in many ways comparable to the domestic stocktaking which has been a feature of American public life during the past five or six years. In both cases the facts uncovered have been profoundly shocking to some of the deepest beliefs held by Americans as to the American way of life.

It is a truism to repeat that Americans have always thought of their country as a land of opportunity, and thought of opportunity chiefly in its economic context. The country was the land of unlimited resources, bigger and better than other lands. The frontier was a place, not a line; it was an opportunity, not a limit. In the minds of Americans, the American scene was not boxed by the four quarters of the compass: it was uni-directional—"Go West, young man, go West!"

Ten years of depression disturbed this dream with news of domestic realities. Americans became aware that the story of soil wastage is scrawled in a million gullies over hundreds of thousands of acres of the best farm land. Housing surveys showed that the items which have been taken as symbols of "the highest standard of living in the world"—the bath-tubs, the electricity, the refrigerators—are the perquisites, not of the population as a whole, but of the middle and upper middle urban class. Unemployment figures made it clear that economic storm clouds had dimmed the colours of the

golden west; and it was by no means certain that to-morrow would be better than to-day.

The Isolation Delusion

The assimilation of these domestic facts, geographical and economic, has been going on over six or seven years, and is by no means complete. Now the European crisis is forcing the assimilation of comparable world facts in six or seven weeks.

First, what are the geographical facts? Maps in American atlases show on one page North and South America; Europe and Asia, Africa and Oceania are on a different page. On the American page, comfortable margins of ocean lie to left and right, and surely things that belong together are shown together. So Americans have thought—but is this geography all wrong? Is the North Atlantic in reality a circular area along whose northern circumference lie Iceland and Greenland, stepping stones from Europe which is at war to Canada which is at war, and midway on whose southern circumference lies South America, of which all but the western edge lies east of the eastern edge of the United States?

Does the American concept of resources need comparable revision? If it is true that the United States on its half-continent can outmatch the other industrial countries in most raw materials and most productive capacities, is it equally true that, when the resources of the European countries are added together to make a whole continent, the United States is notably inferior in many strategic capacities?

Thoughts such as these are behind the defence bills totalling $5,362,319,478, including a greatly increased air force and a two-ocean fleet. They are behind the rapid moves being taken for industrial mobilisation, particularly the appointment by the President of the Advisory Commission to the Council of National Defence. The seven members of this Commission are as follows:—Edward R. Stettinius, Jr., Chairman of the United States Steel Corporation, raw materials; William S. Knudsen, President of General Motors, production; Ralph Budd, President of the Chicago, Burlington and Quincy Railroad, transport; Chester C. Davis, member of the Federal Reserve Board and former Administrator of the Agricultural Adjustment Administration, agriculture; Sidney Hillman, President of the Amalgamated Clothing Workers, labour; Leon Henderson, of the Securities and Exchange Commission, price movements; and Harriet Elliott, of the University of North Carolina, consumers' interests.

These thoughts are behind the President's appointment of Henry A. Stimson, former Cabinet member under Republican administrations, to head the War Department; the replacement of the Secretary of the Navy by Frank Knox, Republican publisher of *The Chicago Daily News*; and the appointment of Donald Nelson, of Sears Roebuck, a mammoth mail-order firm, to attack the crucial problems of supply.

The Importance of Mr Willkie

These thoughts are also behind the extraordinary progress of Wendell Willkie to the Republican nomination for the Presidency. By all of the normal requirements of politics, Mr Willkie was an impossible candidate—a recent transfer from the Democratic column, head of a public utility corporation, closely associated with the financial interests centring in New York, without previous political experience, and a late starter in the campaign. His nomination on the sixth ballot was a response to a largely unorganised conviction that here was a man thoroughly capable of doing an industrial job, and that an industrial job is the main job for the years ahead.

The country wants to arm—and badly enough to greet not only increased appropriations but increased tax measures with approval. But so far it has not made up its mind on the policy for which it wishes to use those arms when it gets them. Defence of the United States; defence of the Western Hemisphere; aid to the Allies short of war; immediate declaration of war on Germany; all of these programmes have vigorous and powerful advocates.

It can at least be said that the movement is towards a dynamic policy. Mr Willkie's nomination would seem to ensure that this year's political campaign will not be fought on the issue of isolation *versus* participation, of Americanism *versus* internationalism, as might have been the case with another Republican nominee in view of President Roosevelt's recent speeches. Rather, it may now be fought on the issue of which party can best do the job to be done. And the difference may considerably alter the time schedule on which a definite foreign policy will be selected.

June 28th.

The Catastrophe of France

[FROM OUR CORRESPONDENT FORMERLY IN PARIS]

I HAVE lived through with the French people the ghastly two weeks of incredibly swift catastrophe that elapsed between the defeat of General Weygand's armies on the Somme and the Aisne and the signature of the armistice that was an unconditional surrender. I have been forced to be a part of the huge teeming mass of refugees that flooded from northern into south-western France. I have been a refugee myself, as my wife and I were obliged to leave Paris with nothing but what we could carry in our hands. I have known all the vicissitudes of life in a time of great national *débâcle*, the extreme difficulty of obtaining food and shelter, the virtual impossibility of obtaining a means of transport, the occasional sick feeling of being trapped in a town that would soon be a theatre of military action.

Now that I have reached the relative tranquillity of Spain I feel an irresistible impulse to try to cast up the balance sheet of the vast catastrophe which I have seen at such close range. When Poland fell after three weeks of *Blitzkrieg* last September there was a sense of shock, but the general opinion in France and Great Britain and America was that it could not happen to an advanced Western country. Yet within six weeks France has been knocked out as completely as was Poland. What is the explanation?

The recent *débâcle* has simply proved what was abundantly clear in 1870-71, what was obscured in 1914-18 because a huge coalition was created against Germany: that France alone is no match for Greater Germany. The odds against France in trained man-power were two to one, or three to one if Italy is taken into account; the odds in the most effective modern weapons, in aeroplanes and tanks, were far greater. Who can be surprised at the result?

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The Fatal Optimism

From the beginning of the war I have been both amazed and appalled by the unreasoned "Germany cannot win" attitude which prevailed, not only in France and in Great Britain, but also in the United States. Very few observers seem to have drawn the obvious conclusion from the indisputable fact that six major powers were in the field against Greater Germany in the World War, as against two in the present war. Not all these powers, of course, pulled the same weight at the same time; but all made their contribution to the German defeat.

One of the illusions that prepared the way for France's disaster found vivid expression in a widely distributed war poster showing the extent of the French and British Empires and bearing the comforting caption: "We shall conquer because we are the stronger." The idea behind this poster might have been vindicated if Hitler had fought the war as France and England would have liked—as a long contest of endurance. But, as one of the most far-sighted French political commentators remarked to me in Paris, when the situation was becoming obviously critical: "The trouble is that all Hitler's resources are on the battlefield, while most of ours are of merely potential value."

Daladier and Gamelin

It was also France's misfortune to have a civilian mediocrity, Daladier, as the head of her national administration, and a military mediocrity, Gamelin, as the head of her armed forces during those months which could have been so precious and which were largely wasted. Daladier and Gamelin both thought of war in terms of 1914-18. Neither showed any sign of grasping the two facts that the massed use of aeroplanes and tanks gave the attacking side tremendous new opportunities and that a supreme effort was needed to permit France to catch up to some extent with the lead which Germany had gained in the output and use of these weapons.

A subject which will certainly be a proper subject for future inquiry was the dilatory course of Anglo-French purchases of war material in America. No doubt the American "cash and carry" policy was irritating. But no one can even estimate the frightful price which France paid for not throwing her gold into the scale more freely to quicken American deliveries of essential material.

The Military Collapse

The French Army possesses one of the oldest and finest military traditions of Europe. Its officers were well trained, hard-working, conscientious. Its soldiers were the products of an unbroken system of universal liability to service. How, then, could it have sustained such a crushing defeat?

The overwhelming German superiority in man-power, in aeroplanes, in tanks, supplies part of the answer. There was a less tangible, but equally important, German superiority in the qualities of speed and imagination. The French General Staff, under the leadership of General Gamelin, had become obsessed with a purely defensive conception of war that has never won victories since men began to fight, and the whole country, from the General Staff to the man in the street, was hypnotised by the "invincibility" of the Maginot Line. Now the Maginot Line was never successfully stormed, only taken in the rear when the French front in other sectors had collapsed. But it did not cover the whole French frontier; and all experience shows that a "wall" or defensive line can seldom stand indefinitely against the onsets of an active enemy.

Lenin uttered a profound truth when he said that one must never "play with revolution." Revolutionary action must never be half-hearted and irresolute; it must be pushed toward the ultimate goal with maximum force and energy. This same principle holds true as regards war; and one fears that France, victim of a number of illusions, committed the unpardonable sin of waging war half-heartedly until defeat was already so close as to be unavoidable.

During visits to the front I have talked at length with perhaps a score of French officers. I cannot recall one who was not pessimistic, not about the outcome of the war, but about the social and economic difficulties which would open up for France after the end of hostilities. I am sure that every one of these officers did his full duty, up to death. But their attitude, contrasted with the fierce drive of Nazi Germany, was that of Roman officers against the barbarians in the fourth and fifth centuries, of Byzantine officers against the Saracens and Turks. It was not the mental attitude of the French revolutionary leaders, it was not the mental attitude that wins wars.

June 30th.

Portugal's Improving Position

[FROM OUR LISBON CORRESPONDENT]

PORTUGAL'S final statement of receipts and expenditure for 1939 once more shows how carefully the Salazar regime adheres to its cardinal financial policy of keeping outlay well within actual income. Receipts were 2,532 thousand contos and expenditure 2,398 thousand contos. (At current exchange a thousand contos is approximately £10,000.) This surplus brings the total surplus balances shown during the past eleven budgetary periods to 1,981,000 contos (nearly £20 millions), and of this total 980,000 contos have been spent, the major part, 526,000 contos, for re-armament and naval and air force renewals.

It is a fine showing. There is no juggling with figures. On receiving the accounts from the Direction General of Public Accounts, Dr Salazar merely published an order that the main and subsidiary or explanatory tables covering the year's accounts should be officially printed in full for general information. Nor is it necessary to be an expert in accountancy to read them with understanding. And, satisfactory as these results are, there is sound reason to expect that if Portugal's present wise direction and neutrality is allowed to continue, the result of the 1940 returns may be even better. Trade as a whole is sound and expanding. And though the Government is keeping a sharp and wholly beneficent check on would-be exporters of essential foodstuffs and textiles, the state of Europe, and particularly that of Portugal's nearest neighbours, promises a steady and highly profitable sale for everything she produces. Nor will she be short of imported articles, as she is a free neutral market, wherein the consumer's capacity, though limited when compared with wealthier countries, is slowly expanding.

Commonsense and charitable foresight have up to the present characterised all the Government's measures. It is surely not out of place to insist that sound moral judgment based on Christian ethics, such as is publicly professed by Dr Salazar, is a true national asset, even if it cannot be given a statistical value in the country's balance sheet.

July 11th.

Books Received

Trade Agreements. By J. D. Larkin. (London) H. Milford. 135 pages. 6s. 6d. net.

Modern Turkey. By J. Parker and C. Smith. (London) Routledge. 259 pages. 12s. 6d. net.

Mobilising Civilian America. By H. J. Tobin and P. W. Bidwell. (London) Royal Institute of International Affairs. 276 pages. 15s. net.

Eastern Europe After Hitler. By D. Warriner. 39 pages. 1s. net.
The State and the Railways. By E. Davies. 24 pages. 6d. net.
War Effort and Industrial Injuries. By H. Levy. 16 pages. 3d. net. (London) Fabian Society. 11 Dartmouth Street, S.W.1.

Heil Hunger! Health Under Hitler. By M. Gumpert. (London) Allen and Unwin. 128 pages. 5s. net.

One Thousand Strikes of Government Employees. By D. Z. Skind. (London) H. Milford. 279 pages. 20s. net.

Evacuation Survey. By R. Padley and M. Cole. (London) Routledge. 296 pages. 10s. 6d. net.

The Three Weeks' War in Poland. By C. Hollingworth. (London) Duckworth. 180 pages. 6s. net.

Survey of British Commonwealth Affairs. Vol. II. Problems of Economic Policy, 1918-1939. Part I. By W. K. Hancock. (London) H. Milford. 324 pages. 15s. net.

The Economics of Ancient Greece. By H. Michell. (London) Cambridge University Press. 415 pages. 18s. net.

Britain's Food Supplies in Peace and War. By C. Smith. (London) Routledge. 290 pages. 10s. 6d. net.

Capitalism the Creator. By C. Snyder. (London) Macmillan. 473 pages. 16s. net.

Japan Closing the "Open Door" in China. By J. Ahlers. (Shanghai) Kelly and Walsh, Ltd. 140 pages. No price stated.

Oxford Pamphlets on World Affairs. (Oxford) Clarendon Press. 3d. each:—

Russian Foreign Policy. By B. Ward. 32 pages.

Was Germany Defeated in 1918? By C. Falls. 32 pages.

Labour Under Nazi Rule. By W. A. Robson. 32 pages.

WARTIME INSURANCE PROBLEMS

Insurance Against War Hazards

THERE is no hazard against which the community is more anxious to insure than war itself. But war, with its wholesale losses and its arbitrary incidence of damage, is least assimilable to insurance experience. It presents the very antithesis of that normal behaviour of events on which organised insurance is based. Hence, any attempt to apply insurance principles to war risks can only provide partial cover, for underwriters cannot bear open commitments and remain solvent. But even partial protection is of real value in wartime, and if the ordinary insurance process can be adapted to operate over the widest possible range of war hazards, the community is well served by its insurers. Both of these principles were well learned between 1914 and 1918; and both have been applied, so far as is practicable, to give some measure of protection in the present war.

To give such protection, the established machinery of insurance must be adjusted according to the extent and unpredictability of the war hazard involved. The risk of catastrophic war claims is least in life assurance, and for that reason, though the peril remains incalculable, it has not disturbed the structure of premiums so profoundly as in other branches of insurance. Life assurance, unlike fire and marine underwriting, starts with a scientific and accurate premium system before the war risk is introduced. Moreover, since every life policy must eventually become a claim, it is essential that funds should be accumulated against the liability attaching to each policy. Over the whole range of life assurance now in force, such reserves total some £1,400 millions, or about 42 per cent. of the aggregate claims which would fall due if every assured person died at the same time. The majority of non-life policies, on the other hand, never sustain a claim in normal times, and the reserves held are thus only fractional—sufficient to meet all normal peacetime claims, but not sufficient to cover the far wider hazards of war. Moreover, it is reasonable to expect that war deaths among well-insured civilians will be uniformly distributed between the different age groups. The most youthful groups are covered by life assurance to a very limited extent, while among the elderly groups the accumulated reserves should be little short of eventual liabilities.

Thus life offices have been able, independently, to provide almost unlimited war cover to newly assured persons—subject to the payment of adequate consideration in return. Indeed, up to the outbreak of hostilities the offices were so confident of their ability to meet war claims that, almost without exception, they made no extra charge for war cover, at least to civilians. Admittedly, this offer of gratuitous cover against war risks caused some misgivings among actuaries, and it was immediately withdrawn when war broke out. A few offices, indeed, have since reverted to their pre-war practice, though they are a very small minority. The great majority of offices, apart from these few exceptions, charge in different ways for war risk cover. Some require an extra £1 or £1 1s. per cent. of the sum assured to cover the civilian war risk; some charge no extra premium but reduce the benefit paid, either by a pre-determined formula or by subsequent adjustment of profit distributions. But with few exceptions (mostly among the Scottish offices) a civilian can easily obtain assurance against the war risk with his normal life assurance cover, provided that he pays for it. A man in the Forces or liable to be called up will usually find that assurance against serving risks will cost considerably more, yet it can still be obtained.

It should not be inferred, of course, that the offices can, or do, regard their possible war liabilities with equanimity. Pre-war policies form the great bulk of their business, on which the premiums fixed at inception cannot be revised, though on participating contracts bonuses can be—and are being—lowered. But the factors which prompted actuaries to decide that they could assure the risk of death through war still operate and may have been provisionally strengthened by the limited number of war deaths to date.

A bombing raid is unlikely to involve any of the 70 important life offices in large claims. But it might obviously cost an inordinate amount to a fire company underwriting property. The liability would clearly be incalculable and beyond the capacity of the companies to meet. They therefore made it plain, long before war was declared, that they could not undertake to insure war risks to property on land, and foreign companies also subscribed to this decision in an international agreement (which does not, however, apply to the United States). But the enormous value to the public of war cover for property demanded some measure of protection even if normal insurance could not be applied. To cover buildings the Government introduced its partial compensation scheme—a decision confirmed by the Weir Committee. This violently-criticised scheme provided only for post-war compensation and limited payments to such amounts as the Treasury could spare, which are not specified in advance. By recent amendments, advances can now be obtained against eventual payments, but these are of strictly limited extent. The reasons put forward for the partial extent of this cover are plain. But it could be argued that the State is not subject to the same limitations as the insurance companies. It may exercise compulsion and it may rely upon a post-war levy to reinforce premiums during the war. The offices, as insurers, have renounced any interest in property war risk insurance—though they are themselves large investors in property—but if they could avail themselves of these dual powers of the State a more adequate scheme for property war risks would almost certainly be in force.

These various considerations apply also to stocks of commodities, except that the aggregate liabilities are only about one-sixth of the value of property at risk. Even these commitments would be much too large for the companies to bear. In this case the State has covered the risk, and by a scheme which is much closer to true insurance. With few exceptions it is, however, compulsory, and the companies are only concerned with it as Government agents. In this capacity they collect premiums and perform the clerical work involved. There was a lamentable failure to use common insurance experience in the early months of the scheme, which increased the insurance companies' labours and costs, and also evoked widespread public criticism. If the companies had been allowed to exercise a wider discretion, under broad heads of policy directed by the Board of Trade, the costs of operation would almost certainly have been lower and the criticisms fewer.

The several types of insurance or quasi-insurance described above illustrate the value of war risks cover. There has, admittedly, been no great eagerness among the public to take out new life contracts covering war risks, but this is partly to be ascribed to general factors which have affected new business (which are considered on a later page). But, in addition, a certain confusion exists among potential assured owing to the varied methods adopted in charging for the war risk. Uniform treatment by the offices of this risk, which was unsuccessfully attempted at the beginning of the war, would go far to overcome this deterrent. Perhaps a general investigation by the offices might also suggest that the risk was being surcharged. But there can be no doubt about the value to-day of the war risks protection which the public is deriving under pre-war policies.

Cover against war risks on property has a self-evident utility for private individuals, for commerce and industry, and for the country as a whole in its war effort. It is unfortunate that the compensation scheme for buildings is of limited scope; certainly, a scheme more closely approaching true insurance would be well received. The Government itself, in extending compulsory insurance to stocks of foodstuffs valued over £200 (the limit of compulsion for the scheme generally is £1,000), have shown their appreciation of the great value of insurance to the trading and distributive machinery of the country.

The same lesson has been amply learned by Government and traders alike in the remaining sphere of war risks insurance—vessels and cargoes at sea. A later article shows how the marine insurance market has adapted itself to war conditions and the measure of its co-operation with the Government. In this category of insurance, the hazards involved are too large for the unaided market but not so large that underwriters cannot take a share in them. Its crucial value to a nation which is fast becoming a fortress, strategically dependent upon seaborne traffic, requires no emphasis.

B

Cover for Convoys and Cargoes

It has been said that war is always good for marine underwriters. Although the statement is demonstrably untrue, it is possible that some underwriters, when the present war commenced, envisaged a repetition of their experience in the war of 1914-18. From the first, they were protected against the "shock" liabilities of initial hostilities through the "Pool," which was re-insured by the Government against King's Enemy Risks. Although United Kingdom business only was pooled under this scheme, it was in that business that the major losses were incurred. Further, with the opening of the Government War Risk Insurance Office, some underwriters may have looked forward to a war in which, as between 1914 and 1918, the worst risks would go to the Government, leaving them to take the better risks at rather less than Government rates. On that precedent, both they and the Government might expect to make handsome profits out of the business.

Since nothing has gone according to expectations in this war, however, it is hardly surprising that marine war risk insurance has developed along very different lines from those anticipated at the outbreak of war. From the very outset, the Government Office has worked on a schedule of graduated rates and not on a flat rate for all voyages, as during the last war. Further, underwriters in the open market quickly learned that competition with the Government's rates was quite unwelcome. Hence, the Government Office obtained practically the whole of United Kingdom business and also the bulk of war risks on cargo in British ships when the State scheme was later extended to rated voyages between neutral ports.

That, in brief, defines the scope of the Government war risk scheme. The market, however, is left with a considerable residue of business. Some British insurers still cover war risks with the market, on grounds of greater convenience, although its rates cannot compete with those of the Government Office. Moreover, a substantial amount of business is transacted for neutral shippers. The market rates for war risks business falling outside the official scheme are founded on the schedule compiled by the Joint War Risk Rating Committee of Company and Lloyd's Underwriters, which had functioned successfully since the Italo-Abyssinian war of 1935. Although this Committee dissolved itself in January last, it left an "Advisory" schedule of rates as a legacy. This schedule has been revised from time to time, so that rates have kept in touch with successive war developments during the spring and summer. It is quite true that individual shipments can be freely insured at rates other than those set out in the Advisory Schedule. But the schedule actually governs the greater part of "Open Cover" business, by which the bulk of cargo insurance is still effected.

The adaptability of the marine insurance market is by no means confined to war risks business. A further instance, involving the close collaboration of underwriters and Government departments, is to be found in the enormous "Commodity" marine risk business which was placed in the market early this year. Since many essential imports had come under the control of the Ministries of Food and Supply, the question arose whether these imports should be insured in the market against marine perils or whether they should be shipped at the Government's risk. Representations made to the Departments in question brought a realisation that hardship would result if marine underwriters were deprived of a large volume of their accustomed business, and as a result it was agreed that the commodities bought and shipped on Government account should be insured. A huge Open Cover was effected, one half of the risk being placed at Lloyd's and the other half with the companies, and the scheme is now working admirably and is bringing a very considerable flow of premiums to the market. In some cases, also, the building risk on vessels under construction for Government account is covered to the extent of half the values involved in the open market, the other half being covered by Government guarantee. Such close collaboration between underwriters and the State is yielding good results.

While it is true that underwriters are deriving a substantial premium income from the Government cover, and that in some directions their business has been well maintained, two factors are militating against favourable underwriting profits. It is the general opinion that the 1939 account may yield a reasonable profit, but forecasts for the 1940 account are gloomy. The two adverse factors are the increase in marine casualties due to wartime conditions of navigation and the loss of business caused by the virtual disappearance of the whole of the trade of Europe which has followed German occupation. To meet the increase in claims due to "war-marine" casualties, underwriters have imposed surcharges on cargo risks involving passages within the war areas, but it is generally conceded that these are insufficient and that they must be supplemented if heavy losses are to be avoided. In the hull market, underwriters have raised the surcharge of 10 per cent. imposed last September to 25 per cent., and this surcharge is in addition to the scaled increases of the Hull "Understanding," by which renewals are assessed in the light of the insurance record of the risk over the preceding four years. Speaking at the annual meeting of the Eagle Star Company, Sir Edward Mountain expressed the opinion that hull business may prove to be on a profitable basis, provided that underwriters see that premiums are kept in line with the increasing cost of repairs. Other insurance company chairmen, however, have been less optimistic in their forecasts, and since they spoke, the situation has been further complicated by the fact that while the cost of repairs has continued to increase, insured values —which are a crucial factor both in the yield of premiums and in the ratio of claims—have actually declined. The situation in the hull market is, in fact, so obscure that only a very bold underwriter would attempt any forecast regarding the ultimate outcome of current business.

This war has confronted underwriters not only with problems which were only partly solved during and after the last war, but also with other questions peculiar to the enemy occupation of many European countries. In English law, the broker is directly responsible to the underwriter for the payment of premiums, but the underwriter is directly responsible to the assured for the payment of claims. The position of insurance on Norwegian, Danish, Dutch and Belgian interests is clear-cut in law, but no practical solution has so far been found to the problem of what is to be done when the assured is prevented, by *force majeure*, from paying to the broker the premiums due, though he is nevertheless still insured under the policy placed with English underwriters. An attempt to forestall further difficulties of a similar nature by drafting a clause making the attachment of a risk dependent upon the payment of the premium to the broker within ten days does not seem to have found much favour with either underwriters or brokers, but the actual events of the past—and not potential developments in the future—present the real difficulty. There must, of course, be the usual crop of disputes whether a loss should fall on the marine or the war risk policy, and it is interesting to note, in this connection, that in the special conditions applying to war risks on goods destined for France and subsequently diverted, the Government Office specifically covers the risk of loss or damage due to collision occasioned by hostilities or warlike operations. Such loss or damage was established as attaching to the war risks policy by litigation after the last war.

Perhaps the payment of amounts due to enemies at the outbreak of war scarcely warrants immediate consideration, though it will have to be considered sooner or later. Meanwhile, perhaps the outstanding feature of the current situation is also the least spectacular. In 1937, underwriters adopted the "Waterborne" Agreement on an international basis. By this agreement, it was laid down that the cover of war risk policies should apply only to goods on board the overseas carrying vessel. By this step, the risk in craft and on shore was eliminated from the marine war risk policy and the possibility of catastrophic losses on accumulated goods at ports was avoided. This agreement, to which effect is given in the Government War Risk Office's certificates and in open market policies, has contributed greatly to the financial soundness of the marine insurance market under war conditions. Coupled with the traditional policy of conserving past profits, and the self-imposed safeguards upon Lloyd's underwriters, it has strengthened the whole market against the admittedly heavy drain of wartime claims created by increased losses and rising costs. Perhaps the most significant evidence of faith in the security of the British marine insurance market is the eagerness with which foreign shipowners and merchants of nations not under enemy domination seek, and are content to accept policies of British underwriters now, as in pre-war conditions. The marine market has the high duty of protecting the nation's overseas commerce from the financial perils of the seas and of enemies. Its ready adaptability, and its co-operation with the Government in wartime measures, show that it is capable of fulfilling its task.

American Insurance—A British Export

In time of war it would be impossible to overstate the importance of the American market to the British insurance industry. For many years the United States has contributed by far the largest part of the net revenue that the companies derived from abroad, which in turn contributes a substantial yearly credit to our balance of payments. Nor do the amounts actually remitted home by the branch offices and subsidiaries domiciled in the United States represent the whole, or even the most important part, of the gain derived by the British war economy from insurance operations there. Any amount added to the dollar reserves in excess of the generous sums required by law to meet possible liabilities may be regarded as available for sale to the British Government if required, for the considerable sums held in excess of the stipulated reserves would only be needed if the claims experience became most extraordinarily adverse. Moreover, reserves as a whole provide interest which reinforces the balance on underwriting account. The great service performed by the offices in the matter of dollar supplies during 1914-18 is well known. During those years about 260 million dollars were sold or lent to the State—and the need for dollars is now even greater.

The reinforcement of our dollar supplies is only one of a number of factors which emphasise the importance of the American insurance market. In marine insurance, it is largely the underwriters of Lloyd's and of the insurance companies who provide the vital service of protecting against financial loss shippers to and from the United States, our most vital channel of sea-borne trade. In American fire and accident insurance the companies have established themselves in a unique position for upholding British commercial prestige. Their American business forms a very large portion of the whole. In the fire branch it provides about 55 per cent. of premiums, and in the accident branch about 40 per cent. Thus, even from the narrower view of the British insurance industry itself, the American market is essential to the maintenance of the companies' business and profits on the present scale. The importance of America is also emphasised by other repercussions of the war. These include not only the complete cessation of British insurance transactions in the countries overrun by Germany, but also the disturbance of business over a wide range of the foreign field. Hence, it is more than ever essential that the companies should maintain, and if possible expand, their interests in America. Similarly, any threat to this aim must be resisted.

It was hardly to be expected that Germany would be content—above all in a country such as the United States, where enemy agents are not in short supply—to refrain from propaganda against British insurance interests there, especially since German insurance and reinsurance companies have every reason to be envious of the established position of the British companies in the American market. But German propaganda has certainly not succeeded in its attempt to cast widespread doubt in the United States upon the ability of the British companies to honour their obligations. The American public, more than any other, has reason to know the utter lack of foundation for such propaganda. They know that they are in any case completely protected by the legal requirements regulating the reserves to be held within the United States. They also have a very keen appreciation of the large additional dollar reserves held by British offices, and of the extensive sterling reserves held in this country as a third line of defence. They are well acquainted with the promptness and liberality of claims settlements by the British offices. Their experience after the San Francisco earthquake, when British companies met claims with the minimum of delay, is still fresh in the memory of American business men. Nor is there any vestige of truth in the suggestion put forward by German propaganda in the United States that British companies will be unable to find the exchange to meet their dollar requirements. Even if the companies were compelled to meet a net flow of funds out of the United Kingdom in a given year—a most unlikely occurrence—there is complete certainty that the dollars would be immediately forthcoming.

This policy has been confirmed on several occasions by the British Government, and it is, of course, the essential guarantee of international insurance business. But to disprove these German falsifications does not mean that they can be ignored. They require, in addition, the most effective rebuttal that can be administered by the British companies and by the authorities. It is gratifying that Superintendent Pink of New York, one of the outstanding personalities in the American insurance world, has vigorously and trenchantly answered the German propaganda. This is probably one reason why the attentions of German agents have recently been turned away from the United States itself and directed towards countries under American influence, such as Cuba, the Philippines and South America. It must be admitted that such propaganda in these countries does not receive a reception quite so frigid as in the United States. Effective counter propaganda is needed and should be applied in these areas.

The United States has not followed the practice—elsewhere practically universal—of discriminating against foreign insurers, which in its case are practically synonymous with British companies. No less favourable treatment is meted out to British interests than the American companies themselves receive, so that efficiency in competition alone is necessary to maintain our position in the United States market. But while there is no discrimination, Government action has raised insurers' expense ratios in several ways. Taxation is extremely high and is increasing. Supervision of the companies has reached a very advanced stage, and has raised expenses both indirectly and directly, since the companies are expected to bear a large part of the cost of supervision itself. Various charges and levies—a lengthening list—are imposed by State and Federal Governments alike, and thus tend to multiply themselves.

In addition to this mounting level of expenses, insurance also suffers from a serious disability in the rate-fixing powers vested in the authorities in a number of the States. Rates are fixed by them in conformity with the fluctuations of claims, but it inevitably happens that reductions occur more rapidly than increases. Thus the relatively satisfactory fire claims experience of the companies in 1937 and 1938 led to a lowering of premium rates, even though there was every prospect, since realised, of a substantial increase in claims in 1939 and 1940. Motor rates were also drastically reduced last year.

WAR RISKS

—without extra charge

The Corporation now issues Life Policies for Civilians to include WAR RISKS in the United Kingdom and Eire WITHOUT EXTRA CHARGE. Particulars can be obtained at any of the Corporation's Offices throughout the Country and personal interviews arranged without obligation.

ROYAL EXCHANGE ASSURANCE

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Another handicap to successful operations in the United States arises out of the inherent underwriting difficulties in the fire and accident departments. In the former there is, for example, a high percentage of very hazardous buildings, a real danger of conflagration in certain areas and the possibility of very destructive losses under the extraneous cover in respect of earthquakes and hurricanes. Thus the hurricane of September, 1938, did widespread damage and involved the insurance companies in heavy losses. For reasons such as these the annual results must be expected to fluctuate widely, though the British companies have in the aggregate usually been well on the right side at the end of each year. In the accident (or "casualty") department also claims are an unstable factor, and the amount of workmen's compensation business available—this is, however, a Government monopoly in some States—moves according to fluctuations of industrial employment.

These are some of the difficulties with which British insurers are faced in the United States. But though they are real enough and the companies, especially in view of the need for dollar exchange, must try to remove them, they do not mean the companies are failing to make profits. Rates generally are still tending downwards, and, in the accident department at least, this has resulted in a lower premium income. Claims in the fire department are plainly moving in the opposite direction. In 1937, fire claims of all companies, British and otherwise, amounted to about $285 millions; in 1938 to $302 millions; in 1939 to $313 millions. The last figure included $142 millions for the first five months of 1939; for the corresponding period of 1940 the total was $151 millions. Despite the lowering of profit margins, however, there has been a pronounced increase in the total amount of fire business, probably due to war conditions, which may redeem the adverse effects on total fire profits caused by the other unsatisfactory features of the underwriting position. In 1939, total underwriting profits on fire insurance increased, though it may be unduly optimistic to expect this experience to continue in 1940, in view of the heavy incidence of fire claims in early months. But it is incumbent upon the companies to redouble their efforts to conduct their business at a satisfactory margin of profit. By doing so, the companies will be making a substantial contribution to our war effort.

BRITISH INSURANCE IN 1939

General Results

THE 1939 accounts of the companies show the effects of the war, although they cover only four months of war conditions. The underwriting profits in 1939 in the two main revenue producing departments, fire and accident, were lower in comparison with the previous year, but the reductions were of limited extent. The most striking changes occurred not in the underwriting profits (or the gross trading surplus) but in the net trading surplus, i.e. after general expenses had been charged. These expenses rose very considerably, largely as a consequence of higher taxation, but also because of A.R.P. expenditure, evacuation costs, and larger allocations to investment and other special reserves dictated by the uncertain conditions. These factors, and not a worsening of the underwriting experience, were mainly responsible for the drastic decline in the total net trading surplus of the companies last year.

It is usual for insurance offices to aim at meeting a major part of their dividend payments from the interest on their non-life funds (interest in the life department is added to the life funds themselves to meet future liabilities to policyholders). The table below shows that net interest fell considerably in 1939. The cost of the companies' dividends, however, also fell, for although the actual declarations were lowered in only a few cases, the deduction of taxation from dividends was at a higher rate. In consequence the companies as a whole were able to meet no less than 85 per cent. of their dividends from their interest earnings.

Life Assurance

THE most conspicuous present feature in the life assurance situation is the fall in the net rate of interest. This is the main factor determining the amounts which the life offices can distribute in bonuses to their participating policyholders, and it is largely responsible for changes in the level of premium rates. Admittedly, we may no longer be at the stage where actuarial assumptions of mortality, the second crucial factor in the life assurance equation, can be made with confidence. But while any far-reaching war mortality, which would destroy the basis of those assumptions, is so far only contingent, the fall in net interest is actual.

As the table on page 87 shows, the net rate of interest earned by 48 offices fell from £3 18s. 9d. per cent. in 1938 to £3 14s. 7d. per cent. in 1939. This fall continued, in accentuated degree, a ten years' declining trend which, there is no doubt, will go further. Clearly, the reduction of gross interest rates as a deliberate matter of State policy before and during the war is partly responsible. But the major part in

PREMIUM INCOME, UNDERWRITING PROFITS AND DIVIDENDS, 1934–39

Year	Total Premium Income (Excl. Life, Annuity and Sinking Fund)	Underwriting Profits: Net Trading Surplus (Excl. Life, Annuity and Sinking Fund)		Dividend Position		
		Amount	*Percentage of Premium Income*	Total Net Interest Earnings	Cost of Ordinary Share Dividend	*Proportion of Dividend Met out of Interest Earnings*
	£	£	%	£	£	%
1934	105,427,999	2,799,348	*2·7*	6,524,064	8,317,337	*78*
1935	106,964,457	3,546,715	*3·3*	6,525,324	8,396,674	*78*
1936	109,214,845	3,282,245	*3·0*	6,549,563	8,338,960	*79*
1937	115,793,858	2,672,212	*2·3*	6,678,472	8,306,833	*80*
1938	115,192,812	2,768,339	*2·4*	6,539,905	8,115,525	*81*
1939	115,115,457	1,902,646	*1·7*	5,981,204	7,030,998	*85*

the lowering of net interest rates in the last three or four years has been played by the level of income tax. The offices are now paying tax at about 5s. 7½d. in the £ on the whole of their investment receipts. For new investments, even if these were placed at 3 per cent. (which, in view of recent war loan subscriptions, is probably an over-estimate) the net rate earned would be only 2.1 per cent. Does any office assume so low a rate in its premium calculations? And can any significant advance be expected when the income tax level is still rising?

This investment factor has, however, a reciprocal effect which tends to limit its adverse repercussions. As the gross rate of interest falls (or rises) the level of security values normally reacts in the contrary direction. Unfortunately, the recent fall in the over-all rate of net interest, as we have seen, has been due rather to higher taxation on all investment income than to low interest rates on new investments. Hence there is no reason why security values should rise appreciably when the net rate falls sharply, and the gross rate is only moderately diluted by incremental investment at low rates of return. But the maintenance of low gross rates has assisted securities, especially those of the gilt-edged type, to retain their values. This fact is obviously important, for it implies that the offices have neither had to suffer, nor have in prospect, that serious depreciation in investments which was their main problem in the war of 1914-1918. This does not rule out all depreciation on investments, for some has certainly occurred. The recent behaviour of the equity markets, for example, has inflicted considerable depreciation on the portfolios of those offices which in past years have formed a deliberate equity investment policy. But it may, nevertheless, be said that the balance-sheet aspect of the life offices' accounts has been to some extent safeguarded at the expense of the revenue aspect. Since life assurance is a long-term contract, the balance-sheet aspect is of more ultimate significance.

The offices have taken any steps that are open to them to secure the position from the revenue point of view. The power to vary policy bonuses is valuable in present circumstances, and the holder of a participating policy, which is in effect an equity, should not object if in times of difficulty distributed profits are lowered. Those offices whose valuations fell due at the end of 1939 cannot be criticised for limiting their outgoings by lowering or passing their profits distributions. As the table on page 85 shows, total surpluses were considerably reduced in any case, so that apart from the need for conserving resources some reductions in profit allocations were inevitable. No doubt other valuations, due at the end of this year, will show even more drastic declines in the distributions.

Another compensating movement is the adjustment of premium rates to the changed conditions. In the last two years, but especially since the outbreak of the war, premiums have moved upwards, though it is apparent that the movement has not yet gone far enough to take account of the extreme fall in net interest earnings. Policies bearing cover against the war risk are in a special case, and most offices either charge a higher premium to meet the extra liability or scale down the benefit; either method is an attempt to ensure that war mortality shall not involve the office in a loss on new policies. But this obviously does nothing towards solving the problem of the war risk on old policies, the majority of which cover the risk without additional premium or equivalent reduction in benefit. Certain forms of assurance contracts, which involve a large investment of new money by the office at the inception or in the early years of the policy, have been discouraged, and some offices refuse to write them at all. These unwelcome types of policy comprise annuities, single-premium or limited-premium assurances, and very short-term endowments. It should be noted, however, that two or three offices, which have specialised in such forms of policy, are now more willing to write them than the rest.

Whatever may be done in these and in other ways towards improving the revenue aspect of the offices' accounts, it is fairly plain that the writing of a very large new business would make matters more difficult, unless the premium scales were revised sufficiently in an upward direction. New business at present rates can hardly pay for itself, and a larger adverse margin is likely in the near future. It is doubtful, however, whether current new business is running at much more than one-third of the volume which was being transacted twelve months ago, and the total for last year, despite the virtual maintenance of the flow of new policies until

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September, was only 78 per cent. of the figure for 1938, as the following table shows:—

Year	Aggregate Net Sums Assured Mill. £	Change on previous Year %
1932	164	+ 1·9
1933	183	+ 11·6
1934	208	+ 13·7
1935	224	+ 7·7
1936	243	+ 8·5
1937	261	+ 7·4
1938*	250	− 4·2
1939*	194	− 22·4

* The figures for both 1938 and 1939 are estimated on the basis of the new business figures of the 48 offices set out in the detailed table opposite; the remaining figures are from the official returns of the Board of Trade. The Board of Trade figures for 1938 and later years are not being published during the war.

In view of this check, it appears that the main wartime function of the offices is the continued collection of premiums on old contracts, the drastic limitation of avoidable outgoings and the transaction of as much new business as is consistent with the maximisation of savings for Government loans. By these means the increase in life funds will be kept as large as possible, subject to the proviso that war savings must take first place. The ugly complication of war mortality, so far in the background, might indeed be sufficient to turn an increase in funds into a net decumulation, but there is little advance preparation which is open to the offices to anticipate this factor. It would be well worth while, however, if the authorities were to investigate measures for ensuring that as much as possible of the offices' claims payments were reinvested, if not in policies then in gilt-edged; for even while war deaths are small, the total of claims payments, which might otherwise be largely spent by the recipients on consumption goods, may be very considerable.

NET NEW BUSINESS

Company	1938 No. of Policies	1938 Sums Assured	1939 No. of Policies	1939 Sums Assured
Mutual Offices :—		£		£
Equitable	6,806	2,028,917	2,848	1,769,258
Friends' Provident and Century	2,728	2,483,366	2,343	2,010,356
London Life	2,098	2,700,913	1,664	2,010,369
Marine and General	888	563,812	659	429,401
National Mutual	1,275	1,082,312	692	583,210
National Provident	3,576	2,047,174	2,506	1,552,204
Norwich Union	18,736	11,755,700	17,167	10,301,148
Provident Mutual	30,879	3,286,712	18,359	1,983,409
Scottish Amicable	2,398	2,131,076	1,862	1,683,779
Scottish Equitable	2,745	1,836,395	1,954	1,232,696
Scottish Provident	4,289	3,158,519	3,155	2,322,888
Scottish Temperance	2,272	1,574,659	1,797	1,161,213
Scottish Widows	7,324	5,240,530	5,302	3,476,339
Standard	9,506	6,466,259	6,808	4,030,408
United Kingdom	6,478	5,118,390	4,862	4,054,044
	101,998	51,472,734	71,978	38,602,722
Proprietary Offices :—				
Clerical, Medical and General	3,139	2,733,251	2,551	2,032,454
Equity and Law	1,893	3,512,506	1,896	1,848,149
Scottish Life	2,379	2,316,749	2,006	1,722,638
Sun Life	35,048	21,659,650	25,358	14,656,189
	42,459	30,222,156	31,811	20,259,430
Industrial-cum-Ordinary Offices :—				
Britannic	16,004	3,422,721	12,378	2,574,348
Co-operative	20,135	3,274,614	16,563	2,675,837
Pearl	48,885	8,230,510	37,705	6,661,043
Provident Association	1,392	563,225	1,105	467,676
Prudential	93,910	31,762,732	82,630	27,130,296
Refuge	50,744	7,894,878	41,926	6,422,725
Wesleyan and General	7,612	1,498,122	5,924	1,178,276
	238,682	56,646,802	198,231	47,110,201

UNDERWRITING PROFIT AND LIFE CONTRIBUTIONS IN 1939

Office	Total Premiums (excluding Life, Annuity and Sinking Fund)	Underwriting Profits: Net Trading Surplus (excluding Life, Annuity and Sinking Fund)	Ratio of Net Trading Surplus to Premiums	Contribution to Net Trading Surplus from Life, Annuity and Sinking Fund	Total Net Trading Surplus	Dividend Position: Net Interest Earnings after deducting Debenture Interest and Preference Dividends	Cost of Dividend on Ordinary Shares	Proportion of Dividend met by Interest Earnings
	£	£	%	£	£	£	£	%
Alliance	4,150,621	40,808	0·1	72,568	113,376	337,684	402,063	84·0
Atlas	2,595,676	24,157	1·0	29,587	53,744	107,876	154,141	70·0
Caledonian	1,374,885	8,589	0·6	...	8,589	70,430	72,656	97·0
Commercial Union	14,447,997	248,143	1·7	103,451	351,594	644,325	748,177	86·1
Eagle Star	3,681,258	54,182	0·1	13,207	67,389	271,709	247,869	109·2
Employers' Liability	6,272,626	37,394	0·6	...	37,394	206,035	179,881	114·5
General Accident	9,375,347	1,693	...	...	1,693	253,981	223,831	113·1
Guardian	2,003,291	85,709	4·3	32,102	117,811	111,608	159,930	69·8
Liverpool and London and Globe	9,042,915	489,352	5·4	28,000	517,352	376,846	461,516	81·6
London	4,657,788	58,231	1·2	22,500	80,731	182,286	190,241	95·9
London and Lancashire	6,984,366	282,054	4·0	8,869	290,923	439,095	482,209	91·1
North British and Mercantile	5,056,875	68,874	1·4	67,460	136,334	404,400	436,849	92·6
Northern	4,698,150	49,654	1·1	...	49,654	168,013	194,301	86·4
Norwich Union	3,750,151	14,625	0·4	...	14,625	131,276	165,000	79·6
Pearl	1,653,749	*Dr205,121*	−12·4	870,557	665,436	57,503	600,000	9·6
Phœnix	7,458,297	20,675	0·3	19,963	40,638	330,779	376,875	87·8
Prudential	2,560,820	*Dr. 36,986*	− 1·4	32,172	*Dr. 4,814*	117,678	133,333	88·5
Royal	12,724,505	653,980	5·1	46,000	699,980	1,120,482	1,173,506	95·5
Royal Exchange	3,040,215	99,965	3·3	42,907	142,872	188,250	184,674	101·9
Scottish Union and National	1,822,364	*Dr134,127*	− 7·4	...	*Dr134,127*	130,346	103,125	126·6
Sun	4,870,688	33,614	0·7	...	33,614	238,095	214,125	111·2
Yorkshire	2,892,875	7,181	2·5	28,250	35,431	92,507	126,696	72·9
Total	115,115,457	1,902,646	1·7	1,417,593	3,320,239	5,981,204	7,030,998	85·1

Note.—Net trading surpluses are shown above after deducting unexpired risk reserves provided by the companies, and after transfers to investment reserves and specific reserves in underwriting departments. This basis may differ slightly from that adopted in previous years.

COMMERCIAL UNION
ASSURANCE COMPANY, LIMITED
FIRE - LIFE - MARINE - ACCIDENT
Head Office - CORNHILL, E.C.3
TOTAL ASSETS EXCEED £70,000,000

Company	1938 No. of Policies	1938 Sums Assured	1939 No. of Policies	1939 Sums Assured
Composite Offices :—		£		£
Alliance	7,187	4,205,415	4,183	2,794,227
Atlas	6,752	4,042,720	5,298	2,939,429
Beacon	3,811	1,291,351	2,896	867,463
British Equitable	1,326	871,230	1,011	647,129
British General	1,832	957,861	1,255	522,519
Caledonian	3,034	2,102,749	2,210	1,454,772
Commercial Union	9,281	5,991,320	8,060	5,291,541
Eagle Star	3,097	10,313,261	2,324	5,835,877
General Accident	...	2,611,070	...	1,507,119
Guardian	2,167	1,719,379	1,834	1,362,953
Law Union and Rock	4,225	3,106,448	3,172	2,055,440
Legal and General	21,513	16,565,154	16,557	13,671,288
Liverpool and London and Globe	5,613	2,851,415	4,943	2,444,917
London and Scottish	2,252	1,588,374	1,761	1,314,357
London Assurance	3,091	2,679,181	2,640	2,100,256
North British and Mercantile	10,805	5,326,927	8,945	5,889,172
Northern	3,174	1,781,207	3,305	2,645,930
Phœnix	5,330	4,987,072	4,224	4,027,016
Royal	7,692	5,176,871	6,769	4,474,453
Royal Exchange	6,914	4,358,599	4,571	2,965,264
Scottish Union and National	3,622	2,539,368	2,489	1,365,089
Yorkshire	3,652	3,029,741	3,219	2,841,074
	...	88,076,713	...	69,077,285
Total	...	226,418,405	...	175,049,638

The 1939 Valuations

THE salient feature of the following summary of last year's valuation results is the fall, under all heads—interest assumed, valuation surplus and allocations to policyholders and shareholders—compared with the previous valuations. The lowering by a number of the offices of the assumed rate of interest—by ¼ or ½ per cent.—considerably strengthened the valuation basis. The effect of lowering the assumed interest rate is to increase the difference between (a) the present value of ultimate liabilities and (b) the present value of future premiums. This difference represents the net liabilities at their present value. This more stringent basis of valuation was naturally partly responsible for the declines in valuation surpluses and in profit distributions, and the hidden actuarial reserves thus set up were reinforced in a number of cases by the provision of special reserves against depreciation on investments.

The fall in surpluses, though partly due to the more conservative basis of valuation employed, was also occasioned in certain cases by the actual depreciation in the values of securities at the end of the year. Very few offices, as the accompanying table shows, were able to record an upward movement in their profits at the valuation.

LIFE ASSURANCE VALUATIONS

Office	Previous Valuation	Rate of Interest Assumed: Previous Valuation	Rate of Interest Assumed: 1939 Valuation	Surplus: Previous Valuation	Surplus: 1939 Valuation	To Policyholders: Previous Valuation	To Policyholders: 1939 Valuation	To Shareholders: Previous Valuation	To Shareholders: 1939 Valuation
		%	%	£'000	£'000	£'000	£'000	£'000	£'000
ORDINARY									
Britannic	1938	3	2¾	579	590	296	197	39	24
Co-operative	1938	3	3	362	344	307	...	...	...
Friends Prov. & Century	1934	3 and 2½	3 and 2½	796	1,176	629	...	*	*
Gresham Life	1934	3	3	956	468	844	150	99	22
Guardian	1934	3	2¾	1,031	807	763	451	93	61
Law Union & Rock	1934	3	3	801	504	608	...	67	6
Life Ass. of Scot	1936	2¾	2¾	494	459	352	...	33	2
London and Man.	1938	3	3	794	729	350	...	†	†
London Life	1938	3½	3	649	544	383	200	*	*
Marine and Gen.	1934	3	3	512	352	383	243	*	*
National Prov.	1936	3	3	1,346	959	897	...	*	*
N. Brit. & Mer.	1935	2¾	2¾	3,546	2,372	3,036	1,371	337	176
Pearl	1938	3	3	1,471	1,348	914	682	218	171
Prudential	1938	3	3	3,777	3,575	2,809	2,098	296	233
Refuge	1938	3	3	1,776	1,344	955	58	106	7
Royal	1934	3	2½	4,070	4,302	2,252	2,066	250	230
Wesleyan & Gen.	1938	3	3	203	160	157	83	*	*
INDUSTRIAL									
Britannic	1938	3	3	934	994	268	245	240	215
Co-operative	1938	3	3	473	365	288	...	...	...
London and Man.	1938	3	3	420	395	113	...	†	†
Pearl	1938	2½	2½	2,449	2,339	812	616	650	700
Prudential	1938	2¾	2¾	6,739	6,628	4,131	3,525	901	784
Refuge	1938	2½	2½	894	1,029	454	514	51	113
Wesleyan & Gen.	1938	3	3	217	203	65	...	*	*

* Mutual Office—no shareholders.
† In 1938 £123,000 was distributed to shareholders out of Ordinary and Industrial surplus; in 1939 the corresponding figure was £108,000.

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While a number of offices were able to make bonus allocations to with-profits policyholders at what must be considered favourable rates, all adopted the cautious policy of lowering the rate of bonus compared with the previous distribution. In a fair number of cases, the bonus was passed altogether, and the carry-forward of profits to the next valuation was thereby frequently increased compared with the sum brought forward from the previous valuation. The very conservative policy of the offices was dictated not merely by the lower level of profits shown by the latest valuation, but also by expectations of more difficult conditions in the near future. This is an omen for the valuations due at the end of this year. The general reductions of bonuses on policies becoming claims during 1940 points in a similar direction.

Shareholders receive reduced participations in profits from practically all the life valuations included in the table below, but they are mainly interested not in life profits, but in the interest earnings of the non-life branches of the offices, which in the aggregate cover a major part of their usual dividends. The lowered allocations must nevertheless be taken by shareholders as an indication of the several adverse factors in the present earnings position of the life assurance offices.

Life Office Investments

THE primary investment need of life offices is to hold securities yielding a rate of interest as high as is consistent with security of capital. At the present time, taxation exacts such a heavy deduction from gross interest returns, and the consequences of a sustained fall in security values would be so far-reaching, that the fulfilment of these investment requirements is more urgent even than in peacetime. The two factors, yield and security, are, however, ultimately incompatible, in the sense that one cannot extend beyond a certain point without endangering the other. In war, the point at which one of the criteria must be sacrificed is reached much earlier, and there is evidence that the offices have already been forced to a choice between the two. The offices have, on the whole, preferred to obtain the greatest possible stability of investment values, where the sacrifice has been necessary, even though this implies a very pronounced fall in net interest earnings. In the first eight months of 1939 considerations of this sort were present, but not in their full force. Nor was the field of investment so restricted by Government regulations as it has since become. Hence the offices were able to expand the relatively profitable item, loans to local authorities (included in the first group in the table below) and United Kingdom municipal securities (the fourth group), obtaining at the same time a high degree of security. But these avenues for the placing of funds are not now readily available. The attractions which ordinary shares had held out to the growing number of offices which were willing to consider an "active" investment policy largely disappeared with the war, and, as the table shows, holdings remained unchanged at the end of 1939, though this was partly due to lower market values.

The offices have shown their desire to help the war effort by responding in the most direct fashion to the appeals for the fullest support to Government loans. Almost every office subscribed heavily to the first War Loan and to the National Defence Bonds (the "Prudential" recently subscribed £20 millions to the latter loan). But the offices' readiness to subscribe to Government issues should not lead to the mistaken conclusion that investment in other directions does not help the war effort. Moneys placed in investments of whatever kind must sooner or later reach the Exchequer, in the present condition of the capital market. Nevertheless, the offices' holdings of British Government securities undoubtedly increased in nominal value last year, and the small decline shown in the table was due to the fall in market values. Since December, holdings have increased substantially. It is interesting to note that the group "Reversionary interests, properties and other assets" was larger at the end of 1939 than a year earlier, partly because more cash was held for subsequent investment and was no doubt intended mainly for Government loans. Properties, included

PERCENTAGE DISTRIBUTION OF INSURANCE ASSETS, 1935–1939

Class of Assets	Year 1935	1936	1937	1938	1939
	%	%	%	%	%
Mortgages, including loans on policies	22·0	22·3	23·0	23·6	23·9
British Government securities	19·5	18·1	17·5	17·0	16·4
Indian, Colonial and Foreign Government securities	8·8	8·2	7·5	7·1	6·9
British municipal and county stocks	2·9	2·9	2·8	2·9	3·3
Indian, Colonial and Foreign municipal securities	2·7	2·5	2·3	2·1	1·8
Debenture stocks	18·4	18·6	18·7	18·9	18·8
Preference and guaranteed stocks	8·7	9·2	9·5	9·4	9·4
Ordinary stocks	7·5	8·6	9·2	9·2	9·2
Reversionary interests, properties and other assets	9·5	9·6	9·5	9·8	10·3

PERCENTAGE DISTRIBUTION OF ASSETS OF 38 PRINCIPAL OFFICES

Office	Mortgages, including Loans on Policies	British Government Securities	Indian, Colonial and Foreign Government Securities	British Municipal and County Stocks	Indian, Colonial and Foreign Municipal Securities	Debenture Stocks	Preference and Guaranteed Stocks	Ordinary Stocks	Reversionary Interests, Properties, and Other Assets
Mutual Offices	%	%	%	%	%	%	%	%	%
Equitable	29·8	2·2	8·1	3·1	8·1	23·1	4·7	5·4	20·5
Friends' Provident	21·6	8·0	2·6	2·8	0·8	30·3	5·6	18·3	10·0
London Life	31·5	15·6	7·3	1·6	1·4	11·4	9·2	8·9	13·1
Marine and General	13·5	13·9	8·8	5·0	4·0	27·6	15·3	10·2	1·7
National Mutual	15·3	11·1	2·1	6·0	0·3	17·8	13·5	14·8	19·1
National Provident	27·0	12·6	6·0	5·2	2·4	21·1	7·2	7·0	11·5
Norwich Union	35·9	7·8	7·7	0·1	1·8	18·2	5·8	13·0	9·7
Provident Mutual	7·9	18·2	2·0	1·3	1·1	19·6	23·1	18·4	8·4
Scottish Amicable	19·1	19·9	5·3	1·7	0·6	21·9	16·7	9·9	4·9
Scottish Equitable	25·9	10·5	7·1	1·4	1·4	29·8	8·6	10·1	5·2
Scottish Provident	6·9	32·2	5·6	3·1	2·1	13·3	11·9	15·6	9·3
Scottish Temperance	22·4	7·7	4·8	1·1	3·2	19·3	20·3	8·4	12·8
Scottish Widows	15·2	21·7	5·1	6·7	0·2	18·2	16·3	12·2	4·4
Standard	14·3	19·4	6·6	0·4	2·9	27·9	9·0	15·8	3·7
United Kingdom	27·4	11·3	8·1	0·6	2·1	9·6	7·1	14·2	19·6
Average	20·9	14·1	5·8	2·7	1·8	20·6	11·6	12·2	10·8
Proprietary Offices									
Clerical, Medical and General	46·0	2·4	6·1	0·9	0·4	12·3	2·0	3·9	26·0
Equity and Law	36·5	7·5	3·7	0·6	0·9	11·1	7·9	16·7	15·1
Scottish Life	17·3	14·5	4·7	0·1	1·0	26·1	22·0	10·5	3·8
Sun	27·8	24·8	9·5	3·4	1·8	24·7	1·0	1·5	5·5
Average	31·9	12·3	6·0	1·3	1·0	18·6	8·2	8·1	12·8
Industrial-cum-Ordinary Offices									
Britannic	18·8	19·0	11·3	4·2	2·8	9·0	8·0	17·2	9·7
Pearl	6·0	29·8	13·5	5·4	2·8	14·8	7·5	11·7	8·5
Provident Association	54·1	4·5	20·1	9·0	5·5	3·7	0·2	0·2	2·7
Prudential	13·8	23·7	5·1	2·4	1·4	17·0	8·8	12·3	15·5
Refuge	15·0	36·5	6·8	2·6	1·0	20·4	11·4	0·7	5·6
Wesleyan and General	34·1	18·2	6·5	8·7	3·1	12·8	6·2	...	10·4
Average	23·6	22·0	10·5	5·4	2·8	13·0	7·0	7·0	8·7
Composite Offices									
Alliance	30·5	17·4	5·7	8·9	0·8	23·4	7·2	4·9	6·2
Atlas	31·8	5·0	9·9	0·9	2·3	18·4	6·0	9·2	16·5
British Equitable	23·5	15·5	7·5	5·1	5·1	16·7	7·1	4·1	15·4
Caledonian	15·7	23·7	5·1	2·5	0·8	18·5	9·8	13·3	10·6
Commercial Union	26·2	27·1	4·9	9·0	1·1	16·4	7·5	5·2	2·6
Eagle Star	20·2	26·1	1·0	1·6	0·4	13·7	13·1	10·5	13·4
Guardian	31·6	4·2	4·6	3·6	0·4	22·7	13·3	12·0	7·6
Law Union and Rock	33·4	20·6	11·2	1·1	2·1	11·3	10·7	3·1	6·5
Legal and General	32·4	16·0	3·4	6·8	1·0	8·9	4·5	8·5	18·5
London Assurance	20·7	15·7	4·2	2·4	0·8	30·0	9·3	7·6	9·3
North British and Mercantile	21·7	26·5	10·2	6·3	1·8	17·4	4·9	6·0	5·2
Phœnix	19·1	20·4	11·1	3·9	4·4	24·7	8·8	2·1	5·5
Royal Exchange	16·4	13·1	7·3	2·4	1·2	29·1	5·4	7·0	18·1
Average	24·9	17·8	6·6	3·8	1·7	19·3	8·3	7·2	10·4
Average of all Offices	23·9	16·4	6·9	3·3	1·8	18·8	9·4	9·2	10·8

A.M.P

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Figures from Annual Report for 1939
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NET RATES OF INTEREST

Life and Annuity Funds (including Reversions)

Company	1938 £	s.	d.	1939 £	s.	d.
Mutual Offices :—						
Equitable	4	0	10	3	16	3
Friends' Provident and Century	3	16	9	3	11	5
London Life	3	15	0	3	10	11
Marine and General	4	1	2	3	17	1
*National Mutual	4	3	6	3	17	1
National Provident	4	1	0	3	15	0
Norwich Union	4	2	5	3	18	0
Provident Mutual	4	4	7	3	15	2
Scottish Amicable	4	0	5	3	14	3
Scottish Equitable	3	18	0	3	11	3
Scottish Provident	3	15	0	3	11	6
Scottish Temperance	3	19	6	3	12	0
Scottish Widows	4	1	6	3	15	7
Standard	4	14	2	4	11	7
United Kingdom Provident	4	1	6	3	14	2
	4	1	0	3	15	5
Proprietary Offices :—						
Clerical, Medical and General	3	16	6	3	13	10
*Equity and Law	4	8	0	3	16	3
Scottish Life	4	2	2	3	18	10
Sun Life	3	18	0	3	13	0
	4	1	2	3	15	6

Company	1938 £	s.	d.	1939 £	s.	d.
Industrial-cum-Ordinary Offices :—						
Britannic	4	2	10	3	15	11
Co-operative	3	15	11	3	10	4
Pearl	4	1	9	3	16	8
Provident Association	3	12	5	3	6	1
Prudential	4	4	4	3	17	8
Refuge	3	19	5	3	12	7
Wesleyan and General	3	17	2	3	13	3
	3	19	1	3	13	3
Composite Offices :—						
Alliance	3	9	8	3	2	4
Atlas	4	3	2	3	16	3
Beacon	4	0	9	3	18	8
British Equitable	3	18	2	3	14	0
British General	3	11	4	3	9	2
Caledonian	3	16	8	3	12	8
Commercial Union	3	14	4	3	11	3
Eagle Star	4	1	3	3	14	2
General Accident	3	17	11	3	13	0
Guardian	3	13	9	3	11	0
Law, Union and Rock	3	11	7	3	9	2
*Legal and General	4	2	8	4	1	3
Liverpool and London and Globe	3	16	0	3	10	4
London and Scottish	4	2	9	3	17	11
London Assurance	3	14	8	3	11	8
North British and Mercantile	3	8	6	3	2	3
Northern	3	17	4	3	9	10
Phœnix	3	16	5	3	11	8
Royal	3	15	11	3	11	8
Royal Exchange	3	15	3	3	8	11
Scottish Union and National	3	15	6	3	9	2
Yorkshire	4	2	11	3	18	0
	3	16	7	3	12	0
Average of British Offices	3	18	9	3	14	7

* Excluding Reversions.

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in this same group, had, of course, lost much of their investment attraction owing to the risk of damage from air attack and the limitations of the Government scheme of compensation.

For the majority of offices except the industrial-cum-ordinary companies, loans on policies declined. This was the result of the repayment of loans under a large number of 15-year single-premium endowment policies effected in 1924 which matured last year. These policies were taken out for the purpose of avoiding tax on the premium payments, loans then being raised to practically the whole amount of the premiums, but the practice has for some time been prohibited. The repayment of such loans during 1939 coincides with the maturity of the policies. There has, fortunately, been no rush for loans on policies by the public, but, apart from the special factor of 15-year borrowing, some increase in loans against policies might have been expected last year.

Fire Insurance

FIRE insurance is no doubt less obviously affected by war than the other branches of the business. The fire manager is spared such conspicuous difficulties as are created for the actuary by the reduced net rate of interest; he need not concern himself, as his colleague in the motor department must, with a serious decline in the volume of business; unlike the marine underwriter, he does not transact war risk insurance with its many attendant liabilities and difficulties. Nevertheless, the effects of war on fire insurance are substantial. Even the first four months of hostilities left their mark upon the companies' published results for the year 1939. Though the fire department presents no single outstanding problem as in the other departments of the business, difficulties are accumulating fast enough with the progress of the war.

FIRE—GENERAL RESULTS, 1935-39—22 COMPANIES

	1935		1936		1937		1938		1939	
	Amount	Percentage of Premiums	Amount	Percentage of Premiums	Amount	Percentage of Premiums	Amount	Percentage of Premiums	Amount	Percentage of Premiums
	£		£		£		£		£	
Claims	17,543,429	40·0	18,208,169	41·8	17,704,138	39·9	18,571,498	42·3	18,726,549	42·6
Commission	8,889,005	20·3	8,834,750	20·3	8,988,349	20·3	8,986,126	20·4	9,023,802	20·5
Expenses	11,988,897	27·3	11,970,896	27·5	12,202,476	27·5	12,241,621	27·9	12,302,249	28·0
Increase in unexpired risks reserves	– 63,937	– 0·1	– 85,270	– 0·2	316,933	0·7	– 213,555	0·5	364	
Profit	5,458,580	12·5	4,637,220	10·6	5,144,075	11·6	4,368,160	9·9	3,936,768	8·9
Premiums	43,815,974	100	43,565,765	100	44,355,971	100	43,953,850	100	43,989,004	100

Note.—In computing the 1939 results, unexpired risks reserves have been taken on the bases adopted by individual companies; in previous years the reserve for all companies was adjusted to a basis of 40 per cent. of premiums. The figures include those of all companies shown in the large table on page 90, with the exception of the Pearl and the addition of the Century.

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In the home field it is already apparent that the movement of prices is to the benefit of the fire insurer, since it leads sooner or later to a revision of the insured value of stocks, and thus to a higher premium income, which is only partially offset by the increase in claims payments. Provided that the policy of combating any inflationary price-rise is successful, it would be a mistake to expect such a spectacular increase in insurable values as took place during and after the last war, when premiums rose by 44 per cent. between 1914 and 1918 and by 103 per cent. between 1914 and 1920. But, on the other hand, the advance in prices during the first ten months of war already amounted to 37 per cent. at wholesale and 17 per cent. at retail. The companies have not been slow in pointing out to insured, that in times of such substantial price movements it is desirable that they should keep themselves fully covered by a periodical revision of insured values. One beneficial consequence of the scheme for the compulsory insurance of stocks against war risks may be that the necessity for an adequate cover under that scheme has led many to bring their values up to date for fire insurance purposes also.

While, however, the movement of prices will, on the whole, bring advantage to the companies, regard must also be had to movements in the aggregate volume of insurable goods in the country, for these movements may well offset any upward trend in the unit prices of commodities. Probably, the volume of insurable goods—which is not the same thing as production in general—will decline as the war effort intensifies. The partial restrictions on luxury and semi-luxury goods will limit total insurable values in the highly-priced categories, and there will probably be a simultaneous decline in the total values of low-priced necessaries, though this should be much less marked. As industrial production becomes increasingly confined to the war industries a greater proportion of our resources will be in the form of uninsurables—in such things as munitions, aircraft, guns and the like. To the extent to which this process is carried, the normal scope for fire insurance will be reduced.

This last consideration admittedly demands an addendum. The Government made special provision early this year by which stocks of commodities held by the Ministries of Food and Supply were to be covered in the insurance market, instead of being self-insured as was the practice with State property before the war. The decision removed anxiety which had been felt by the companies, for the quantities of foodstuffs and raw materials passing into the control of the two Ministries have been very large. But there is nevertheless an inevitable increase in the uninsured implements and accessories of war.

In the foreign field, the war has brought, at best, interruptions and disturbances to the flow of fire insurance business; at worst, it has meant in many countries the complete cessation of underwriting. Difficulties of communication by telegraph or letter, the exigencies of the censorship, the practical impossibility of travel, are impediments of general application which have taken their toll on premium income. But they are of small significance beside the rupture of insurance and reinsurance relationships with the markets of Germany, France, Belgium, Holland, Scandinavia and Italy, which were previously of considerable aggregate importance. In other European countries a parallel decline in business occurred as the war and near-war zone widened. In addition, war has meant in practically every country of the world an accentuation of that economic nationalism which had been in progress during preceding years, with unwelcome effects upon the international insurance business.

In view of the considerations outlined, the fact that a very small increase occurred in fire premiums last year (as may be seen from the table on page 88) is distinctly encouraging, though it probably means that during the early months of war the rise in prices was of most importance among the various factors mentioned above, while the more specific war effects were delayed in operation.

Fire claims, as the table shows, increased during the year, both as an absolute figure and as a percentage of premiums. Rising prices clearly accounted for a large part of the advance in the absolute total, but they explain the increase in the ratio of claims to premiums only to the extent that higher prices are taken into account in fire loss payments before they are recorded in insured values. Another important reason for the higher claims ratio, however, was the greater intensity at which industry was working in this country—a factor to be borne in mind by insurance executives in the present acceleration of war production. Overtime, night-work, over-heated machines, postponement of repairs and

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renovation in the factories—these and similar related causes have invariably produced a greater incidence of fires. Nor has the increase in claims been confined to industrial risks. Many companies have suffered an increase in fire losses on what are known as the "simple" risks, of which dwelling houses are the main type. This experience is due to such factors as the "black-out" and the evacuation from the danger areas, which has left houses unoccupied. On the other hand, one factor which has been of general significance in limiting the upward movement of fire claims, namely, the expansion in fire-fighting equipment and trained personnel, deserves mention. At the present time, it should be more than ever appreciated that the cost of fires is waste from the national point of view, and everything possible should be done to reduce the scale of this loss of the country's economic resources.

Fire claims abroad also increased last year, and the trend has continued during this year to date. Thus, in the important American field, claims increased substantially, as the figures quoted on page 81 show. Nevertheless, the United States continues to provide a profitable field for the British companies, even in the face of other difficulties with which they are confronted there.

These difficulties concern, in the main, the level of expenses. They are by no means exclusive to the United States, though very much in evidence there. Everywhere the level of taxation is rising, and in no country more than Great Britain. Increases in this and other items of expense, of which salaries are perhaps the most important, apply to all branches of insurance. Special attention should, however, be drawn to the additional work which has been performed by the fire insurance companies in administering the war risks insurance scheme for stocks. Their direct expenses are being borne by the Government, but in many directions some uncompensated costs are likely to be incurred. Their work as agents for the Government has involved many of the companies in considerable dislocations in their office arrangements, though they are willingly bearing the burden placed upon them.

Accident Insurance

ACCIDENT business is commonly regarded as the Cinderella of insurance, even though it now produces a premium income outstripping that of the fire department. No doubt this is partly due to the fact that as new types of insurance business have arisen during the present century they have been grouped under the generic term "accident," so that this department now transacts a rather miscellaneous collection of insurance business—motor, workmen's compensation, personal accident, public liability, burglary, fidelity guarantee, plate glass and so on. But it must also be ascribed to the failure of the most important of these new branches, namely motor insurance, to consolidate itself in such a way that wide fluctuations in the annual results were eliminated or even a small profit margin over a period of years assured. Workmen's compensation insurance, in which such wide fluctuations might be avoided, has been subjected to an overriding limitation upon profits, by which the companies are not allowed to exceed a total of 32½ per cent. of premiums for all expenses and profits combined. In consequence of this restriction, and of the uncertain prospect for workmen's compensation business arising from new legislation, this category of accident insurance, though at present the next in importance after the motor branch, could never be expected to occupy more than a subsidiary place as a revenue producer.

The war came, therefore, at a time when accident insurance had hardly reached full maturity or stability and it constituted the sharpest shock among a series from which the business had suffered in recent years. In the case of motor insurance the complete dependence upon one type of "risk" was an unfortunate circumstance, for it was precisely motor traffic which felt the earliest and most severe restrictions of the war. Petrol was rationed, there were successive increases in its price, the rate of horse-power tax was raised and the production of motor cars for non-war purposes was curtailed. Some motorists, whose incomes had been severely affected by war conditions, economised upon the most important luxury in their budgets, the family car, though a majority continued to license their cars. The black-out produced terrors for the nervous driver which drove him off the roads. In consequence, registrations of cars fell off drastically and, with them, the level of the companies' premium incomes. The fall in premiums is certainly not so marked in the 1939 accounts of the companies as many had expected. This is largely because the decline was limited, as far as 1939 was concerned, through the concession granted by insurers for the extension of policies by a *pro rata* premium up to the end of the year. No such step is likely to produce much result in 1940 and, in any case, the rates of premium are hardly sufficient to justify the granting of concessions by the companies. It may be noted that some benefit will accrue to them in premium income from the arrangement whereby the insurance companies cover cars requisitioned by local authorities for full-time or whole-time war use, though it is too early to say whether this particular business is likely to yield profits. But there will undoubtedly be a very pronounced decline in total premiums for 1940. It will be emphasised by the very drastic reductions in United States motor premium rates effected in 1939.

Some consolation for this reduction in business may perhaps be found in the thought that when a particular line of business is unprofitable, restriction of the scale of trading is sometimes the only remedy. A number of companies, though by no means all, had found it impossible to make a profit on this class of business. Now that the war has accentuated the claims ratio, such companies should not find a reduction in the volume of insurances altogether unwelcome. Before the war, the most noteworthy feature in the high cost of loss settlements was the large awards made under third party liability claims by the Courts, which the companies had also to follow when payments were made without recourse to law. At the same time, the extension of the motorist's liability, and that of his insurer, was pushed to extreme lengths by various legal judgments. Recently, however, the reversal by the Court of Appeal of a decision in Digby *v.* General Accident Fire and Life Assurance (more popularly known as the "Merle Oberon" case) has perhaps limited this process. In this case, it had been decided by the lower Court that the employer was entitled to recover damages from her chauffeur for negligence in a motor accident and that the chauffeur could then recover such damages under the third party liability cover contained in a motor policy. The quashing of this decision may perhaps indicate that motor insurance will no longer be regarded as a limitless source for "damages" arising from motor accidents.

The black-out has naturally increased the danger of accidents. Even though the reduction in the number of vehicles on the roads may reduce the total of accidents, their incidence in relation to the number of vehicles is bound to be greater. At the same time, the higher cost of repairs, as in marine insurance, raises the claims ratio, for the main factor in the rating of vehicles for insurance purposes is horse power, value being only a secondary consideration. Premiums do not, therefore, move in step with values, while repair costs continue to mount with the growing scarcity of labour and materials. Thus in these several directions the war has raised still further a level of claims which was already high. Only in one respect has it produced a factor operating in the contrary direction, and that, though interesting, is of limited significance. The exaggeration of payments under liability claims, to which the decision already discussed sets one limit, has been limited further by the ruling of the courts that settlements under claims for loss of expectation of life shall take account of the lower average duration of life which may be expected to be a consequence of the war.

In the other main category of accident insurance, workmen's compensation, certain of the effects of the war are more favourable. The amount of business and the premiums it produces are both increasing in pronounced degree. There is a direct correlation between the volume of employment and the size of pay-rolls, on the one hand, and the premiums under workmen's compensation policies, on the other hand. Yet it is necessary to remember that the number of claims and their cost is bound to increase greatly with the intensification of industrial production.

Liability to industrial accidents is largely a product of fatigue, and long shifts, or a seven-day week, night work and other similar measures for the acceleration of output will increase the number of slight mishaps and serious accidents alike. The over-working of machines and use of semi-skilled labour tend in the same direction. Claims will undoubtedly advance substantially, therefore, though malingering—an important cause of high claims ratios—should diminish in present circumstances.

There were, of course, uncertainties in the position of workmen's compensation business as it existed before September last which the war has not removed. Certainly the Royal Commission on Workmen's Compensation is not now expected to report until after the war, but quite far-reaching legislation will certainly ante-date the report. Already, pre-war tendencies towards a growth in compensation payments—which were then seen mainly in the growth of common-law claims—have been reinforced by war conditions. They were in fact, incorporated in a Bill recently introduced which would have raised payments for married men retrospectively to 1924. The insurance companies had agreed not to raise premiums to offset the increased compensation payments for which they would be liable, and the significance of this can be seen in the fact that the Bill would have cost industrialists about £2,000,000 per annum, a large part of which would have been recoverable from insurers. This first Bill was withdrawn, but apparently only because it did not go far enough in raising benefits, and the revised measure, introduced a week ago, provides for more generous supplementary allowances to workmen and their dependants.

Most of the smaller categories of accident insurance produced profits in 1939, but there were none of them that did not reveal the effects of the war. Burglary claims were considerably higher, as a result of the evacuation of premises and the black-out, so that the "accident-end" of comprehensive household policies produced a smaller profit margin for the companies. Similarly, claims under personal accident and public liability insurances were higher, for the black-out and sand-bagged pavements produced many minor injuries. These same factors, however, led to many inquiries for insurance cover and the volume of business rose. In engineering insurance, a very profitable branch, the great development of factories on war work caused a substantial growth in the number of policies, and this tendency is likely to go further as the war effort is intensified.

ACCIDENT AND MISCELLANEOUS—GENERAL RESULTS, 1935-39 22 COMPANIES

	1935		1936		1937		1938		1939	
	Amount	Percentage of Premiums	Amount	Percentage of Premiums	Amount	Percentage of Premiums	Amount	Percentage of Premiums	Amount	Percentage of Premiums
	£		£		£		£		£	
Claims	29,825,749	*55·0*	29,906,370	*53·3*	31,364,158	*52·1*	31,511,812	*52·4*	31,157,368	*53·2*
Commission	9,781,126	*18·0*	10,235,561	*18·1*	10,888,087	*18·1*	10,747,282	*17·9*	10,497,531	*17·9*
Expenses	11,462,250	*21·1*	12,028,912	*21·3*	12,703,408	*21·1*	13,389,088	*22·3*	13,428,287	*23·0*
Increase in reserve for unexpired risk	803,552	*1·5*	1,544,009	*2·7*	2,085,800	*3·5*	428,582	*0·7*	*Dr. 116,119*	*0·7*
Profit	2,373,656	*4·4*	2,898,708	*5·1*	3,134,202	*5·2*	4,049,487	*6·7*	3,843,668	*6·6*
Premiums	54,246,335	*100*	56,613,560	*100*	60,175,655	*100*	60,127,251	*100*	58,510,735	*100*

Note:—In computing the 1939 results, unexpired risk reserves have been taken on the bases adopted by the individual companies; in previous years the figures of all companies were adjusted to a basis of 40 per cent. of premiums. The figures include those of all companies shown in the table below with the exception of the Pearl and Royal Exchange and the addition of the Motor Union and Century.

UNDERWRITING RESULTS—22 OFFICES

Office	Fire		Accident		Marine		Total Underwriting Depts.	
	Premiums	Profit	Premiums	Profit	Premiums	Profit	Premiums	Profit
	£	£	£	£	£	£	£	£
Alliance	2,196,409	425,763	1,371,640	108,252	582,572	17,661	4,150,621	551,676
Atlas	1,744,310	135,551	665,238	44,156	186,128	30,000	2,595,676	209,707
Caledonian	684,680	45,989	568,358	23,767	121,847	7,500	1,374,885	77,256
Commercial Union	5,369,373	362,613	8,182,396	451,054	896,228	75,000	14,447,997	888,667
Eagle Star	841,682	60,842	2,412,676	139,455	426,900	25,000	3,681,258	225,297
Employers' Liability	395,429	25,017	5,877,197	203,327	Not transacted		6,272,626	228,344
General Accident	747,244	182,270	8,420,967	312,104	207,136	*Dr. 10,258*	9,375,347	484,116
Guardian	938,274	114,849	756,691	123,577	308,326	5,000	2,003,291	243,426
Liverpool and London and Globe	3,802,967	297,248	4,694,164	457,104	545,782	-	9,042,913	754,352
London	2,201,186	148,057	1,458,942	159,878	997,660	50,000	4,657,788	357,935
London and Lancashire	2,844,207	267,695	2,468,152	104,711	1,672,007	140,628	6,984,366	513,034
North British and Mercantile	3,281,079	303,208	1,378,222	150,853	397,574	40,000	5,056,875	494,061
Northern	1,987,088	95,035	1,824,170	146,247	886,892	-	4,698,150	241,282
Norwich Union	1,808,699	136,008	1,607,674	136,766	333,778	-	3,750,151	272,774
Pearl	1,058,413	*Dr.128,685*	595,336	*Dr. 2,559*	Not transacted		1,653,749	*Dr. 131,544*
Phœnix	2,768,159	201,780	3,781,822	330,074	908,316	-	7,458,297	531,854
Prudential	993,853	28,682	1,443,899	121,487	123,068	20,620	2,560,820	170,789
Royal	5,440,863	501,883	6,042,399	558,391	1,241,243	82,706	12,724,505	1,142,980
Royal Exchange	1,442,947	147,451	1,200,109	119,627	397,159	*Dr. 17,930*	3,040,215	249,148
Scottish Union	961,132	77,725	366,522	*Dr. 97,132*	494,710	-	1,822,364	*Dr. 19,407*
Sun	2,286,550	270,733	1,931,673	127,291	652,465	50,000	4,870,688	448,024
Yorkshire	928,066	98,602	1,470,742	94,502	494,067	10,000	2,892,875	203,104
	44,722,610	3,798,316	58,518,989	3,812,632	11,873,858	525,927	115,115,457	8,136,875

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THE BUSINESS WORLD

Delays in Production

If we are to win the fight for our existence as a free nation we must engage in it all our manpower, all our plant and machinery, and all our overseas resources, save that part of them which is absolutely necessary to maintain the population in good health. The example of France, unhappy, impoverished, starving and writhing under the Nazi heel, is surely sufficient to remove any remaining hesitancy or opposition to a temporary, but complete, subordination of all private or sectional considerations, whether they be material or political, to the common interest, and to impel us to make a gigantic effort. Nothing less will do. Unfortunately, after ample warning and ten months of war, we have neither transferred anything like all our potential resources to the war, nor are we using those that have been transferred as efficiently as possible. The rate of increase in our striking and staying power, in spite of the acceleration since May, is still much too slow, both in relation to our capacity and to our needs.

The rate at which resources of men and machinery are transferred from civil to war purposes must be speeded up, not haphazardly as hitherto, but decisively and rapidly, and in accordance with a definite plan. The provision of goods and services to the civil population must be guided by the principle that everything that is not essential to the maintenance of its health and efficiency must be devoted to the war. The nutrition experts have ample data concerning the nature and quantity of the food necessary to the population. All fancy foods, especially if they are imported, must disappear. And the basic ration will almost certainly be smaller, and probably better balanced, than that to which we have become accustomed. Even now, the volume of retail sales of food and perishable articles, though lower than last year, is still appreciably higher than a few years ago. An adjustment of the Bank of England's returns of the value of retail sales of foods and perishable articles for changes in prices shows that the volume of sales from January to May, 1940, while 10½ per cent. lower than a year ago, was still 13½ per cent. higher than in the corresponding period of 1932. The figure for May alone was 11 per cent. lower than in 1939, but 22 per cent. higher than in 1932.

Nor should it be difficult to estimate the population's needs in clothing and other essential durable goods. In this category of goods there is very considerable scope for saving, by a reduction in production and by standardisation. The allocation of raw materials for clothing purposes has already been reduced. Wool has been rationed at the raw material end, while sales of cotton, rayon and linen are controlled as the goods pass from the wholesaler to the retailer. Hitherto, however, allocations have not been reduced drastically enough. Thus, sales of cotton and rayon piece-goods to retailers during the 5½ months ended on September 30th have only been reduced to 75 per cent. of those made during the six months ended on September 30th last year, though more drastic limitations will be enforced from October 1st.

Finally, there is a big category of durable goods, the production of which for civil consumption can be stopped altogether, at least temporarily, either because they are unessential or available in sufficient quantities. The construction of private houses, one of the most important items in this category, was virtually and rightly arrested after the outbreak of war, for there is sufficient housing accommodation in this country to prevent a deterioration in the public's health, even if substantial transfers become necessary; in case of large-scale destruction through air raids, it may, however, become necessary to devote some of our resources to essential repairs. Similarly, the production of goods such as gramophones, cameras, vacuum cleaners, jewellery and ornaments for civil use could, as soon as the labour now employed in them can be used elsewhere, be discontinued altogether for a period without causing any harm to the population. In any case, these commodities could still be purchased in the second-hand market, for existing stocks are substantial. For the period from June 6th to November 30th, retailers have been ordered to cut their purchases of some of these durable luxury goods by only one-third (by value) of those made during the six months ended November 30, 1939, but sales of new private cars are to be discontinued from July 20th, while new goods vehicles can in future only be purchased with a licence from the Ministry of Transport. But as there are some 2,000,000 private cars and about 500,000 goods vehicles in the country, this restriction is unlikely to cause hardship.

Such a curtailment of consumption, accompanied by a simplification of the distribution machinery, would set free substantial resources of men, plant and raw materials. Its enforcement has been delayed far too long, partly because discussion centred on the financial rather than on the quantitative aspect. The only relevant considerations are that total production and imports for civil consumption should be confined to essential commodities by quantitative limitation and that they should be distributed fairly among the population. The method or methods employed to ensure a fair measure of equality of distribution matter relatively little, though common sense should dictate the selection of those which are most efficient and most acceptable to the bulk of the population.

Even more urgent than the setting-free of resources for war purposes is their efficient utilisation. There is still far too much anxiety, among industrialists and trade unions, about the temporary sacrifice of pre-war standards and privileges. If we lose the war, these will go by the board anyhow. Some industrialists are still far too anxious to continue supplying civil requirements or to obstruct new entrants into their field, though many others are clamouring for war work. These obstacles to an increase in the output of munitions must be removed, and removed speedily. Similarly, although the trade unions have accepted dilution in principle, its application is far too slow owing to the cumbersome procedure adopted. Whereas provision should now be made for the future needs of skilled labour in the munitions factories by the intake of a large number of trainees, the unions concerned are still slow to consent to dilution in particular cases except where it can be definitely proved that a job cannot be completed in time without additional labour, and then only after having satisfied themselves that the required labour cannot be transferred from some other industry or locality. It is difficult, therefore, to provide in advance for the large-scale recruitment that will surely be necessary.

Again, the full utilisation of available human and material resources is prevented by the failure to adapt our methods to wartime needs. There is, first of all, far too much delay in reaching decisions, due partly to the committee system in Government Departments. This defect has at last been recognised, for a week ago Mr Attlee circulated directions which the Prime Minister has issued to all departments, urging the need for speed in decision. It is hoped that Mr Churchill's exhortation will speed up the formulation of programmes once general policy has been laid down by the Cabinet, the decision on the types and quantities of the equipment required, and the placing of contracts.

Secondly, there is the need for a change in the method of placing contracts by Government Departments. Far too many of these are still let out on tender. In normal circumstances, the placing of contracts by tender is an excellent method of keeping expenditure down to the minimum. But even before the war this method had lost part of its effectiveness owing to the existence of rings. Now, however, the delay caused by tendering is no longer justified, for not only have the Government's accountants access to the books of the manufacturers, but the profits of all public concerns are subject to E.P.T. at 100 per cent. The delay is frequently substantial. Moreover, by this method of placing contracts, a manufacturer cannot be sure of securing a repeat order. As a result, he is often unable to arrange in time for the continuity of production by making provision for the necessary raw materials and labour.

Thirdly, much could be done to speed up production by the standardisation and simplification of design and by the adaptation of specifications to the types of raw materials, machinery and labour that are actually available. Quality is as important as ever, and there should be no reduction in the time and money spent on research. But in certain cases it should be possible to achieve a better balance between quality and quantity. Moreover, special attention should be paid to the simplification of designs and specifications. The weight of metal or of any other material employed for all types of equipment could, and should, be reduced to the quantity absolutely necessary; specifications should be worked out with reference to the type of machinery and materials available for production after consultation with industrialists rather than behind the closed doors of a Government Department. Further, much could be achieved by the standardisation of specifications. For example, existing inter-Service differences in the specifications for equipment serving similar purposes should be eliminated as speedily as possible, and no question of prestige should be allowed to arise. This will not only make for greater output, but it will also facilitate interchangeability. It is difficult to see, for example, why the towing gear employed by the Army and Air Force should be different; the only result is that interchange is rendered impossible, an anachronism which, in certain circumstances, may have serious consequences.

Fourthly, a good deal of delay has been caused in the production of the more complicated munitions by the fact that certain parts of a given equipment are not available in time. This is a matter of organisation which it should not be difficult to solve more satisfactorily. If a manufacturer should try to insist on producing himself the whole requirements of a certain component when, in fact, he is not in a position to do so, other concerns should be brought in.

Lastly, in spite of the efforts made since last May, far too much industrial capacity remains unutilised. It has been suggested that the solution of this problem would be facilitated by the creation of "capacity" exchanges, which, like the labour exchanges, would relate supply to demand more efficiently. These exchanges would be operated by local panels, which would be under the authority of a committee of the Production Council through a central capacity panel. Some such machinery would assist in bringing idle capacity into production more speedily, and it would help to correct the present anomaly, whereby some plants have far too many orders on hand, while others have little to do.

There are other delays in production. In the main, however, most of them could be overcome by changes in organisation methods and by the simplification of procedure. Taken together they tend to hold down production considerably. Their swift elimination is vital and would assist the transfer of additional resources from civil to war purposes.

Finance and Banking

Exchange Control at Last

The amended system of exchange regulations which came into operation on Thursday of this week marks the arrival in this country and the sterling area as a whole of really effective control of the exchange market. There may still be minor adjustments to the new system of clearing agreements, and other countries may be brought within their scope. But the essential outlines of the system are now finally drawn. The essential feature of the new Order in Council amending the Defence (Finance) Regulations is the canalising of all transactions between the sterling area and the United States into the official exchange market. That has been achieved, not by an official payments agreement with the United States Government, but by arrangements with the American banks and the Federal Reserve authorities, whose ready co-operation must be gratefully acknowledged. All authorised payments between the sterling area and the United States of America will be made either in dollars or through sterling "Registered Accounts," which will be opened with United Kingdom banks in the names of American banks and possibly of large commercial enterprises. The conversion from dollars into these accounts and from them into dollars will be made at the official rates of exchange. Since no payments of "free" sterling will be made to residents in the United States, the market in free sterling in that country will rapidly vanish. For a time it will continue to be fed from the existing sterling balances of American banks, which are not to be blocked in any way, and which will be available for settling certain debts outstanding at the time when the new agreement came into force. But this fund of free sterling will be an emptying pool receiving no replenishment and before long the only rate quoted for sterling in New York will be the official rate. Similar arrangements have been made with Switzerland, the only other "hard currency" country; but under existing circumstances they are of minor importance. To round off the scheme, the chain of payments agreements with "soft currency" countries is being rapidly completed. Such agreements based on the opening of "Special Accounts" have already been negotiated with a number of countries of which the most important are Argentina, Brazil, Sweden and the Dutch and Belgian colonies. Others may be expected to follow rapidly now that the laggards have lost the only organised market in free sterling.

* * *

The Problems of Bilateralism

The "Registered" and "Special" accounts technique is, of course, based on the strict bilateralism of the operations it covers. Transfers will be allowed as between the "Registered" accounts of United States banks, but not as between the accounts of a United States and a Swiss bank. The same applies to the "Special" accounts except in so far as provisions have been made in the payments agreements in question for using the sterling in these accounts to finance

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During 1939 the Company received in premiums and interest a total of	£8,018,228
In settlement of all payments to policy-holders, beneficiaries and annuitants, the Company paid during 1939 a total of	£5,334,882
The Company holds special reserves and unassigned surplus totalling ...	£2,676,314
The assets of the Company increased during 1939 by £442,246 and amount now to	£55,078,049

". . . the present strength behind our policy contracts has never been exceeded at any time in the Company's history . . ." Mr A. N. Mitchell, President, at the 1940 Annual Meeting.

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Established 1847

other than bilateral trade. It may seem that the extension of this technique to cover virtually the whole of our exchange operations will involve the temporary dethronement of sterling from its position as an international currency. It must not be assumed, however, that each national group of Registered or Special accounts will constitute a self-contained and isolated entity available only for financing the direct trade between the country in question and the sterling area. Experience of the Anglo-Swedish agreement has already shown how the proceeds of British imports from Sweden could be used for financing Swedish imports from non-sterling countries. This element of multilateralism will in future be introduced by appropriate amendments to the Regulations governing each Special Account agreement. But for such intercommunication between the Special Account groups, the system now being instituted would bear all too close a resemblance to the ill-fated German Aski Mark system. Although, therefore, the Registered and Special Account technique necessarily implies the temporary disappearance of a homogeneous sterling free to be bought and sold in the exchange markets the world over, it bears within itself the seeds of a multilateral clearing system which will fit well into our present system of international trade.

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Ensuring Rate Stability

The main problem of the authorities will be to maintain the whole structure of these Registered and Special Accounts in reasonable balance, to allow them neither to accumulate unwieldy balances in sterling nor to become overdrawn. The most important aspect of this problem will be that concerned with the United States Registered Accounts. In this case, the balance is to be maintained by the readiness of the Bank of England, either in London or through the Federal Reserve Bank in New York, to repurchase such sterling against dollars at 4.02½ or to sell sterling against dollars at 4.03½. As long as the supply of gold and dollars lasts the problem of balancing these accounts will be easily solved. Not only will the sterling in the Registered Accounts be immediately convertible into dollars at the official rate, but arrangements are being made with various commodity markets for instituting forward exchange facilities to which the same guarantees of conversion to and from dollars at the official rates will be extended. Trade between the sterling and dollar areas will therefore be free to develop undeterred by the uncertainties of exchange fluctuations. But to compare this conditional guarantee of exchange stability with the operation of the gold standard—when not even the United States is operating a true gold standard—is to stretch the simile beyond breaking point. To round off the exchange control, the new Regulations specify and penalise various forms of subtle evasion of the Regulations, and in particular the export of capital by way of "compensation." No one, for example, may arrange to pay the debt of an American in this country in return for the payment of dollars in America to a third party, even though it might appear that in such an operation "no money leaves this country." In their latest form, the Defence Regulations providing for the control of sterling exchange constitute an instrument with which very little fault can be found.

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Tighter Money

A temporary spasm of stringency was felt by the money market this week. It was especially apparent during the morning of Wednesday, when the rate for bond money from non-clearing banks was bid up to 1¼ per cent. The shortage of funds in the hands of the clearing banks was probably due to the combination of tax payments, public subscriptions to the new War Bonds, together with the delayed effect of last week's Treasury deposit payments of £20 millions. The immediate impact of Treasury deposits has not been felt this week, as on Friday of last week the banks were informed that no deposits would be required this week. The amount so far collected from this source is £30 millions, of which the initial instalment was £10 millions. The Scottish banks were not called upon to participate in this first instalment as their individual quotas do not reach the stipulated minimum of £500,000 when the total amount asked for is as small as £10 millions. The Bank return issued this week provides adequate explanation of the somewhat tighter conditions which have developed. Bankers' balances have fallen by £27,834,000 to £79,166,000, while the new deposits have helped to swell public deposits by £33,846,000 to £56,038,000. The fall in bankers' deposits would have been even larger but for some Bank of England buying of bills from the clearing banks, which is reflected in a rise of £9,215,000 in Government securities. Since Treasury bill maturities in the hands of the banks and the market were concentrated in the latter part of the week, the short loan position is being gradually rectified. But as tax and War Bond payments are still coming in at a satisfactory pace, and as public deposits are at a high level, there should be comparatively little call upon bank deposits by the Treasury in the coming week.

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Clearing Bank June Statements

The June statements of the London Clearing Banks, which give the June 30th balance-sheet figures for each of the eleven banks, are inevitably distorted by the abnormal movements of funds which occur towards the close of each half-year. Since the beginning of the war this distortion has been increased by the delays of the wartime clearing machinery. This factor is evident in the expansion of cheques in course of collection and other transit items from £78,823,000 in

(In £ millions)

	June, 1939	Feb., 1940	Mar., 1940	Apr., 1940	May, 1940	June, 1940
Capital and reserves	138·8	139·3	139·3	139·3	139·3	139·7
Acceptances, etc. ...	124·7	117·5	119·2	120·1	120·2	123·2
Notes in circulation	1·4	1·4	1·4	1·4	1·4	1·4
Current, deposit and other accounts ...	2,218·8	2,365·6	2,363·3	2,353·9	2,413·4	2,469·4
Total liabilities	2,483·7	2,623·8	2,623·2	2,614·7	2,674·3	2,733·7
Cash	235·2	247·3	248·6	253·9	257·0	269·6
Cheques, balances, & items in transit	69·4	80·2	92·5	79·6	78·8	123·3
Money at call.....	149·8	149·1	141·5	153·4	143·7	166·1
Discounts	248·6	353·1	335·7	338·4	408·7	384·1
Investments	600·2	608·6	611·2	617·6	633·2	636·2
Loans and advances	987·3	999·8	1,006·2	983·4	964·3	962·5
Investments in affiliated banks	24·2	23·5	23·5	23·5	23·5	23·6
Cover for acceptances, premises, &c.	169·0	162·2	164·0	164·9	165·1	168·3
Total assets ...	2,483·7	2,623·8	2,623·2	2,614·7	2,674·3	2,733·7

May to £123,297,000 at the end of June. This movement dominates the whole return, being by far the most important factor in the rise of deposits by £56,043,000 to a new high record of £2,469,382,000. To the extent of £44,474,000, therefore, this expansion in deposits was fictitious. The other main movements in the aggregate figures are largely connected with the special operations, including "window dressing," which took place over the turn of the month. The fall of over £24,000,000 in discounts reflects to some extent the substantial sales of short bills by the banks to the authorities in the closing days of June. A counterpart of these special operations is to be seen in the rise of £12,600,000 in cash. They also help to explain the increase of over £22,000,000 in money at call and short notice, a movement which indicates the expansion in the Treasury bill holdings carried by the discount market. Investments continue their slow expansion, while advances are still declining slowly.

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Half-year's Money Rates

The following table shows the average level of short loan and discount rates in the first half of 1940, compared with previous years:—

AVERAGE MONEY RATES

Year	Bank Rate	Market Rate 3 Months' Bills	London Deposit Rate, Banks	Short Loans
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1929	5 10 0	5 5 4	3 10 0	4 12 3
1930	3 8 5	2 12 3	1 8 5	2 9 6
1931	3 18 7	3 11 0	2 1 0	3 0 10
1932	3 0 2	1 16 9	1 5 2	1 15 7
1933	2 0 0	0 13 10	0 10 0	0 15 5
1934	2 0 0	0 16 7	0 10 0	0 16 10
1935	2 0 0	0 11 3[illegible]	0 10 0	0 14 10½
1936	2 0 0	0 11 10[illegible]	0 10 0	0 15 6
1937	2 0 0	0 11 6[illegible]	0 10 0	0 15 1½
1938	2 0 0	0 12 7	0 10 0	0 15 7
1939	2 5 3	1 4 5½	0 13 7½	1 2 2
1940 (Jan. 1 to June 30)	2 0 0	1 1 0	0 10 0	1 2 0

The only comment to make on this table, which is given for purposes of record, is that the market bill rate and the short loans rate have not followed Bank rate back to the pre-war levels.

Investment

Awaiting the Budget

Business on the Stock Exchange this week has been quieter than at any time since last September. There has been an impression of softness in the market both for gilt-edged and ordinary shares, but this has found only limited expression in prices which, as indicators of pre-Budget sentiment, are almost meaningless. The measure of the Budget problem is too big to register on the traditional Budget equities such as tobacco and brewery shares. These groups have naturally not been favoured by buyers, but they at least have not been afflicted by sellers. Small fractional losses among gilt-edged, again, do not tally very closely with the traditional nervousness with which an increase in income tax is anticipated in the gilt-edged market. And if Sir Kingsley Wood's first Budget does not impose a substantial increase in direct taxation it will hardly fufil his criterion that the further tax contribution must be the highest possible and must cover the widest field. The only progressive field this week has been the senior home railway stocks which have continued their steady recovery. This market has corrected part at least of its extreme gloom when air attacks on this country began; for the provisional conclusion about the extent of war damage appears to be much more favourable than was feared some weeks ago. The knowledge that heavy coal and freight movements are still continuing has encouraged rather greater optimism regarding the dividend announcements due next Friday.

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Dollar Securities in Safe Keeping

Holders of dollar securities registered at the Bank of England, who had kept them in bank strong rooms, learned on Thursday that their documents of title had been shipped to Canada. The mobilisation of these securities has been carried out in secret—as befits the importance of the operation—and investors who have requested the release of their securities in recent weeks have been tactfully dissuaded by their bankers. The full significance of the suspension of dealings in "S.I.B." stocks is now apparent. To replace the securities which have been shipped, holders will be given certificates of the United Kingdom Security Deposit as evidence of title. Permits for sales abroad of the deposited securities will now be resumed—subject, of course, to future vesting orders—but for technical reasons it is not intended to allow sales from residents to other residents.

Capital Issues under Control

Government requirements are paramount in the new issue market, and the success of market control in meeting those requirements is clearly indicated in *The Economist's* capital issue figures for the past half-year. British Government issues rose to the high total of £502.7 millions, while other issues to the public by British and overseas borrowers accounted for less than £1 million. The rise in total issues calculated on the new basis (which includes both prospectus and bonus issues) from £74,719,300 to £518,606,000 indicates that almost complete stagnation prevailed in industrial issues made to shareholders or privately placed. Of the total of £518,606,000 some £502,677,000 is represented by British Government loans compared with a net repayment of £2,350,000 in the first half of 1939. No new money has been raised by any colonial Government. Foreign and municipal borrowing has been completely barred, and industrial and railway issues have fallen from £51,981,300 to £15,929,000. Of this sum, £14,999,300 represents shares introduced to the market by private placing, leaving less than £1,000,000 out of total issues of £518,606,000 to be raised directly from the public. Recent company reports clearly show that industry has resorted to bank loans for its capital requirements where it could not finance them from accumulated resources. Competition with Government loans has been effectively eliminated—even to the point of forbidding non-competing municipal conversions.

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Home Corporation Stocks

Many British corporation stocks are now almost as difficult to buy as to sell, for dealers have lately been pursuing a cautious policy in taking such stocks on their books. This element of stiffness in the entire market, however, has distracted attention from the special position of stocks issued by authorities in what are now Defence Areas. The inevitable vagueness of reports regarding the location of air attack and damage cannot conceal the possibility that such towns are actual or potential objectives for air attack or even invasion. Several of the larger coast resorts have banded together to secure attention for their special economic plight. Permanent residents have in many cases evacuated from favoured coastal areas, and the economic life of the centres as holiday resorts has virtually disappeared. A list of stocks issued by authori-

CAPITAL ISSUES — JANUARY - JUNE, 1940

TABLE I.—TOTAL BORROWING (Million £)

First Half of Each Year	British: Government	British: Home Corporations*	British: Others	British: *Total Home*	Empire	Foreign	Total Issues	*Indices*
By Direct Public Offer (Old Basis)								*1928 = 100*
1928	85·2	10·0	89·3	*184·5*	40·2	20·1	244·8	*100*
1938	76·8	22·7	18·7	*118·2*	15·6	2·5	136·3	*56*
1939	*Dr.2·4*	12·1	21·9	*31·6*	15·8	0·3	47·7	*19*
1940	502·7	Nil	0·8	*503·5*	0·1	Nil	503·6	*206*
Including "Permission to Deal" (New Basis)								*1935 = 100*
1935	2·5	16·3	108·2	*127·0*	12·2	1·4	140·6	*100*
1938	76·8	24·4	40·5	*141·7*	38·8	2·4	182·9	*130*
1939	*Dr.2·4*	12·1	38·6	*48·3*	24·2	2·2	74·7	*52*
1940	502·7	Nil	15·1	*517·8*	0·8	Nil	518·6	*368*

* Including county and public board loans.

TABLE II.—TOTAL COMPANY ISSUES (Million £)

First Half of Each Year	Old Basis 1937	Old Basis 1938	Old Basis 1939	Old Basis 1940	New Basis 1937	New Basis 1938	New Basis 1939	New Basis 1940
Debentures.....	11·5	8·3	5·2	Nil	16·9	14·6	11·5	0·8
Preference	12·7	2·7	2·0	0·1	19·2	7·8	4·0	1·2
Ordinary	35·5	16·8	9·2	0·9	119·0	49·3	28·3	13·5
Total	59·7	27·8	16·4	1·0	155·1	71·7	43·8	15·5

TABLE III

ANALYSIS OF NEW CAPITAL APPLICATIONS (Excluding Conversions)

	First Half Years *Old Basis* 1939	First Half Years *Old Basis* 1940	First Half Years *New Basis* 1939	First Half Years *New Basis* 1940
	£	£	£	£
British Government Loans ...	*Dr2350,000*	502,677,000	*Dr2350,000*	502,677,000
Colonial Government Loans .	12,022,000	Nil	*12,621,000*	*Nil*
Foreign Government Loans...	Nil	Nil	*361,000*	*Nil*
British Corporation, County and Public Board Loans ...	12,106,000	Nil	*12,106,000*	*Nil*
British Railways	7,387,500	Nil	*7,387,500*	*Nil*
South African Mines	1,808,600	Nil	*3,193,600*	*227,500*
Other Mines	1,415,900	Nil	*4,965,900*	*62,600*
Exploration, Financial	176,300	Nil	*2,564,700*	*19,100*
Breweries and Distilleries	538,400	99,000	*588,400*	*336,400*
Merchants, Importers, etc. ...	156,200	Nil	*156,200*	*Nil*
Stores and Trading.....	495,000	Nil	*3,771,600*	*1,250,000*
Estate and Land.....	Nil	142,400	*Nil*	*142,400*
Rubber	186,500	Nil	*276,800*	*116,100*
Oil	120,000	Nil	*120,000*	*Nil*
Iron, Coal, Steel, etc.....	2,735,700	201,900	*4,963,000*	*201,900*
Electric Light and Telegraph..	5,616,500	Nil	*6,340,300*	*566,400*
Tramway and Omnibus	Nil	Nil	*1,695,200*	*754,600*
Motor Traction, etc.	91,900	Nil	*208,300*	*80,900*
Gas and Water	310,500	Nil	*2,747,800*	*1,146,300*
Hotels, Theatres, etc.	666,600	Nil	*666,600*	*60,100*
Patents & Proprietary Articles	Nil	Nil	*16,500*	*Nil*
Docks, Harbours & Shipping	20,100	22,500	*135,009*	*530,600*
Manufactur'g & Miscellaneous	3,920,300	553,900	*11,933,900*	*10,436,200*
Total	47,674,000	503,606,700	*74,719,300*	*518,606,000*

ties who may be facing these problems is given in the following table: —

Stock	Redemption	Amount outstanding	Prices Aug. 24, 1939	May 10, 1940	June 17, 1940	July 17, 1940	Redemption Yield £	s.	d.
		£							
Callable									
Brighton 6%	1940–50	500,000	101	101½	101	101	6	0	4
Hastings 4½% ...	1940–50	500,000	102	101	101	101	4	9	9
Portsmouth 6%	1940–50	1,000,000	104	102	101	101	6	0	4
Not Callable									
Brighton 4¾% ...	1945–75	1,790,000	104	106	103½	103½	4	3	5
Dover 3%	1913–43	141,691	99	100	99	99	3	11	0
Eastbourne 4½%	1945–60	1,126,864	104	106	103	103	3	18	3
Gt. Yarmouth 5%	1945–55	450,000	107	106	104	104	4	6	2
Hastings 5%	1947–67	1,350,000	109	108	106½	106½	4	1	6
Lowestoft 3% ...	1955	250,000	90	91	90½	90	3	18	0
Ramsgate 3%.....	1915–55	150,107	91½	93	91½	91½	3	16	8
Southampton 5%	1947–67	2,500,000	106	108½	106½	106	4	1	6
Southend 3%.....	1916–46	153,320	96	99	98	98	3	7	10

The table shows that, since May 10th, quoted prices have declined but slightly, though yields, even on the relatively short-dated issues, are frequently on the high side if calculated to the nearest date of redemption. A number of important possibilities arise, however, from the present situation. If the most sober estimate of possibilities is considered, it is not inconceivable that at some future time one or more of these authorities might require temporary Government assistance, though there is no precedent for such an event in local government finance—excluding, of course, state-aided services of various kinds. But there are two historical parallels which are of theoretical interest in this connection. The first can be found in the terms on which the British Government undertook Newfoundland's debt obligations. In this case, it will be recalled, holders of Newfoundland stocks were offered the option of accepting conversion into Treasury-guaranteed issues at the Treasury's own price, or of becoming deferred creditors of Newfoundland. The same principle, under the hypothetical circumstances contemplated above, would surely be applied insofar as any of the municipalities concerned had outstanding callable stocks offering more than a gilt-edged return. The second possibility—again purely historical—might lie in the adoption by the municipalities affected of a credit pool similar to that formed by the twenty-four associated municipalities of Denmark as security for the loan of 1922, which ranked as a joint and several liability on the municipalities concerned. The credit of such a body would, of course, be markedly strengthened if the British Treasury were disposed to underwrite its obligations. It is necessary to emphasise that the possibility of British corporations falling into dire financial circumstances is far from being a fact. But that is no reason why the problems which would be involved should not be reviewed.

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Barclay Perkins Progress

The report of Barclay Perkins to March 31st may perhaps be taken as an earnest of what is to follow from the June 30th brewery reports which will shortly appear. Trading profits at £351,828, and total income at £440,115, were the best since 1930-31. The most important increase in expenditure has been a rise in the provision for taxation and N.D.C. from £13,000 to £33,000. After provision for various expenses, equity earnings show an increase of £15,170 to £147,935 compared with the 1938-39 figure. But although available earnings represent 10.6 per cent., against 8.0 per cent., the directors have made a further reduction in the ordinary dividend from 6 to 4 per cent. After raising the allocation to contingencies reserve from £20,000 to £40,000, the carry forward is £36,405 higher at £106,918. The profits bear the interpretation of much increased consumption, despite increased costs. Probably the company has profited from increased demand for its lager products, owing to the removal of German and Danish competition. The dividend decision, however, is an abrupt reminder of the realities of war, and its incalculable risk of damage to property. There is, moreover, little prospect of reduced brewing costs and every prospect of higher taxation. Hence the directors have been wise to conserve the greater part of last year's excellent earnings, though the decision is disappointing for shareholders. The £1 ordinary shares at 13s. yield £6 3s. per cent.

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Royal Dutch Report

Like "Shell" Transport and Trading, Royal Dutch have passed the final ordinary dividend, leaving the 5 per cent. interim as the total ordinary payment for 1939. The report for 1939, issued from Willemstad, Curaçao, is a saddening document, which lacks the usual informative review of world oil conditions, and consists only of the accounts and a short explanation. Revenue from dividends has fallen from Fl. 85,630,332 to Fl. 26,000,000. Interest is down from Fl. 2,186,381 to Fl. 200,000, and no information is yet available regarding exchange differences and dividends forfeited by limitation. Total income has thus fallen by Fl. 63,207,672 to Fl. 26,200,000. The report does not specifically refer to damage done to plant and property, but the company has undoubtedly shared in the losses experienced by "Shell" Transport. An analysis of the profits in the past three years is shown in the table below: —

	Years ended December 31, 1937	1938	1939
	Fl. 000's	Fl. 000's	Fl. 000's
Dividends received	91,409	85,630	26,000
Other income	4,693	2,194	200
Profit on exchange	*Dr. 2,983*	1,583	...
Total profit	93,164	89,407	26,200
Admin., etc., expenses ...	1,222	418	400
Debenture service	4,325	967	...
Pref. div. and drs. bonus	1,990	2,002	60
Ordinary shares :—			
Earned	*85,627*	*86,019*	*25,740*
Paid	85,616	85,616	25,181
Paid %	17	17	5
Carry forward	812	1,215	1,774

During 1939, the company's participation in the Anglo-Saxon Petroleum Company was increased from £29,700,000 to £33,600,000, thus raising total investments in subsidiaries from Fl. 525,473,741 to Fl. 563,459,741. The investment was financed by the sale of holdings of United States Treasury Bonds, and, in consequence, securities stand in the balance sheet at only Fl. 2,052,396 against Fl. 15,179,155 at December 31, 1938. A very substantial fall has occurred in cash holdings from Fl. 19,422,851 to Fl. 1,634,000. A suspense account amounting to Fl. 1,104,203, appearing among the liabilities, represents an unexplained difference which arises from the absence of certain documents. In the absence of more specific information regarding the group's losses, estimates of future earning prospects are hardly possible. Dealings in Royal Dutch shares have been suspended since June 18th by Treasury Order.

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Suburban and Provincial Stores

During the past year, Suburban and Provincial Stores (formerly Selfridge Provincial) passed from the control of the Selfridge group to the John Lewis Partnership. It was not expected that the new investment would provide any immediate return, though certain trading advantages were anticipated from its acquisition. The new board has decided not to pay a dividend for the year to January 31, 1940. The company's total income has fallen from £156,804 to £114,698, and despite a reduction in the taxation provision from £25,202 to £12,799, equity earnings amount only to £16,093, against £54,840, and are equivalent to no more than 0.9 per cent. The entire surplus is added to the balance carried forward, raising it from £11,381 to £27,474. The apparent increase in amalgamated net profits from £109,706 to £115,518 is due solely to the willingness of Suburban and Provincial Stores to waive their right to £10,558 in interest due from two subsidiaries, John Barnes and St. John's Court, both of which showed a loss on the past year's trading. With the outbreak of war, turnover fell seriously, and hire-purchase trading policy was drastically restricted. But the limited fall in the group's profits was due to the compensating factors of higher prices and reduced costs. The six suburban

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

businesses experienced a fall of 12.8 per cent. in cash turnover, while the provincial stores showed an improvement of 2.1 per cent. The report states frankly that the directors consider that dividend payments are impossible until the company has eliminated the present considerable burden of short-term debt, comprising bank loans and other amounts due to creditors of £444,819 for the whole group. In addition, the company has guaranteed an amount of £233,981 loaned by the Midland Bank to Selfridge Whiteley Contracts, now renamed Suburban and Provincial Contracts. The directors consider that the group needs further capital, and that larger stocks and better service will be necessary to restore reasonable profits, under normal conditions. These, however, are tasks for the future. So is the revaluation of fixed assets, which stand in the consolidated balance sheet at £2,586,750, but which are expected to show a substantial deficiency. The new management undoubtedly understands the measure of its task, and has lucidly explained its policy in a detailed report. The group's turnover for the 22 weeks from February has been running 15 per cent. below that of the corresponding period of 1939. That brute fact rules out any attempt towards reconstruction in present conditions.

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London Tin Recovery

The London Tin Corporation's report for the year to April 30, 1940, shows a welcome recovery in total profits from £206,326 to £257,748. As a result, the directors have restored the 7 per cent. dividend basis, which was cut to 4 per cent. for 1938-39. Provision against losses in subsidiaries has been reduced from £8,244 to £1,260, and, thanks to lower fees and expenses, equity earnings are increased to £177,067 compared with £119,303, representing 7.8 per cent. Since no amount is required for writing down investments—in the previous year £120,000 was set aside—the carry-forward has increased from £99,489 to £153,363 after crediting £35,490 from income tax recovered. The investment position appears strong, for quoted holdings are valued at £3,060,489 compared with book values of £2,601,409, while unquoted investments stand at £740,524. The earnings of these assets are subject to a time-lag before they appear in the London

	Years ended April 30, 1938	1939	1940
	£	£	£
Total profits	344,083	206,326	257,748
Taxation	76,500	55,724	61,202
Expenses and fees.....	20,592	23,055	18,219
Prov. for subsidiaries' losses	2,153	8,244	1,260
Ordinary shares :—			
Earned	*244,838*	*119,303*	*177,067*
Paid	183,625	104,929	158,298
Earned %	*9·3*	*4·5*	*7·8*
Paid %	7	4	7
Written off investments	1,537†	120,000	385†
Special credits	...	62,069*	35,490‡
Carry-forward	143,046	99,489	153,363

* Special dividend. † Investigation expenses written off. ‡ Income tax recovered.

Tin accounts. Hence it is reasonable to expect a further improvement in results, due partly to an increase in the quota from an average rate of 46¼ per cent. for the year to March, 1939, to an average rate of 98⅓ for 1939-40. The quota has since been raised to 130 per cent. to supply special American purchases of tin. Shareholders might also expect to benefit from the improved price of tin after the official maximum price of £230 per ton was removed in December, 1939. The directors, however, claim that increased prices have done little more than offset increased costs during the past year. Possibly, the current spot price of £266 12s. 6d., together with the United States buying programme, will provide more positive advantages during the present year. At the present price of 3s. 3d., the 4s. shares yield £8 12s. 4d. per cent.

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"Johnnies" Dividend Cut

The preliminary statement of Johannesburg Consolidated for the year to June 30, 1940, announces a further re-

Glyn, Mills & Co.
(ESTABLISHED 1753)
Registered with unlimited liability 1885
incorporating
CHILD & CO. (Established before 1600) and HOLT & CO. (Established 1809)
BANKERS
Army and Air Force Agents, Navy and Prize Agents.
One Hundred and Twelfth Statement of Assets and Liabilities, 30th June, 1940.

Dr. LIABILITIES.	£	s.	d.
To Capital authorised and issued	1,060,000	0	0
To Reserve Fund	850,000	0	0
To Current, Deposit and other Accounts (including provision for Contingencies)	38,862,873	6	8
To Acceptances and Engagements on account of Customers	4,097,336	3	8
	£44,870,209	10	4

ASSETS.			£	s.	d.
By Coin, Bank Notes and Balance at Bank of England			5,290,380	10	6
By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom			3,675,024	0	8
By Money at Call and at Short Notice			6,985,700	0	0
By Bills Discounted			1,342,522	9	1
By Investments :—					
British Government Securities	£11,423,310	9 0			
Other Securities	815,314	7 2			
Subsidiary Companies	—	—	12,238,624	7	2
By Advances to Customers and other Accounts			10,500,621	19	3
By Liabilities of Customers for Acceptances and Engagements as per contra			4,097,336	3	8
By Bank Premises (at cost, less amounts written off) :—					
Freehold	£620,000	0 0			
Leasehold	120,000	0 0	740,000	0	0
			£44,870,209	10	4

AUDITORS' CERTIFICATE AND REPORT.
We report that we have examined the above Balance Sheet with the Books of the Bank, and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.
KEMP, CHATTERIS, NICHOLS, SENDELL & CO., JACKSON PIXLEY & CO., *Chartered Accountants.* *15th July, 1940.*
H. A. LAWRENCE, *Chairman and Managing Director.* MARTIN D. V. HOLT, A. T. MAXWELL, *Managing Directors.* *15th July, 1940.* QUINTIN BROWN, *Accountant.*
Every description of British and Overseas Banking and Exchange Business transacted.
The Bank undertakes the office of Executor and Trustee.
67, LOMBARD STREET, LONDON, E.C.3.
CHILD & CO., 1, Fleet Street, London, E.C.4, and Marygold House, Carfax, Oxford.
HOLT & CO., Kirkland House, Whitehall, London, S.W.1.

duction in the annual dividend from 15 to 10 per cent. The fall in the company's earnings, which has continued since 1933-34 was exceptionally severe last year. Profits, after providing for depreciation, amounted to no more than £270,000 compared with £616,129 for 1938-39, and with a high level of £1,247,576 six years ago. The 10 per cent. dividend absorbs £395,000, and necessitates a draft of £125,000 on the sum brought forward, leaving £95,000 to be carried forward against £220,262 brought in. The company's declining revenue is attributable partly to the declining position of several of the group's mines, and also to adverse dealing conditions in the Kaffir share market. The directors' decision to pay so generous a dividend may be interpreted as a signal of the company's reserve strength, and not as an indication of any immediate change in the revenue prospects. At 26s. 3d. the £1 shares yield £7 12s. 3d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

BUSINESS has been overshadowed throughout the week by next Tuesday's Budget, and, with the prospect of stiffly increased taxation, dealers have been unwilling to enter into fresh commitments. In the gilt-edged and home rail markets, prices have been relatively firm, and some substantial gains have been recorded in the latter section. Foreign bonds have been quiet, Far-Eastern issues being strongly influenced by the prospect of a peace settlement. Prices of industrials have moved uncertainly within narrow limits. The volume of business in mining and commodity markets has been extremely restricted, and in the rubber market the undertone was weak.

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The *gilt-edged* market was favourably impressed by Mr Churchill's speech last Sunday, and gains of the order of ½ were recorded by a number of issues on the first two days of the week. In midweek, the market tended to discriminate between long and dated issues, the majority of the former falling by ⅛, while the majority of the latter continued to advance by the same amount. In the *foreign bond* market, rumours of peace negotiations brought strong support both for Chinese and Japanese bonds at the beginning of the week. Chinese 5 per cents. of 1912 and 1913 each gained 3 points on Monday, when Japanese 6 per cents. of 1924 put on 4½ points. Later in the week, the obscurity of the situation caused support to fall away, and some prices declined. Turkish 4½ per cent. Tribute lost 2½ points on Monday. Some support has been forthcoming for Brazilian issues.

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Home rails continued to be a bright spot in the markets, although ordinary issues came on offer as the week progressed. On Monday, L.M.S. ordinary gained ¼, and L.M.S. and Southern 5 per cent. preference each gained 1½ points.

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Dealings were restricted in the *industrial* market by fears of new taxation. Significant movements of the week included a well-maintained demand for Tate and Lyle, G.E.C. and Guest Keen. In the motor section, Leyland and Raleigh were firm. Shipley Collieries lost ground on the publication of the accounts, and British Aluminium declined by 1s. 6d. on Wednesday, when trading was at a low ebb all round. Among breweries, Watney deferred and Distillers reacted.

★

The undertone of the *Kaffir* market remained firm. On Tuesday, Sub Nigel and Crown Mines were both in demand. Though trading remained on a very small scale, prices generally were steady. Very few transactions occurred in the *base metal* markets, but among tin companies Pahang was in demand. The *rubber* market was depressed by the commodity position and by the small volume of June consumption in the United States. No recovery occurred in the *oil* market. The market had anticipated the decision of Royal Dutch to pass the final dividend.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices: 30 Ord. shares*	20 Fixed Int.†
July 12 ...	2,691	4,490	57·7	119·6
" 15 ...	2,915	4,753	57·9	119·6
" 16 ...	2,131	4,960	58·0	119·8
" 17 ...	2,842	4,745	57·4	119·7
" 18 ...	2,658	4,490	57·2	119·7

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26).

DAILY AVERAGE 50 COMMON STOCKS

July 11	July 12	July 13	July 15	July 16	July 17
94·8	94·7	94·7	95·0	96·2	95·8

1940 High, 123·7 Jan. 4. Low, 86·7 June 10.

New York

TRADING in the earlier part of the week was under the shadow of the Democratic National Convention. Price movements were hesitant, and a rally on Tuesday was not maintained. Steel issues were relatively well supported on the first two days in expectation of the declaration of higher steel prices for the third quarter, but became dull in midweek, when the *Iron Age* estimate of steel mill activity, at 87.5 per cent., showed no increase on the figure of the previous week. Oil shares gave way slightly after the announcement of a cut in the Texan price of crude oil. There was some demand for copper and chemical issues on Wednesday, but motor and aircraft shares were depressed.

New York Prices

Total share dealings: July 11, 330,000; July 12, 260,000; July 13, 120,000; July 15, 230,000; July 16, 440,000; July 17, 380,000.

	Close July 10, 1940	Close July 17, 1940		Close July 10, 1940	Close July 17, 1940
1. Railroads			Celanese of A.	26	28¾
Balt. & Ohio..	3¾	3⅞	Chrysler ...	64	69¾
Gt. Nthn. Pf..	22⅝	24	Curt. Wr. "A"	23	23
Illinois Cent.	7⅝	7½	Eastman Kdk.	118	119
N.Y. Cent.....	11¾	11⅞	Gen. Elec. ...	30	31
Northern Pac.	6	6⅞	Gen. Motors..	14⅞	14⅞
Pennsyl. Rl....	19¾	19⅞	Glidden.....	12⅞	12
Southern	11⅞	11⅝	Inland Steel .	81	81
2. Utilities, etc.			Int. Harvest .	42	44
Amer. Tel....	158⅞	160½	Int. Nickel ...	23	23
Amer. W'wks.	9⅝	8⅞	Liggett Myers	98	98½
Pac. Light....	40½	42½	Nat. Dairy .	14⅞	14⅞
Pub. Sv. N.J.	37	36⅞	Nat. Distillers	20⅞	20
Sthn. Cal. Ed.	26	27⅞	Nat. Steel ...	56	57⅞
United Gas ..	12⅝	12	Proct. Gamble	62⅞	63⅞
			Sears Roebck.	73	72⅞
			Shell Union...	8	8⅞
3. Commercial and Industrial			Socony Vac. .	8	8
			Stan. Oil N.J.	41⅞	41⅞
Amer. Metal..	14⅞	14⅞	20th Cen. Fox	6	6⅞
Am. Roll. Ml.	10⅞	11	U.S. Steel	51⅞	51⅞
Am. Smelting	48	45⅞	West'hse El....	89⅞	92
Anaconda	19⅞	19⅞	Woolworth....	42	41
Briggs	16⅞	17⅞	Yngstn. Sheet	41⅞	42⅞

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	July 3, 1940	July 10, 1940	July 17, 1940
347 Ind'ls ...	80·9	111·4	86·5	87·0	88·1
32 Rails	20·7a	30·7	24·4	24·3	24·6
40 Utilities ..	71·2a	89·4	80·0	80·2	80·6
419 Stocks ...	69·9	94·8	75·6	76·0	76·8
Av. yield* ...	6·61% High	4·30% Low	6·17%	6·11%	6·04%

* 50 Common Stocks. *a* May 22nd.

Capital Issues

Week ending July 20, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	...	Nil
To Shareholders ...	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	100,000	...	101,000
Nat. Savings Certs.‡	5,064,155	...	5,064,155
" Defence Bonds‡	10,635,515	...	10,635,515
" Nat War Bonds‡	18,187,380	...	18,187,380

‡ Week to July 9, 1940. † Week to July 16, making total since June 25th £109,656,170.

Year to date	Including Conversions £	Excluding Conversions £
1940 New Issues	968,166,569	612,510,406
1939 New Issues	*84,638,587*	*78,028,508*
1940 Old Issues	950,501,135	597,800,999
1939 Old Issues	*543,912,979*	*47,622,600*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 New Issues	611,747,394	763,012	Nil
1939 New Issues	*50,978,554*	*27,869,148*	*2,181,004*
1940 Old Issues	597,098,514	11,456	Nil
1939 Old Issues	*51,162,509*	*1,540,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 New Issues	697,371,188	1,290,005	13,499,213
1939 New Issues	*42,433,115*	*262,999*	*30,343,392*
1940 Old Issues	596,201,367	77,500	909,132
1939 Old Issues	*46,195,971*	*1,988,459*	*9,440,220*

"Old Issues" includes public issues and issues to shareholders. "New Issues" is all new capital in which permission to deal has been granted.

ISSUES TO SHAREHOLDERS ONLY

Brockhouse (J.) and Company, Ltd.—Treasury sanction has been granted for issue of 150,000 £1 ordinary shares at 30s. per share in proportion of 1 for £5 held. Holders of 5½ per cent. unsecured convertible stock may subscribe for one new share for every £15 held. New shares rank *pari passu* with existing stock and participate in final dividend for year to September 30, 1940.

CONVERSIONS AND REPAYMENTS

Forestal Land Timber and Railways.—In response to cash offer to holders of the company's 4½ per cent. ten-year registered notes on July 3rd, £300,000 notes are being acquired for redemption and cancellation. Offer is now closed.

United Counties Trust.—It is proposed to repay 50,000 7 per cent. cumulative £1 preference shares at par. Separate meetings of ordinary and preference shareholders will be held, August 6th, at 3.15 and 3 p.m. respectively at 701 Salisbury House, to vote the necessary resolutions.

BY TENDER

West Surrey Water Company.—Sale of 6,500 4 per cent. £10 preference shares at minimum price of £10 per £10 share. Redeemable at par July 1, 1955. Tenders to Midland Bank, Poultry, London, E.C.2, by 11 a.m., July 22nd.

Industry and Trade

Coal Stocks

The cessation of coal exports to France has provided *an opportunity for the accumulation of substantial emergency stocks at home.* In view of the threatened German offensive, it is quite possible that production and transport facilities in certain areas may be temporarily interrupted. The Government has consequently asked both private and industrial consumers to lay in stocks. Many private consumers, however, have little or no storage facilities, and it is quite unlikely that adequate stocks will be accumulated at consuming centres without Government assistance. Unfortunately, the Government does not yet appear to have realised the full magnitude of the problem, for the reserve which Mr Grenfell, the Secretary of Mines, hopes to see accumulated before the winter is only 20 million tons. As consumption averages about 15 million tons per month, Mr Grenfell's reserve would be equivalent to barely six weeks' requirements. This is surely inadequate.

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The Movement of Labour

The movement of workers from non-essential to essential jobs within a regional framework is strongly urged in the latest annual report of the Lancashire Industrial Development Council. The Council expresses the view that "control of the siting of large new wartime factories and the recruitment of labour for these and expanding local industries should be exercised so as to avoid excessive and unnecessary influx into the North-Western area of unskilled and semi-skilled labour which at the end of the war would most likely find itself entirely without prospects of absorption into the normal local industry." The suggestion that the movement of workers should be confined to individual regions on the grounds that it will facilitate their return to pre-war jobs, can scarcely be accepted as a matter of principle. If it were carried to its logical conclusion we might have a surplus of labour in one region and a deficiency in another. The supply of labour is a national, not a local, problem.

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Exports of Wool Textiles

The countries of Northern Europe are important markets for our exports of wool textiles. During the first five months of 1939 about one-third of British exports of tops and one-half of the exports of worsted yarns went to the countries of Northern Europe, including Germany. The shipments in May, the month in which Denmark, Norway, Belgium and Holland fell under Nazi domination, naturally, therefore, show a decline from those of April. Exports of tops and yarns were 3,277,000 lb. and 1,035,000 lb. respectively, against 5,055,000 lb. and 1,763,000 lb. in April. On the other hand, exports of woollen and worsted tissues were only down to 7,497,000 square yards, compared with 9,242,000 square yards in the exceptionally good month of April. About two-thirds of these exports in the first five months of last year went to British countries or to North or South America, so that the war has not closed the most important markets. Comparative figures for the first five months of each of the last three years are as follows:—

(000's omitted)

	January–May 1938	1939	1940
Woollen tissues ... sq. yds.	25,287	26,057	23,450
Worsted tissues ... sq. yds.	14,155	13,708	19,852
Tops (combed wool) ... lb.	12,251	18,328	16,671
Worsted yarns ..... lb.	8,646	10,770	6,928

The substantial increase in exports of worsted tissues is partly due to the execution of old contracts which were entered into at a time of more favourable prices.

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Jute Supplies

According to the first official estimate, the area under jute in India is 4.1 million acres, against 3.1 millions last year. If the yield per acre this year is as high as in 1939, the total output will reach about 14½ million bales, compared with 11 millions last year. Supplies are therefore likely to be more than ample, especially as Continental Europe normally consumes a large proportion of the jute grown in India (virtually the only source of supply), either in the form of raw jute or manufactures. The jute mills in India have already decided to curtail their output by the reduction of weekly working hours from 54 to 45 from August 19th; but the announcement failed to bring an improvement in prices. In this country, too, the industry has been compelled to curtail output, partly as a result of the loss of European markets.

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Rubber from Petroleum

Owing to the cessation of "buna" imports from Germany and because of the fear of an interruption of crude rubber imports from the East Indies, the production of synthetic rubber is now being encouraged in the United States. It is confidently believed that, in case of need, the intake of crude rubber, which amounted to 592,000 tons last year, could be replaced by synthetic rubber produced from basic petroleum products. While Germany is understood to produce only one kind of synthetic rubber, buna, as many as three processes are available in the United States, all based upon petroleum products. At present the cost of producing synthetic rubber in the United States still exceeds that of crude rubber; but large-scale production would bring a substantial reduction in costs. Already the Goodrich Company is using synthetic rubber, which it calls "Ameripol," to replace natural rubber in the manufacture of tyres in proportions varying from 50 to 100 per cent. The basic material for the manufacture of this synthetic rubber (which can be processed

Shorter Comments

Company Results of the Week.—BEECHAM MACLEAN HOLDINGS earned net profits of £313,821 compared with £197,325 for the previous 11½ months. This revenue includes the first dividends from the new subsidiary, County Perfumery. The company has raised its dividend from 16½ actual to 27·4 per cent. Total revenue of CITY OF LONDON BREWERY AND INVESTMENT TRUST has fallen from £247,439 to £234,414 and net profits by £27,718 to £144,947. Consequently, the dividend has been reduced from 7 to 5 per cent. W. & T. AVERY has maintained the 15 per cent. dividend despite a slight drop in net profits from £155,348 to £141,098. SHIPLEY COLLIERIES increased the trading profit from £216,094 to £237,473. Net profits, however, have dropped by £21,835 to £110,868 owing to increased expenses. The dividend is reduced from 12½ to 10 per cent. The week has yielded another batch of good rubber company results, among which outstanding net profits were earned by PELMADULLA with an increase from £12,579 to £21,857. This company's dividend has been increased from 10 to 15 per cent. The international character of the business of AMALGAMATED DENTAL has made earnings highly vulnerable to war conditions. In view of a fall in net profits from £134,985 to £88,250, the directors have decided not to declare a dividend. Both CROSSLEY BROS. and CROSSLEY-PREMIER ENGINES have maintained last year's dividends, at 5 and 10 per cent. respectively. CROSSLEY BROS. showed the greater fall in net earnings from £44,688 to £36,970 despite a higher gross revenue. Net profits of CROSSLEY-PREMIER ENGINES fell only from £25,964 to £25,733 despite a fall of £774 in total income to £51,306. GENERAL AIRCRAFT net profits were down from £47,358 to £35,652 though total earnings at £114,784, are more than double those of 1938. The company has, however, declared a 5 per cent. dividend against nil. S. HOFFNUNG has maintained the 9 per cent. dividend, with slightly lower net profits at £47,327 against £49,871. Owing to a relatively substantial fall in net income from £34,409 to £25,034, the dividend of SILENTBLOC, LTD., has been halved to 25 per cent. Total income of W. BARRATT rose from £157,145 to £180,033. Although net profits fell from £100,753 to £93,000, on account of higher taxation and depreciation allocations, the 12 per cent. dividend is maintained. EASTWOODS CEMENT total income is almost unchanged at £42,747. The dividend has, however, been reduced from 12½ to 11 per cent. in view of a fall of £1,175 in net profits to £23,830. THOMAS BOLTON net earnings are well up at £98,871 against £64,108, and the dividend has been raised from 7½ to 10 per cent.

Standard Bank of South Africa, Ltd.—Profit year to March 31, 1940, £563,860 (£573,147). Ordinary dividend 12 per cent. plus bonus 2 per cent., making 14 per cent. for year as before. To bank premises account, £75,000 (£75,000). To officers' pension fund, £150,000 (£150,000). Carry forward, £157,932 (£169,072). Total assets, £90,298,959 (£86,120,381). Bills discounted, advances, etc., £36,886,218 (£37,349,247). Deposits, current and other accounts, £70,229,165 (£65,974,635).

and vulcanised like natural rubber) is butadiene, derived from petroleum hydrocarbons. The admixture of this material with other ingredients prepared from natural gas and air produces a milky emulsion similar to the latex obtained from the rubber tree. The hydrocarbon butadiene is also the starting point for the manufacture of buna. In Germany it was first derived from limestone and coal, but is now produced from acetylene. In the first American buna plant—that of the Standard Oil Company of Louisiana, now in course of construction at Baton Rouge—it will be manufactured from butane and other petroleum gases. Incidentally, this plant, which is expected to come into production towards the end of this year, will be capable of turning out some 1,750 tons of buna annually. This will be supplied to manufacturers of various specialities, who previously obtained their buna from Germany. Both in the Reich and in the United States, buna is produced by the combination of butadiene and acryl-nitrile. It has most of the commercially desirable properties of natural rubber, together with a much greater resistance to heat, abrasion and the action of oil. Meanwhile, the Standard Oil Company of New Jersey has evolved an entirely new product, which it calls "butyl" and which, though less resistant than buna to the action of oil, is reported to be definitely superior in other respects. It also has the advantage of being simpler and cheaper to produce—though details of the process employed have not yet been made public. Butyl is not yet in commercial production, and the company does not intend to be over-hasty in pushing its development. But, according to a recent statement by its president, the Standard Oil Company is in a position to manufacture butyl from petroleum in any desired quantity as rapidly as the necessary plant can be constructed.

* * *

The Disappearing Egg

As was only to be expected from the killing of poultry which has been going on this spring in consequence of the shortage of feeding grains, the decline in the output of home-produced eggs which is normal at this season has this year become an acute shortage. There had already been, for some time, an increasing scarcity of imported eggs, as the countries from which we formerly obtained them fell, one by one, into the hands of the Nazis. The Food Minister, on the advice of expert dieticians, tells us that the egg is not an essential article of food. That no doubt is true, as indeed it is true of almost any single article of diet, but custom has given the egg, as a cookery ingredient, such a ubiquitous rôle in rendering palatable otherwise unappetising odds and ends, that it is doubtful economy to allow it to disappear altogether from the larder. The system of control by fixing retail prices is partly to blame. With the rising cost of production, wholesale prices have risen until there is an insufficient margin between wholesale and retail prices. The result of this is likely to be that egg producers will themselves retail their eggs privately, a state of affairs which will be manifestly unfair to the town-dweller and to the poorer consumers in the country. Though eggs are, in a sense, a luxury food, their value as an article of diet for young children, invalids and that large class of people who can only be kept out of the invalid category by adherence to a special diet, is so great that means must be found of maintaining a steady, if limited, supply.

* * *

Aircraft Production

In a statement issued last week Lord Beaverbrook revealed that the output of aircraft in June was more than twice as high as in the corresponding month last year. He also announced that the value of aircraft orders placed in America exceeded $1,000 millions in the United States and $50 millions in Canada and that deliveries from these sources were steadily expanding. Lord Beaverbrook's figures are encouraging in revealing a substantial increase in the number of aircraft we are obtaining from domestic and North American producers. But they do not reveal whether we are gaining or losing on Germany. A year ago Germany's output was reported to have exceeded our own; and since then Germany's producing capacity has probably been enlarged also. Moreover, the entry of Italy into the war has added to the enemy's air fleet as well as to his capacity. And, as a result of France's surrender, the Nazis have not only gained additional aircraft and aircraft factories, but they have also secured access to Europe's biggest source of bauxite, the raw material for aluminium. No effort must therefore be spared to bring about yet a further and substantial expansion in home production and in deliveries from North America.

* * *

Herrings and the Ministry of Food

June is traditionally the opening month of the Scottish herring season, which lasts until the start of the East Anglian season in late September. Falling home consumption, reduced export markets, low prices at ports and superannuated boats have in recent years brought depression to the herring trade, and even the Herring Board had, before the war, only just begun its hard task of rationalisation. The prospects of the current season are utterly uncertain. In the first place, the export trade with the principal customers, Germany, Poland and the Baltic countries, is stopped, and exports of cured and salted herrings provided an outlet for probably more than half of the total British catch. In the second place, while imports of herrings from Norway, which supplied an appreciable amount to the British market, are also at an end, both the personnel and the equipment of the British fishing fleet have been heavily drawn upon by the Admiralty for naval purposes. It is at present impossible to forecast what the net result will be of these two contrary influences on the home market. The Ministry of Food has therefore decided to give some stability to the market by buying all herrings that are not sold fresh and reselling them at fixed prices to the curers. Presumably, though this has not been stated, the Ministry will undertake the responsibility of paying the curers for their output; if there should be a large catch, there may have to be a very drastic cut in retail prices or an exceptionally vigorous advertising campaign before home consumption is stimulated sufficiently. The trouble of cooking (and eating) herrings and the indifferent quality in recent years of much of the kippering have led to a steady contraction in herring consumption since the last war. Meat rationing and the severe cut in the supplies of bacon and eggs do provide, however, a very promising field for an "Eat More Herrings" campaign.

COMMODITY AND INDUSTRY NEWS

WHOLESALE prices have not shown very much change on the week, though the general tendency has been upward. Some grain prices have risen, due to crop reports. Cotton prices are all higher on the week, though business has been on only a moderate scale. The impossibility of shipping cargoes through the Mediterranean has led to a fall in the price of Indian and Egyptian vegetable oils.

Metals.—Steel output has been maintained at a high level, and there has been an improvement in the supply of raw materials. Deliveries of scrap have been much more satisfactory. The control of aluminium is to be put into the hands of the Ministry of Aircraft Production.

Cotton (Manchester). — Last week the Cotton Controller, after consultation with representatives of the employers' associations and trade unions, decided to resume the 48-hour week as a standard throughout the industry and to restore regular holidays. An exception is to be made in the case of firms making fabrics for aircraft production; they will arrange holidays and working hours in consultation with the Ministry of Aircraft Production. This reversion to more normal working is possible because the intensive production of the last month has been accompanied by a fall in new business. The loss of export markets and the cancellation of home-trade orders has led to the danger that some spindles and looms which cannot be adapted to the class of work required by the Government may have to be stopped through lack of work. Raw cotton prices have been firmer during the past week, but this has had little effect on buyers. There has been some improvement in enquiry from abroad, and some useful orders have come from the Dominions.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended July 5, 1940	Week ended July 12, 1940	From Aug. 1 to July 14, 1939	From Aug. 1 to July 12, 1940
American	41·3	39·2	969	1,474
Brazilian	6·4	6·7	306	265
Peruvian, etc.	4·2	3·9	131	212
Egyptian	6·1	5·2	334	385
Sudan Sakel	2·0	3·4	149	160
East Indian	6·9	5·2	437	405
Other countries	3·1	3·0	197	159
Total	70·0	66·6	2,523	3,060

Source: *Liverpool Cotton Association's Weekly Circular.*

Tin.—The price of tin in America is lower on the week. Conditions have been quiet and there was little speculative interest, so that a reduction was necessary to attract buyers. In this country, standard cash is dearer on the week. Following the

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
June 1	64·37	70·82
" 8	63·13	63·05
" 15	72·23	69·95
" 22	61·69	66·70
" 29	64·09	67·64
" 6	70·93	65·73

(Continued on page 104)

COMPANY MEETINGS

OTTOMAN BANK

REVIEW OF YEAR'S ACTIVITIES

WARTIME TRADE CONDITIONS

POSITION IN TURKEY

SATISFACTORY RESULTS OF THE BRANCHES

SIR HERBERT LAWRENCE'S ADDRESS

JL
Xm56, N40
N40.139
69290

The annual general meeting of shareholders of the Ottoman Bank, adjourned from June 25th, was held, on the 18th instant, at Winchester House, Old Broad Street, London, E.C.

General the Hon. Sir Herbert A. Lawrence, G.C.B., presided.

Mr W. Stewart McKim (secretary to the committee) having read the notice convening the meeting,

The Chairman, said:—Ladies and gentlemen,—I have been informed that this meeting is properly constituted in accordance with the statutes of the bank, and I presume it is your pleasure that the report and balance sheet circulated among you should be taken as read. (Agreed.)

This year I do not feel justified in dealing in great detail with the question of the economy of the countries in which we are active. It is difficult to foresee the conditions which will obtain after the war is over. A review of the past is of but relative interest when the whole future is in doubt.

From the month of April, 1939, events at Prague and in Albania gave rise to disquiet among depositors; important withdrawals of bank deposits occurred, but confidence was fairly quickly restored. The uncertainty recurred during the weeks of political tension which preceded the state of war, as well as during the autumn. Once again the monetary and banking systems easily dealt with the situation.

PROTECTION OF STAFF AND PERSONNEL

The war has imposed on us new duties and created many problems. We have had to make plans for the protection of our staff and our assets against air raids, both in Paris and in London. A large proportion of our staff has been mobilised and has had to be replaced by auxiliary members and in certain cases by recalling colleagues who had retired.

We have provided for those of our personnel who have been mobilised so that they will be free from all preoccupation regarding the support of their families. I should like to take this opportunity, both in your name and in our own, of conveying our thanks to them and our fervent hopes for the success of the cause which they are defending with such valour and such a spirit of sacrifice.

In the balance sheet submitted for your approval the cash shows an important increase on that of the previous year: £8,432,207 against £5,587,877. The explanation is to be found in the increase on the liabilities side in the current accounts creditor from £16,295,301 to £18,370,603, and in our desire to maintain high liquidity in order to be prepared for all eventualities. As always in times of panic, depositors go to those institutions whose credit is solidly founded on a long past.

There is no other special feature in our balance-sheet to which it is necessary to refer.

FAVOURABLE TRADE BALANCE IN TURKEY

In Turkey agriculture and livestock raising have benefited from favourable climatic conditions and satisfactory prices. The steel-works and furnaces at Karabuk, the construction of which was entrusted to British technicians, have commenced their activity; their production capacity is 200,000 tons. The Ergani copper mine has also reached the stage of production.

The network of railways has been completed by the opening of a section which completes the line from Sivas to Erzurum. The length of lines now in operation is 7,370 kilometres.

External trade has shown a reduction which is quite understandable. The total of foreign trade has fallen from 295,000,000 Turkish pounds to 246,000,000, a decrease of 16.7 per cent., due in major part to the reduction of imports with the result that there was a favourable trade balance of 9,200,000 Turkish pounds.

An examination of public finances shows that the receipts for the budgetary year ended on May 31, 1939, exceeded the estimates, and for the next six months were maintained at the level of the estimates.

However, expenses, admittedly of an exceptional nature, had to be covered by issues of Treasury bills, which, under the heading "Extraordinary Receipts," reached in 1939 about 69,000,000 Turkish pounds.

REGULATION OF THE MONETARY MARKET

The two crises which I have mentioned have given the Central Bank of the Republic the opportunity successfully to fulfil its role as regulator of the monetary market, though it is true that that bank had to have recourse to a supplementary issue of notes covered by commercial bills and its weekly statements show that that issue increased from 43,000,000 Turkish pounds at December 31, 1938, to 139,000,000 Turkish pounds at December 31, 1939. The increase is important when compared with the holdings of commercial bills of the principal banks, which, according to official indications, did not exceed 60,000,000 Turkish pounds at December 31, 1938, plus about 30,000,000 Turkish pounds of Treasury bills discounted.

It would seem that certain bank assets were made more easily available in the difficult times by the creation of bills.

The assistance given by Great Britain and France to the Turkish pound by a loan of 15,000,000 sterling's worth of gold has considerably improved the cover for the banknote circulation, but it is to be expected that that gold will serve as the counterpart of issues of notes for the purpose of meeting expenses necessitated by National Defence.

The working results of our group of branches in Turkey could not be maintained at the level of those of 1938. Nevertheless, they still remain very satisfactory, but the lack of exchange does not permit us to transfer them for incorporation in the profits available for distribution of a dividend.

Our relations with the Government and with the high Administrative Departments of the Turkish Republic continue full of confidence and cordiality.

SITUATION IN EGYPT AND PALESTINE

Our branches in Egypt continued to show good results. At the outbreak of war there was some withdrawal of deposits, but the position rapidly improved. Trade also was temporarily dislocated, but a marked activity soon took the place of stagnation.

Exports during the year totalled 34,081,000 Egyptian pounds, against 29,342,000 Egyptian pounds during 1938, while imports fell from 36,134,000 Egyptian pounds to 34,001,000, thus showing a small favourable balance as compared with an unfavourable balance of nearly 7,000,000 Egyptian pounds for the previous year.

Despite the loss of markets in Germany, Czecho-Slovakia and Poland, total exports of cotton in the last four months of the year

amounted to 462,876 bales, as compared with 377,967 bales for the corresponding period of 1938, this being largely as a result of British purchases.

In Palestine the internal situation improved considerably during the last six months of 1939. Security became normal and Government restrictions on transport were practically all removed.

Imports—excluding military stores—rose from 11,500,000 Palestine pounds in 1938 to 14,632,000 Palestine pounds, whilst exports, valued at 5,117,000 Palestine pounds, showed a small increase over the 1938 figures.

The results of the citrus season were very disappointing. It was not found possible to export more than 7,000,000 cases of fruit, roughly one-half of the previous season's export, and prices realised did not in general cover the increased costs of freight, packing materials, etc.

Throughout the year our branches proceeded with the utmost caution and, having regard to circumstances, their results have not been unsatisfactory.

CONFIDENCE IN IRAQ

As regards Iraq, during the early part of the year there was a slackening of business in general, due to low prices for the country's exports.

At the outbreak of war banks suffered some loss of deposits, but all suggestions of a moratorium were discouraged by the Government, with the result that confidence soon returned and funds returned to the banks.

The war brought increased prices for commodities and there was considerable activity in the wool and grain markets. The British Government came in as a buyer of barley. Exports as a result showed a marked increase over the 1938 figures.

The date season worked for the first time as a monopoly, and seems to have proved satisfactory to all parties. Our branches in the country continued to play a large part in the finance of both import and export business, and this has been reflected in the results obtained.

IRAN AND CYPRUS

In Iran the Government continue to control all foreign trade and exchange, and as a result our activities in that country remain restricted.

The constant efforts of the Government to improve economic conditions are having good results, and the population is deriving appreciable benefits from the new roads, railways, factories, etc., which have been constructed.

A greatly increased National Budget points to the activities and efforts being made.

In Cyprus conditions during the year resembled closely those of 1938. Crops generally were normal, and prices came under control of the Government as a result of the war.

Mining activities continue to play an important part in the economic development of the colony.

In common with other Near Eastern countries, there was a certain amount of financial anxiety last September, and, owing to withdrawals, some of the smaller bankers in the island were, at the request of the Government, assisted temporarily by the larger banks.

Our branches have continued to handle—with satisfactory results—a large proportion of the available business, including the Government accounts.

Our offices in London and Paris employed their liquid funds to the best advantage possible, and the result forms a far from negligible part of the total profits which we present to you, especially since they are fully available in the currency of our balance sheet.

RESULTS OF THE AFFILIATED BANKS

As regard our affiliated banks, the Banque de Syrie et du Liban experienced in 1939 those satisfactory climatic conditions for agriculture and livestock which are essential for its activity. The formation of an expeditionary force caused a further increase in the note circulation.

The dividend for the year was fixed at 60 francs, free of tax, for fully paid-up shares of 500 francs each, on a capital of 38,250,000 francs, as against 70 francs, tax free, in 1938 on a capital of 25,500,000 francs.

In Jugoslavia, the Banque Franco-Serbe has profited by the localisation of the war far from the Balkan peninsula.

The bank participated in the provisioning of the country in raw materials from the Americas through the Mediterranean. Moreover, a Franco-Jugoslav Trade and Payments Agreement concluded at the end of the year enabled them to transfer a part of their profits. They paid a dividend of 6 per cent., as against 5 per cent. the year before.

The British-French Discount Bank, Limited, at Athens and Piraeus, in spite of the circumstances and the necessity to keep large amounts of cash, has shown satisfactory results, but none of their profits can be transferred and, unfortunately, no early change in this state of affairs can be foreseen.

The activities of our subsidiary, the Bank of Roumania, Limited, Bucarest, were also affected by the political events of last year and were subjected to further restrictions. Despite this, however, the results were slightly better than in the preceding fiscal period.

The outlook in that country must necessarily remain uncertain, and with trading conditions extremely difficult the bank continues in the meantime to maintain a high degree of liquidity.

PROFIT AND DIVIDEND

After deduction of all charges and expenses our transferable net profits amount to £93,378 13s. 2d., which, with the amount brought forward from 1938—namely, £39,239 13s. 2d.—places at our disposal for the distribution of a dividend a total amount of £132,618 6s. 4d.

The non-transferable profits for 1939, which are not included in the above figures, represent more than 2s. per share. These profits go to reinforce our local reserves.

Your committee propose the distribution of a dividend of 3s. 6d., as against 3s. for previous years. If you are good enough to follow their recommendation this dividend will be payable on July 23rd in London only. The amount to be carried forward will be £45,118 6s. 4d.

The vacancy in the general committee left by the death in 1938 of Mr E. W. H. Barry has been filled by the nomination of his successor in the management of the London office, Mr R. S. C. Pearce. Mr Pearce has been associated with the London office of the bank for over 40 years, and it is with confidence that your committee recommend the ratification of his nomination.

In the report you will see the names of the directors retiring by rotation in accordance with the statutes, all of whom, being eligible, offer themselves for re-election.

TRIBUTE TO EXECUTIVE AND STAFF

As is our custom each year, but more especially at this momentous time, when each of us has to undertake new responsibilities and to furnish his maximum effort, I wish to pay a tribute to the staff of the bank—managers, heads of departments, and employees of all grades, who, without reserve, have everywhere proved their devotion to our interests.

I now beg to move, ladies and gentlemen: "That the report and accounts now read be received and adopted; that the dividend for the year ended December 31, 1939, be fixed at the rate of 3s. 6d. per share, and that this dividend be payable in London on July 23, 1940."

Before I put this resolution I shall be happy to answer any questions.

Sir John P. Hewett, G.C.S.I., K.B.E., C.I.E., seconded the resolution, which was carried unanimously.

The Chairman next moved: "That Mr R. S. C. Pearce be and he is hereby elected a member of the general committee."

This was seconded by Lieutenant-Colonel Sir Albert Stern, K.B.E., C.M.G., and carried unanimously.

The Chairman then moved: "That Monsieur Jean Boissonnas, Mr A. C. Gladstone, Viscount Goschen, Sir Guy Granet, Sir Gordon Nairne, Sir Albert Stern, and Monsieur Edouard Vernes be and they are hereby re-elected members of the general committee."

Mr F. Fisher seconded the motion, which was unanimously approved.

The meeting then terminated.

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.

GENERAL ELECTRIC COMPANY, LIMITED

RECORD PROFIT

The annual general meeting of the General Electric Company, Limited, was held, on the 18th instant, in London.

The Right Hon. Lord Hirst of Witton (chairman and managing director) said that in the report the directors had pointed out the very considerable increase in debtors and stock, amounting to over £1,700,000. That was due not only to the increased activity at their works, but also to the fact that a large proportion of their business was now done with Government Departments. That increased activity, conducted at higher prices for labour and material, had necessitated additional finance; some £1,000,000 had been provided by way of loan, and since March 31st a further £1,000,000 had been added to the loan. They had considered very thoroughly the method by which that finance should be obtained and, having regard to the fact that it was required to cover their war efforts and to some extent, therefore, must be of a temporary character, they had felt it best to arrange for a five-year loan rather than to make an issue of permanent capital at a time when shareholders might find it impossible to take up their quota and when all their savings should be put behind the national effort. Another outstanding feature in the accounts was the amount applied to depreciation. Not only had they applied some £395,000, an increase of £15,000, to meet normal depreciation, but they had set aside a special sum of £100,000 for the same purpose.

Some explanation might also be required as to the increase of some £800,000 shown under the general heading "Interests in Other Companies." Those companies, both subsidiary and associated, were, in the main, parts of the G.E.C. manufacturing organisation and have been engaged, in the same way as the parent company, upon important work for the Government, requiring additional finance.

Finally, he came to the item which in normal years was the major item of interest, but which to-day was only of relative importance compared with the work they were privileged to do for the country. He referred to their profit figure, which, at £1,892,000, had established a new record in their history. That achievement was due to the fact that their works had been employed to the utmost capacity and he was glad to think that their service to the Government was accompanied by their ability to maintain for their 30,000 shareholders, many of whom were small people, the dividend they had provided for them under normal conditions.

NATIONAL SERVICE

It had usually been his pleasure at the annual meetings to give shareholders an account of their various technical achievements and successes, but that day his lips must be sealed and so remain until the war was over. He could assure them that when that time arrived they would be proud and thrilled to hear of all the work which they had carried out for the Admiralty, the War Office, the Air Force and the Ministry of Supply, as well as for the Home Defence services. In all those activities their research laboratories had continued to play their part and they had ample testimony from the Government of the value of the work they were doing. This war was essentially a technician's war and the electrical industry in all its phases had a vital contribution to make to the country's war effort.

The company's works, which covered the whole field of activity from heavy engineering to communication, and all the light industries, were engaged to the fullest extent, with all their designing and manufacturing experience and all their vast and varied manufacturing capacity, in helping to supply the fighting services with whatever they required, whether it were for the company's usual products or in other directions.

In spite of all those preoccupations on national work, however, they had managed to maintain their export business, which was equally vital for the success of the country's war effort. From all their overseas markets, which were predominantly in the British Empire, they had received letters expressing surprise and congratulations at the flow of exports which they had succeeded in maintaining and those efforts were being strenuously continued.

Mr M. J. Railing (vice-chairman and joint managing director) said that at each of their many works they were working day and night to full capacity in order to achieve the utmost production of equipment essential for the various services.

The report was unanimously adopted.

NEW BROKEN HILL CONSOLIDATED

DEVELOPMENT OPERATIONS

The fourth ordinary general meeting of the New Broken Hill Consolidated, Limited, was held, on the 16th instant, at 95 Gresham Street, London, the Right Hon. Viscount Horne of Slamannan, P.C., G.B.E. (the chairman), presiding.

The chairman, in the course of his speech, after reviewing the accounts for the year ended December 31, 1939, said that the circular shaft had now been sunk to a depth of over 1,400 ft., leaving rather less than 200 ft. to connect with the No. 12 level south drive. That connection would provide the first stage in the scheme of ventilation, and sinking to greater depths would thereafter be continued.

The results obtained in the Zinc Corporation property were eminently satisfactory; the new main shaft was completed in August to a vertical depth of 2,280 ft., and was now serving both mines.

The information available from the Zinc Corporation operations and the location of payable ore at the boundary and at 1,000 ft. south thereof all appeared to confirm the forecasts made when the company was formed, and the results could be regarded as satisfactory.

The most important work in hand was the development of the Zinc Corporation lead lode through their new main shaft, from which the south drives on the deeper levels would be extended to their own property. Of these, the south drives on Nos. 14 and 15 levels were being advanced in ore of high grade, and work on No. 16 level would be commenced this year, after the sinking of the main shaft to the No. 17 level had been resumed.

The date at which substantial production could be commenced depended on the rate at which those developments could be advanced, and he warned the shareholders that that might be retarded by shortage of labour through service in the Forces and other war work in which Australia was playing a very active part. It was also dependent on the method finally adopted for the joint working of the lode in the Zinc Corporation and the New Broken Hill leases, a matter to which Mr W. S. Robinson had been and was giving close attention.

The report and accounts were unanimously adopted.

POWELL DUFFRYN ASSOCIATED COLLIERIES, LIMITED

POWELL DUFFRYN STEAM COAL COMPANY, LIMITED
WELSH ASSOCIATED COLLIERIES, LIMITED

At the annual general meeting of Powell Duffryn Associated Collieries, Limited, held on the 17th instant in London, the Chairman, Mr Edmund L. Hann, stated that the profit amounted to £787,950, which was £26,000 more than that of the preceding year.

During the year under review the national effort called for maximum production from their collieries and works and the full employment of their distributing organisations. A very different situation was being faced to-day—a little more than a month ago the company was unable to meet the demands for all its products, but in the short intervening period, the greater part of the European market had been cut off. Mines, which had been working to capacity, were not now fully employed, and it was not possible to forecast what the future held in store for the industry.

Of the coal trade of Great Britain as a whole, only some 21½ per cent. had been exported, yet in their own district over half of their output found an outlet in this way. South Wales would therefore suffer a great dislocation of trade until it had been found possible to regain markets, or to readjust national deliveries.

The installation of the "Phurnacite" plant for the production of carbonised fuel to which he had referred at the last annual meeting was begun during the summer of last year, and work has been proceeding continuously. Difficulties in obtaining materials would delay its compeltion for many months.

Sales of "PhurnoD" continued to increase. For boilers, stoves and all forms of heating, this product could not be surpassed in value and performance. Although in some cases there had been delay in executing orders, it was hoped now to have supplies available to meet the increasing demands.

The report was adopted.

The annual general meetings of The Powell Duffryn Steam Coal Company, Limited, and Welsh Associated Collieries, Limited, were subsequently held; the reports and accounts were adopted and the dividends recommended duly declared.

TELEPHONE RENTALS LIMITED

CONTRIBUTION TO THE NATIONAL EFFORT

The annual general meeting of Telephone Rentals, Limited, was held, on the 15th instant, at West Dulwich.

Mr Fred T. Jackson (chairman and managing director) said that in spite of the difficult trade conditions due to the war, all their British subsidiaries, with one exception, had traded at a profit, including the company showing a loss in last year's accounts. With regard to the foreign subsidiaries, both of which operated in countries overrun by the enemy, they had been unable to obtain the final results of their operations for the past financial year, although they knew that they had both traded at a profit and that a dividend would have been forthcoming from at least one of them. In the books of the parent company no value was ascribed to the holdings in these foreign subsidiaries.

During the year a favourable opportunity presented itself for the disposal of the company's shareholding in an associated company in Australia. The Australian company had been quite successful, but the lines of development were by force of local circumstances rapidly diverging from the lines of development of the parent company's business. The offer received from Australian interests had been accepted, and he thought it would be agreed that the financial result of the transaction was satisfactory.

The dividends received from subsidiary companies showed an increase of over £5,000, and there was a net profit to be carried to appropriation account amounting to £127,367 as against £121,561 for the previous year. A further £30,000 had been transferred to general reserve, increasing it to £200,000, and the directors recommended a final dividend of 6 per cent., making 10 per cent. for the year.

It was impossible for him to emphasise too strongly that the work on which the company was engaged was of the greatest national importance. The factories with which they were associated were subscribers to the various services supplied by the company. He could say, without a shadow of doubt, that a breakdown in these services would affect factory output by a very large percentage and to a far greater degree now than would be the case in times of peace. Supplies of apparatus which they installed were difficult, especially just now when factories had to give priority to certain Government work, but after that priority their demands must be filled and they were not doing too badly in the circumstances.

As to the future, progress was largely dependent on the continuance of adequate supplies of apparatus, but he had every expectation that they would be able to ensure supplies of a considerable part of the apparatus they used. It was, however, wise to take a pessimistic view of the position and consider that they might have to curtail their activities. In such circumstances shareholders had to bear in mind the very large revenue the company had now secured and that a very big proportion of this revenue was derived from subscribers who were engaged directly or indirectly on war work. They might consider justly and soberly on the evidence they had that even if they temporarily ceased to expand, the future of the company would not be jeopardised or its financial structure impaired.

The report was unanimously adopted.

BRITISH GLUES AND CHEMICALS LIMITED

CONTINUED PROGRESS

The twentieth ordinary general meeting of British Glues and Chemicals, Limited, was held, on the 17th instant, at the Connaught Rooms, London.

Mr T. Walton, F.C.A. (the chairman), who presided, said: Our profit for the year ended April 30, 1940, after writing off the balance of A.R.P. expenditure and £3,869 in respect of foreign trade investments, augmenting by £30,000 reserve for war and other contingencies including fluctuations in the cost of raw materials and in selling prices, and providing for Excess Profits Tax, was £113,000 subject to income tax.

In the first four months of the year, during which we had been giving special attention to export trade, we were ahead of the corresponding months of the previous year—greater production, increased deliveries and satisfactory profit; at the outbreak of war the German and several other of our European markets were at once closed and since then a large part of our production has directly or indirectly supplied national needs, and we have been able to help the Ministry of Supply, the Ministry of Food and other Government Departments.

Turning to the balance sheet, during the year our capital assets have been maintained in a condition of high efficiency and we have amply provided for depreciation. Our investments in British Government securities have increased by nearly £63,000, largely due to our support of recent Government loans; and our bank and cash balances are higher by almost £21,000. The increase in our liabilities by £139,000 is due in part to expanded trade, but in the main it is due to provision for Excess Profits Tax and Income Tax.

Turning for one moment to the consolidated balance sheet, you have probably noticed the growth in the excess of current assets of parents and subsidiaries collectively over the whole of our liabilities and provision for dividends, from £407,000 a year ago to £458,000 at April 30, 1940. And further you will have noticed that our reserves and carry forward now exceed our issued ordinary capital.

Ladies and gentlemen, British industry may yet have a rough journey, but our company may face with tranquil confidence whatever the future may hold.

The report and accounts were unanimously adopted.

(*Continued from page* 100)

increase in the export quota, it has been reported this week that the production quota in Malaya has been raised from 80 to 100 per cent. of domestic assessment for the third quarter of this year.

Grains. — Wheat futures in Chicago are several cents lower than last week, due to hedging of the new American winter crop. Chicago prices are now almost as low as those at Winnipeg. American farmers are anxious to take advantage of the new Government loan facilities, the basis of which is about 9c. above the current market price. River Plate maize prices have advanced 1s. per quarter, which suggests a successful outcome of the negotiations between the British and Argentine Governments. New maximum prices have been fixed for feeding barley, oats and rye.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended July 6, 1940	Week ended July 13, 1940	From Ap. 1 to July 15, 1939	From Ap. 1 to July 13, 1940
Argentina	107	114	6,500	3,979
Atlantic America	113	40	401	554
Danube Region	33	36	924	543
S. & E. Africa	...*	...*	494	705†
Indo-China, etc.	...	...	459	91
Total	253	190	8,778	5,872

* Not received. † Incomplete since June 8th.
Source: *The Corn Trade News*

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended July 6, 1940	Week ended July 13, 1940	From Aug. 1 to July 15, 1939	From Aug. 1 to July 13, 1940
N. America	398	524	29,730	25,507
Argentine, Uruguay	427	341	13,487	20,945
Australia	...*	...*	12,171	4,546†
Russia	...	...	4,624	111
Danube and district	92	74	9,525	10,117
Other countries	...	...	2,272	345
Total	917	939	72,809	61,871

* Unobtainable. † Shipments up to February 29, 1940.
Source: *The Corn Trade News*

Oils and Oilseeds.—Supplies of the most essential vegetable oils are ample for current requirements, including the increased demand for margarine and cooking fats. Technical oils for soap and paint manufacture are being released by the Control in fairly large quantities. Argentina has only 200,000 tons of this season's linseed unsold, but there is an unexpectedly large crop in the United States. Official prices of controlled vegetable oils, animal fats, oilcakes and meals are unchanged.

Rubber.—The fall in the price of rubber during the week has been due to the dullness of the market; forward positions have not declined to the same extent. Figures of Malayan stocks outside the regulated area, published this week, show little change on the month; they were 32,411 tons at the end of June, compared with 32,770 tons at the end of May.

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

	Mar. 31, 1937	July 12, 1939	Aug. 30, 1939	July 2, 1940	July 16, 1940
The Economist Index (U.K.):—					
Cereals and meat	93·0	68·3	66·9	89·9	90·6
Other foods	70·4	62·8	61·1	80·3	80·1
Textiles	74·2	53·4	54·3	88·6	88·9
Minerals	113·2	92·3	95·4	120·4	121·3
Miscellaneous	87·0	75·5	77·6	110·8	110·0
Complete Index	**87·2**	**69·8**	**70·3**	**97·9**	**98·1**
1913 = 100	*119·9*	*96·1*	*96·8*	*134·6*	*135·0*
Irving-Fisher Index (U.S.A.)	**100·4**	**83·7**	**83·4**	**88·5***	**...**

* This figure is the latest available; it relates to June 1st.
† Highest level reached during the 1932–7 recovery.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to July 13, 1940, total ordinary revenue was £20,650,000, against ordinary expenditure of £64,240,000 and issues to sinking funds of £250,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £605,488,000, against £176,459,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EX ENDITURE

Revenue	Receipts into the Exchequer (£ thousands) Estimate, 1940–41	Apr. 1, 1939, to July 15, 1939	Apr. 1, 1940, to July 13, 1940	Week ended July 15, 1939	Week ended July 13, 1940
ORDINARY REVENUE					
Income Tax	450,500	20,596	40,823	5,467	8,519
Sur-tax	75,000	7,300	7,160	270	350
Estate, etc., Duties	85,100	24,440	26,960	1,370	1,610
Stamps	19,000	4,910	3,780	430	210
N.D.C.	70000	6240	5,420	450	460
E.P.T.		...	9,560	...	1,630
Other Inland Revenue	1,000	290	130	20	10
Total In. Rev.	700,600	63,776	93,833	8,007	12,789
Customs	302,050	72,280	81,313	4,726	5,227
Excise	164,050	29,340	38,100	1,300	900
Total Customs and Excise	466,100	101620	119413	6,026	6,127
Motor Duties	35,000	5,834	6,698	791	974
P.O. (Net Receipt)	13,291	2,964	3,850	1,450	600
Crown Lands	1,150	320	280	...	...
Receipts from Sundry Loans	5,000	1,512	476	109	53
Mis. Receipts	13,250	1,533	5,142	1	107
Total Ordinary Revenue	1234391	177559	229692	16,384	20,650
SELF-BAL. Post Office and Broadcasting	86,222	21,036	22,250	...	800
Total	1320613	198595	251942	16,384	21,450

Expenditure	Issues out of the Exchequer to meet payments (£ thousands) Estimate, 1940–41	Apr. 1, 1939, to July 15, 1939	Apr. 1, 1940, to July 13, 1940	Week ended July 15, 1939	Week ended July 13, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	88,319	90,892	1,529	996
Payments to N. Ireland	9,400	1,911	1,928	...	...
Other Cons. Fund Serv.	7,600	3,186	3,195	247	244
Total	247,000	93,416	96,015	1,776	1,240
Supply Serv.	2419790	258555	737066	17,000	63,000
Total Ordinary Expenditure	2666790	351971	833081	18,776	64,240
SELF-BAL. Post Office and Broadcasting	86,222	21,036	22,250	...	800
Total	2753012	373007	855331	18,776	65,040

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £313,064 to £3,099,023, the other operations for the week (no longer shown separately) raised the gross National Debt by £44,535,100 to about £9,549 millions.

OTHER ISSUES (NET)
(£ thousands)

Overseas Trade Guarantees	56
Anglo-Turkish (Armaments Credit)	84
P.O. and Teleg. (Money) Acts	250
	390

OTHER RECEIPTS (NET)
(£ thousands)

Land Settlement Acts	8

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to July 13, 1940, are :—

(£ thousands)

Ordinary Exp.	833,081	Ord. Revenue	229,692
Misc. Iss. (net)	3,487	Gross. borr.	609,679
Inc. in balances	704	*Less*— Sinking fds.	2,099
		Net borrowing	607,580
	837,272		837,272

FLOATING DEBT
(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt	Floating Assets
1939						
July 15	494·0	562·8	43·1	...	1099·8	605·8
1940						
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
„ 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
„ 22	755·0	861·1	42·3	...	1658·4	903·4
„ 30	770·0	856·0	36·6	...	1662·6	892·6
July 6	785·0	Not available				
„ 13	800·0	„ „				

TREASURY BILLS
(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %		Per Cent. Allotted at Minimum Rate
1939				s.	d.	
July 14	35·0	64·5	35·0	15	8·99	51
1940						
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
„ 21	65·0	97·6	65·0	20	4·97	60
„ 28	65·0	110·3	65·0	20	5·22	51
July 5	65·0	105·4	65·0	20	5·10	55
„ 12	65·0	112·3	65·0	20	4·97	48

On July 12th 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 48 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 July 19th.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS
(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
June 25	5,732	4,290	61,000
July 2	4,728	6,849	
„ 9	5,364	10,636	30,469
„ 16	...	...	18,187
Totals to date	120,265*	119,980*	109,656†

* 33 weeks. † 4 weeks.

Interest free loans received by the Treasury up to July 16th amounted to 5,780 of a total value of £11,850,991. The Revenue Returns no longer show the amount of principal of savings certificates and 3% defence bonds which has been repaid.

BANK OF ENGLAND RETURNS

JULY 17, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt.	11,015,100
In Circultn.	608,917,033	Other Govt. Securities	614,847,975
In Banking Dept.	21,319,725	Other Secs.	3,627,753
		Silver Coin	509,172
		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

	£		£
Props.' capital	14,553,000	Govt. Secs.	155,867,838
Rest	3,389,842	Other Secs.:	
Public Deps.*	56,037,981	*Discs., etc.*	*3,025,705*
		Securities	*23,039,398*
Other Deps.:			*26,065,103*
Bankers	*79,165,778*		
Other Accts.	*51,234,215*	Notes	21,319,725
	130,399,993	Gold & Silver Coin	1,128,150
	204,380,816		204,380,816

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

THE WEEK'S CHANGES
(£ thousands)

Both Departments	Amt. July 17, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	608,917	− 1,461	+101279
Deposits: Public	56,037	+ 33,845	+ 27,656
Bankers'	79,165	− 27,835	− 16,355
Others	51,234	+ 3,450	+ 14,811
Total outside liabilities	795,353	+ 7,999	+127391
Capital and rest	17,943	+ 21	− 86
COMBINED ASSETS			
Govt. debt and securities†	781,731	+ 8,430	+377543
Discounts and advances	3,025	− 850	− 6,095
Other securities	26,667	+ 683	+ 1,771
Silver coin in issue dept.	509	− 2	− 202
Gold coin and bullion	1,365	− 241	−245711
RESERVES			
Res. of notes and coin in banking department	22,448	+ 1,220	− 16,990
"Proportion" (reserve to outside liabilities in Bankg. dept.)	12·0%	+ 0·1%	−12·5%

COMPARATIVE ANALYSIS*
(£ millions)

	1939 July 19,	1940 June 26	1940 July 3	1940 July 10	1940 July 17
Issue Dept.:					
Notes in circ.	507·6	602·2	608·2	610·4	608·9
Notes in banking dept.	38·8	28·1	22·1	19·9	21·3
Govt. debt and securities†	299·1	626·2	626·7	626·6	625·9
Other secs.	0·2	3·3	2·8	2·8	3·6
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	246·4 *148·50*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*
Deposits:					
Public	28·4	58·0	16·6	22·2	36·0
Bankers'	95·5	82·7	140·1	107·0	79·2
Others	36·4	50·3	48·8	47·8	51·2
Total	160·3	191·0	205·5	177·0	186·4
Bkg. Dept. Secs.					
Government	105·1	151·1	171·2	146·7	158·9
Discounts, etc.	9·1	4·7	5·4	3·9	3·0
Other	24·7	23·5	23·2	23·1	23·8
Total	138·9	179·3	199·8	173·7	185·7
Banking dept. reserve	39·4	29·5	23·6	21·8	22·4
"Proportion"	% 24·5	% 15·4	% 11·4	% 11·9	% 12·0

* Government debt is £11,015,100; capital £14,553,000. † Fiduciary issue raised from £575 millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. Banks	July 20, 1939	July 5, 1940	July 11, 1940	July 18, 1940
RESOURCES				
Gold certifs. on hand and due from Treas.	13,651	17,840	17,944	18,028
Total reserves	14,015	18,190	18,316	18,406
Total cash reserves ...	356	338	360	368
Total U.S. Govt. secs.	2,515	2,450	2,450	2,450
Total bills and secs. ...	2,533	2,461	2,461	2,461
Total resources	17,370	21,488	21,556	21,779
LIABILITIES				
F.R. notes in circn. ...	4,509	5,248	5,232	5,230
Excess mr. bank res....	4,490	6,810	6,830	6,880
Mr. bank reserve dep.	10,412	13,737	13,764	13,863
Govt. deposits	764	221	297	278
Total deposits	11,810	15,203	15,336	15,440
Total liabilities	17,370	21,488	21,556	21,779
Reserve ratio	85·9%	89%	89%	89%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock ...	16,191	20,063	20,166	20,256
Treas. & bk. currency	2,890	3,014	3,015	3,016
LIABILITIES				
Money in circulation...	7,022	7,924	7,884	7,872
Treas. cash and dep....	3,294	2,411	2,488	2,477

SOUTH AFRICAN RESERVE BANK

Million £'s

ASSETS	June 23, 1939	June 7, 1940	June 14, 1940	June 21, 1940
Gold coin and bullion	26·64	36·34	37·30	38·42
Bills discounted	8·06	8·43	8·37	8·15
Inves. & other assets ...	15·74	25·54	26·96	27·75
LIABILITIES				
Notes in circulation ...	16·57	20·31	19·89	19·99
Deposits: Government	3·04	5·90	6·15	7·42
Bankers' ...	23·43	33·14	36·89	35·25
Others	4·35	6·44	5·72	6·97
Reserve ratio	56·4%	54·5%	54·2%	55·0%

BANK OF CANADA.—Million Can. $

ASSETS	June 19, 1940	June 26, 1940	June 29, 1940	July 3, 1940
†Reserve: Gold.....	...	...	...	...
Other	9·2	8·9	3·3	2·8
†Securities	514·7	521·2	521·4	541·0
LIABILITIES				
Note circulation.....	250·9	267·1	272·6	279·1
Deposits: Dom. Govt.	37·6	39·1	36·6	33·9
Chartered banks ...	218·7	203·4	208·6	216·7

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million $'s

ASSETS	June 5, 1940	June 12, 1940	June 19, 1940	June 26, 1940
Loans, total	8,435	8,469	8,444	8,435
Investments	15,192	15,192	15,152	15,146
Reserve with F.R. bks	11,408	11,429	11,595	11,669
Due from domestic bks.	3,243	3,255	3,279	3,272
LIABILITIES				
Deposits: Demand ...	20,306	20,615	20,495	20,681
Time	5,318	5,311	5,396	5,312
U.S. Govt.	584	582	582	580
Inter-bank	9,188	9,136	8,985	9,103

BANK OF JAPAN.—Million yen

ASSETS	May 18, 1940	May 25, 1940	June 1, 1940	June 8, 1940
Coin & bullion: Gold	501·3	501·3	501·3	501·3
Other	31·4	34·6	34·6	35·7
Foreign exch. fund ...	300·0	300·0	300·0	300·0
Discounts and advances	526·6	524·6	549·3	544·0
Government bonds ...	2557·1	2651·8	2769·1	2610·1
Agencies' accounts.....	285·4	291·4	250·0	230·7
LIABILITIES				
Notes issued	3066·8	3185·9	3373·2	3188·9
Deposits: Government	753·1	745·0	678·9	673·0
Other	142·7	169·4	128·1	101·3

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between July 12th and July 18th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½ mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. fcs. (25·22½), July 12–15, 17·75–85; July 16–18, 17·70–80. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45), July 12–13, 17·00–13; mail transfers, 17·00–15; July 15–18, 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent pm.-par. Canada, ½ 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 £	July 12, 1940	July 13, 1940	July 15, 1940	July 16, 1940	July 17, 1940	July 18, 1940
Tallinn, Ekr. .	18·159	14*	14*	14*	14⅝*	14⅝*	14⅝*
Riga, Lats. ...	25·22½	18¼*	18¼*	18⅜*	19*	18⅞*	18½*
Budapest, Pen.	27·82	19⅝*	19⅝*	19¾*	20½*	18¼*	18*
Kovno, Lit ...	48·66	20⅝*	20⅝*	20⅝*	21⅝*	21¼*	21*
Belgrade, Din.	276·32	145*	145*	145*	150*	150*	150*
		185*(g)	185*(g)	185*(g)	190*(g)	190*(g)	190*(g)
Sofia, Lev.....	673·66	290*	290*	295*	305*	305*	300*
Helsingfors, Mk	193·23	190–210	190–210	190–210	190–210	190–210	190–210
Alexandria, Pst	97½	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝
		37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
Madrid, Pt. ...	25·22½	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Lisbon, Esc....	110	99–101	99½–	99½–	99½–	99½–	99½–
			101½	101½	101½	101½	101½
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr. ...	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup. ...	†18d.	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16
Kobe, Yen.....	†24·58d.	15 5/16– 15 5/16	15 1/16– 15 1/16	15 1/16– 15 1/16	14 9/16– 15 3/16	14 9/16– 15 5/16	14 15/16– 15 7/16
Hongkong, $..	† ...	147⅞–15⅛	147⅞–15⅛	147⅞–15⅛	147⅞–15⅛	147⅞–15⅛	147⅞–15⅛
Rio, Mil.....	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95*	95*	95*	95*	95*	95*
Lima, Sol. (e).	17·38	22½–25½	22½–25½	22½–25½	23½–26½	23½–26½	23½–26½
Montevideo, $	† 51d.	22¼–24¼	22¼–24¼	22¼–24¼	20½–23½	20½–23½	20½–23½
Singapore, $ ..	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $ ..	† ...	3⅝–4¼	3⅝–4¼	3⅝–4¼	3⅝–4¼	3 15/16–4 3/16	3 11/16–4 3/16
Bogota, Pes. ..	...	57⅞*	57⅞*	57⅞*	61⅞*	61⅞*	61⅞*

* 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.
(e) 90 days. (g) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days:—	Week ended July 15,'39	Week ended July 13,'40	Aggregate January 1 to July 15,'39	Aggregate January 1 to July 13,'40
Birmingham	6,606	2,901	67,886	64,663
Bradford ...	709	2,923	23,521	45,487
Bristol	1,207	1,803	37,059	48,074
Hull	760	700	22,410	22,572
Leicester ...	781	903	20,013	21,461
Liverpool ...	4,181	4,705	140404	163035
Manchester	9,135	11736	267795	322165
Newcastle	1,279	1,059	42,788	38,412
Nottingham	434	501	13,895	12,267
9 Towns...	21092	27231	635801	738136
Dublin.....	5,222	6,162	175937	171095
Sheffield* ..	743	653	30,245	18,623
Southampton†	...	88	...	1,018

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between July 12th and July 18th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1 11/16–1½%; 6 months, 1⅛–1¼%. Treasury bills: 2 months, 1–1 1/16%; 3 months, 1 1/16%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, 1½%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
July 12	21¾	21½	July 17.....	22¼	21 13/16
„ 15	21 13/16	21¾	„ 18.....	22½	21 15/16
„ 16	23 1/16	21¾			

NEW YORK EXCHANGE RATES

New York on	July 11, 1940	July 12, 1940	July 13, 1940	July 15, 1940	July 16, 1940	July 17, 1940
London:—						
Cables	Cents 368	Cents 369½	Cents 371	Cents 386⅝	Cents 384¼	Cents 478½
Switzerland, Fr.	22·66½	22·67½	22·67	22·72	22·71	22·72
Italy, Lire.....	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·05	40·05	40·05	40·05	40·05	40·05
Stockholm, Kr.	23·87	23·88	23·87	23·89	23·89	23·89
Montreal, Can. $	85·625	87·000	87·125	87·500	87·750	87·625
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $.....	6·12	6·10	6·10	6·40	6·30	6·25
B. Aires, Pso. (mkt. rate)	21·45‡	21·65‡	21·60‡	21·75‡	21·75‡	21·75‡
Brazil, Milreis.....	5·10	5·10	5·10	5·10	5·10	5·10

‡ Official buying rate 29·78. (c) Nominal.

BANK STATEMENTS

MIDLAND BANK LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940
Capital paid up	15,159	15,159
Reserve fund	12,411	12,411
Current, deposit and other accounts	468,632	509,810
Acceptances and confirmed credits	9,464	7,521
Engagements	9,662	9,559
Total	515,328	554,460

ASSETS	June 30, 1939	June 30, 1940
Cash at B. of England ...	45,639	55,280
Balances on other banks	17,240	22,021
Money at call, etc.	28,493	19,752
Investments	111,639	122,571
Bills discounted	28,822	23,850
British Treasury Bills ...	25,768	67,634
Advances	219,976	207,542
Acceptances	19,127	17,080
Premises	8,862	8,893
Other properties, etc. ...	809	798
Yorkshire Penny Bank...	937	937
Capital reserve and undivided profits of subsidiary banks	8,016	8,102
Total	515,328	554,460

GLYN, MILLS & CO.

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940
Capital	1,060	1,060
Reserve fund	530	850
Bank premises account...	305	...
Current, deposit and other accounts	34,170	38,863
Acceptances, etc.....	4,143	4,097
Total	40,208	44,870

ASSETS	June 30, 1939	June 30, 1940
Coin, etc., at Bank of England.....	5,476	5,290
With other banks	3,006	3,675
Money at call, etc.	8,337	6,986
Bills discounted	211	1,342
Investments	9,405	12,239
Advances	8,890	10,501
Acceptances, etc.	4,143	4,097
Premises	740	740
Total	40,208	44,870

LLOYDS BANK LIMITED

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940
Paid-up capital.....	15,810	15,810
Reserve fund	9,500	9,500
Current deposit and other accounts	396,423	439,955
Notes in circulation (Isle of Man).....	6	8
Acceptances	3,080	1,698
Endorsements	33,637	32,887
Total	458,456	499,858

ASSETS	June 30, 1939	June 30, 1940
Cash	41,582	47,054
With other banks	14,978	15,587
Money at call, etc.	25,652	29,693
Balances abroad	3,686	4,066
Treasury bills	30,480	67,345
British bills of exchange	9,840	3,720
Col. and for. bills	1,709	1,203
Brit. Govt. { Short.....	28,131	44,323
Stocks ... { Other.....	59,969	46,329
Ind. & Col. Govt. stks...	14,608	15,267
Invest. in other banks ...	2,397	2,310
Other investments	1,947	1,650
Nat. Bk. of Scotland.....	3,024	3,070
Indian premises	55	55
Lloyds Nt. Prov. For. ...	600	600
Loans and advances.....	165,598	156,646
Items in transit.....	8,264	17,137
Other assets	1,723	1,772
Bank premises	7,496	7,446
Acceptances	3,080	1,698
Endorsements	33,637	32,887
Total	458,456	499,858

COUTTS AND COMPANY

(£000's)

LIABILITIES	June 30, 1939	June 30, 1940
Capital issued	1,000	1,000
Reserve fund	1,000	1,000
Current, deposit and other accounts	21,753	25,613
Acceptances, etc.	725	713
Total	24,478	28,326

ASSETS	June 30, 1939	June 30, 1940
Cash at B. of England...	2,079	2,766
Balances with other banks	749	1,000
Money at call, etc.	2,636	5,122
Investments	6,817	6,824
Bills discounted	1,126	2,631
Advances	9,934	8,858
Premises	412	412
Acceptances, etc.	725	713
Total	24,478	28,326

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Financial, Land, etc.													
Beecham Maclean Hldgs.	June 30	503,500	...	313,821	314,765	63,352	168,844	27·4	81,468	+ 157	275,470*b*	197,325*b*	16½*b*
Central Commercl. Prps.	June 30	105,530	...	22,249	31,684	13,717	7,225	8	...	+ 1,307	110,575	30,963	12
City of Lond. Brv. & Inv.	June 30	234,414	...	144,947	224,225	124,622	17,956	5	...	+ 2,369	247,439	172,665	7
Cons. Sisal Est. E. Africa	Mar. 31	35,601	10,470	7,850	10,842	...	...	...	...	+ 7,850	21,352	1,569	Nil
N.S. Wales Land, etc. ...	Jan. 31	5,395	...	705	1,611	...	3,660	4	*Dr.2,500*	− 455	8,142	3,784	8
Iron, Coal and Steel													
Avery (W. and T.).....	Mar. 31	207,715	46,616	141,098	211,989	9,746	82,036	15	55,000	− 5,684	221,367	155,348	15
Shipley Collieries	Mar. 31	252,339	32,500	110,868	171,378	11,359	60,000	10	37,791	+ 1,718	241,980	132,703	12½
Rubber													
Banir	Mar. 31	12,709	500	7,328	9,168	...	6,300	10	...	+ 1,028	7,051	3,769	5
Bidor	Mar. 31	8,221	...	4,408	8,303	...	2,344	7½	2,000	+ 64	2,666	1,447	4
Bukit Rajah	Mar. 31	21,737	1,951	12,752	20,233	...	13,340	4	...	− 588	16,781	9,916	3
Caledonian (Selangor) ...	Mar. 31	21,556	1,594	7,634	15,544	...	7,642	9	4,000	− 4,008	6,181	*Dr. 2,214*	3
Daejan Samoedra	Mar. 31	13,263	429	3,110	7,091	...	2,156	3	...	+ 954	5,365	2,626	2
Java Para	Dec. 31	15,400	...	11,233	13,900	...	10,000	6¼	1,250	− 17	14,093	11,318	6¼
Kalidjeroek	Mar. 31	10,457	451	7,841	9,856	800	7,200	8	...	− 159	3,742	992	Nil
Malay United	Mar. 31	7,376	...	1,852	2,572	...	1,750	2·1	...	+ 102	4,915	103	Nil
Manchester N. Borneo...	Mar. 31	21,594	890	4,260	10,527	733	3,609	3½	...	− 82	14,536	3,985	2½
Pelmadulla.....	Dec. 31	46,690	4,150	21,857	35,432	1,192	19,546	15	...	+ 1,119	28,077	12,579	10
Selangor United	Mar. 31	12,484	480	7,780	18,422	...	6,750	7½	1,000	+ 30	7,249	3,666	3
Sungei Tiram	Mar. 31	7,405	515	1,998	4,121	...	2,227	5	...	− 229	3,959	228	Nil
Vallambrosa	Mar. 31	44,810	...	12,338	22,672	...	11,325	20	...	+ 1,013	18,209	6,665	10
Trusts													
Brit. Industries and Gen.	June 30	15,854	...	11,542	21,190	11,250	...	...	...	+ 292	14,457	13,396	Nil
Melville	May 31	62,002	...	20,042	38,769	12,797	3,546	2	3,000	+ 699	61,086	20,511	2
Second Consolidated ...	June 15	67,409	...	22,466	24,531	24,000	...	...	...	− 1,534	81,157	25,536	Nil
Other Companies													
Amalgamated Dental ...	Dec. 31	177,164	...	88,250	115,390	57,449	...	...	...	+ 30,801	210,275	134,985	5
Barclay, Perkins & Co.	Mar. 31	440,115	63,793	223,535	294,048	75,600	71,530	4	40,000	+ 36,405	400,622	212,432	6
Barratt (W.) and Co. ...	June 30	180,033	26,662	93,000	93,000	35,000	48,000	12	10,000	...	159,898	100,753	12
Bolton (Thomas) & Sons	Mar. 31	213,621	64,000	98,871	153,991	15,000	50,000	10	30,000	+ 3,871	128,724	64,108	7½
Crossley Bros.	Apr. 30	72,520	20,000	36,970	69,763	24,203	12,675	5	...	+ 92	68,546	44,688	5
Crossley-Premier Engines	Apr. 30	51,306	7,500	25,733	32,376	8,250	12,500	10	5,000	− 17	52,080	25,964	10
Dubilier Condenser	Mar. 31	33,710	6,491	14,051	20,957	6,250	4,810	10	...	+ 2,991	4,742	*Dr. 2,741*	Nil
Eastwoods Cement	Mar. 31	42,747	11,500	24,830	35,677	...	22,000	11	...	+ 1,830	42,853	25,005	12½
General Aircraft	Dec. 31	114,784	...	35,652	35,652	...	12,500	5	...	+ 23,152	65,294	47,358	Nil
Hoffnung (S.) and Co....	Mar. 31	71,236	...	47,327	71,977	25,312	20,250	9	...	+ 1,765	69,280	49,871	9
Hyde Park Hotel	Apr. 30	6,204	...	*Dr. 8,569*	2,902	...	...	...	...	− 8,569	18,257	3,580	Nil
Kay's Atlas Brewery ...	June 30	14,142	2,000	10,719	51,056	2,375	7,813	10	...	+ 531	16,420	11,880	10
Lansil, Ltd.	Mar. 30	240,591	45,005	46,934	106,801	...	36,208	6	...	+ 10,726	122,825	47,874	5
Silentbloc, Ltd.....	May 31	64,552	...	25,034	29,262	...	23,906	25	...	+ 1,128	47,686	34,409	50
Skinner (Thomas) & Co.	Mar. 31	14,939	...	4,895	6,532	4,922	...	...	...	− 27	20,248	13,502	3
Suburban & Prov. Stores	Jan. 31	117,856	5,078	16,093	27,474	...	...	...	...	+ 16,093	169,265	54,840	2½
Totals (£'000's):	*No. of Cos.*												
Week to July 20, 1940	*39*	*3,589*	*353*	*1,682*	*2,376*	*528*	*760*	...	*268*	+ *126*	*3,013*	*1,677*	...
Jan. 1 to July 20, 1940	*1,412*	*293,800*	*23,619*	*161,716*	*229,189*	*35,586*	*100,105*	...	*18,835*	+ *7,190*	*271,057*	*165,244*	...

(b) 11½ months.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
BANKS				
Bank of Ireland	5½	...	...	5½
Munster and Leinster	5½	...	...	6
Hibernian Bank	5½	...	...	5½
Imperial of India ...	6‡	...	...	6‡
Queensland National	(e)2½†	5(c)	...	4½(c)
Royal of Canada.....	2	...	...	2
Royal of Ireland	3½*	...	...	3½*
INSURANCE				
Pearl Assurance	‡22½*	...	Aug. 15	‡25*
TEA AND RUBBER				
Deamoolie Tea	12½†	17½	Aug. 9	17½
Kuala Pergau Rubber	...	5	July 26	2½
Lambak Rubber	...	7½	Aug. 2	2½
Laras Rubber	...	2½	...	Nil
Pelmadulla Rubber	11†	15	July 20	10
Pabbojan Tea	10†	15	Aug. 9	15

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
Rupai Tea	10†	15	Aug. 9	15
Tara Tea	12½†	17½	Aug. 9	15
MINING				
Cons. Tin Smelters...	...	4	Aug. 9	4
Johannsbg. Cons. Inv.	...	10	Sept. 19	15
INDUSTRIALS				
African & Eur. Invst.	2½*	...	...	2½*
Airscrew	15†	25	July 31	22½
Beecham Maclean H.	6·4†	27·4	July 24	16½(a)
Bell and Nicolson	5*	...	Aug. 1	5*
Bennis Combustion...	5†	10	...	10
Brixton Estate.....	2½*	...	...	4*
Darnell (J.) and Son .	3*	...	Aug. 10	3*
Eastwoods Cement ...	6†	11	...	12½
Fourth Conv. Invest.	2½*	...	Sept. 16	2½*
Gloucester Wagon ...	5†	10	...	15
Goulding (W.H.M.) .	3†	6	Aug. 9	6
Greif Holdings	5½†	12½	Aug. 1	9

‡ Free of income tax. (a) 11½ months. (c) Free of Queensland income tax.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
Lansil Limited	...	6	...	5
Larkins (S. C.)	‡3¾*	...	Aug. 15	‡3¾*
Mather and Platt	4*	...	...	4*
McDougalls Trust ...	6†	10	...	10
Mence Smith Stores ...	...	10	...	Nil
Metropolitan Trust...	5*	...	July 31	5*
Millars' Timber	...	Nil	...	7½
Do. Pref. ord.	...	3	Aug. 31	6
New Investment	10†	14	Aug. 1	15
Parker's Brewery	10½†	14	...	16
Randall (H. B.).....	2½*	...	...	2½*
Sammugger Jute	3*	...	Aug. 2	3*
Second Conv. Invst....	2½*	...	Sept. 16	2½*
Timpson (Wm.)	5*	...	July 30	5*
Titaghur Jute	3*	...	Aug. 2	3*
Victoria Jute	3*	...	Aug. 2	3*
Weymann's Motor B.	...	15	...	25

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	Gross Receipts for Week + or −	Aggregate Gross Receipts 1940	Aggregate Gross Receipts + or −
B.A. and Pacific	1	July 6	‡1,155,000	− 105,000	...	...
B.A. Gt. Southern...	1	6	‡2,259,000	+ 171,000	...	...
B.A. Western.....	1	6	‡629,000	− 83,000	...	...
Canadian Pacific.....	27	7	$3,232,000	+ 877,000	78,617,000	+ 14454000
Central Argentine ...	2	14	‡1,431,250	− 961,800	2,679,300	− 2,061,000

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	July 17, 1940	Name	July 17, 1940	Name	July 17, 1940
For. Bond.	Unquoted	National D.	8/9–9/9	Key. Gold	6/3xd bid
Limited Inv.	10/—11/6	Century	9/9–11/3	Br. Ind. 4th	8/9–10/6xd
New British	6/4½–7/4½	Scottish	8/9–10/3	Elec. Inds.	10/6–12/–xd
Invest. Tr.	8/9–10/9*	Univ. 2nd ...	10/10½–12/4½	Met. & Min.	8/3–9/9
Bk. & Insur.	11/6–13/9*	Inv. Flex. ...	7/6–8/9	Rub. & Tin	Unquoted
Insurance ..	10/9–13/3xd*	Inv. Gen. ...	10/3–11/3	Producers	4/6–5/6
Bank	12/9–14/9*	Key. Flex.	7/– bid	Dom. 2nd	3/9–4/9
Sct. B.I.I.T.	9/9–11/9*	Key. Cons.	6/9 bid	Orthodox...	5/3–6/3

* Free of commission and stamp duty.

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. High	Low	Prices, Jan. 1 to July 17, 1940 High	Low	Name of Security	Price, July 17, 1940	Ch'ge since July 10	Yield July 17, 1940
				British Funds	£ s. d.		
71 1/8	61	76 3/4	68 1/8	Consols 2½%	72 1/4	− 1/4	3 9 2
107 1/8	98	110 5/8	103 1/8	Do. 4% (aft. 1957) ...	107 1/2	...	3 14 5/
...	...	98 3/4	98 1/2	*Conv.* 2% 1943–45 ...	98 5/8	...	2 3 0
96 3/4	90 1/8	100 1/2	95 1/2	Do. 2½% 1944–49 ...	98 1/2	...	2 15 0
99 1/8	92 7/8	103	97 3/4	*Do.* 3% 1948–53 ...	101	...	2 19 4
99 1/2	87	102 1/4	94	Do. 3½% after 1961	99 3/4	− 1/4	3 10 7/
112 1/8	103 3/4	112	107 1/2	Do. 5% 1944–64	108 1/2	...	2 17 4
87 1/4	79 3/4	92 3/4	86 5/8	Fund. 2½% 1956–61	90	...	3 4 0
93 5/8	87 3/8	98 1/8	92	Fund. 2¾% 1952–57	95 1/2	+ 1/4	3 2 1
95 1/8	87 1/2	99 1/2	95	Fund. 3% 1959–69 ...	96 3/4	...	3 4 0
109 1/2	100 1/2	113 3/4	105 3/8	Fund. 4% 1960–90 ...	110 1/2	− 1/4	3 6 0
99 1/4	94 3/4	102	98 9/16	Nat. D. 2½% 1944–48	100 1/4	...	2 11 2k
96 7/8	91 1/2	101 3/4	95 1/8	Do. 3% 1954–58 ...	99 1/2	+ 1/4	3 0 9
...	...	100 1/2	100	War Bds. 2½% 1945–47	100 1/4	...	...
108 5/8	102	111 1/2	105 15/16	Victory Bonds 4% ...	109 1/4	...	3 14 0/
...	...	100 5/8	98	War L. 3% 1955–59...	100 1/4	+ 1/4	2 18 9
98 7/8	86	101 5/8	93 1/8	War. L. 3½% af. 1952	99 1/4	− 1/8	3 10 8f
83 7/8	73	89 1/8	80 1/4	Local Loans 3%	85 1/4	− 1/4	3 10 5
99	91	100	97 1/2	Austria 3% 1933–53....	98	...	3 4 0
64	55 1/2	71 1/4	59 3/4	India 2½%	68	...	3 13 6
90	78	97 1/4	82 1/4	Do. 3½%	92 1/2	...	3 15 8
115 1/4	104 1/2	115	105 1/4	Do. 4½% 1958–68...	110	...	3 15 5
				Dom. & Col. Govts.			
106 1/4	95	107 1/8	101	Austrla. 5% 1945–75...	102	...	4 11 4
103 1/2	98	102 1/4	99	Canada 4% 1940–60	100 1/2	...	4 0 5/
112 1/2	103	110 7/8	106	Nigeria 5% 1950–60	107	...	4 3 0
103 1/2	92	105 7/8	100	N. Zealand 5% 1946	101 1/2	...	4 14 6
110	102	108 1/2	103	S. Africa 5% 1945–75	104 1/2	...	4 0 1
				Corporation Stocks			
111 1/2	104	110 1/4	104	Bir'ham 5% 1946–56	105 1/2	...	4 2 6
81 5/8	72	85	78	L.C.C. 3%	79	...	3 16 5
93 9/16	86 1/2	94 1/2	87 1/2	Liverpool 3% 1954–64	91	...	3 12 2
102 3/4	95	104	97	Middx. 3½% 1957–62	98 1/2	...	3 13 2
				Foreign Governments			
91 1/2	73 3/4	92 3/4	78 1/2	Argen. 4½% Stg. Bds.	79 1/2	...	5 13 2
65 1/2	34	58 1/2	22	*Austria* 4½% 1934–59	25	...	13 10 0/
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23 1/2	6 1/2	35 1/2	20	Brazil 5% Fd. 1914...	23	+1	10 17 4p
19	9	23	9	Chile 6% (1929)	10 1/2	...	14 5 8n
55 1/4	23 1/2	45 1/4	12	China 5% (1913)	18	+3	...
72	30	63	25	Czecho-Slovakia 8%...	*	...	...
86 1/4	58	79 3/4	53 3/4	Egypt Unified 4% ...	54	−1	7 8 2
12 1/2	9	10 1/2	8	French 4% (British)...	*	...	...
44	4	7 5/8	5	German Dawes 5% ..	5 1/2	...	...
33 1/8	3	6 1/2	3 3/4	Do. Young Ln. 4½%	5 1/2	...	...
30	15	24 1/2	12 1/2	Greek 6% Stab. Ln....	*	...	...
35 1/2	15	25	17	Hungary 7½%	17	...	26 9 4h
61 1/2	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to July 17, 1940 High	Low	Last two Dividends (a)	(b)	(c)	Name of Security	Price, July 17, 1940	Ch'ge since July 10	Yield July 17, 1940
		%		%	**Railways**	£ s. d.		
10	3 3/4	Nil		Nil	B.A. Gt. Sthn. Ord. ...	4 1/2	...	Nil
9 1/2	4 7/8	Nil		Nil	Can. Pac. Com. $25 ...	*	...	...
52	22	1½	c	3 1/2	c. Gt. Western Ord.....	26 1/2	−2 1/2	13 4 2
80	34 1/2	Nil	c	5	c. LNER 5% Pref. 1955	40	...	12 10 0
60	20	Nil	c	4	c. Do. 4% 1st Pf.	27	−1	14 16 4
24	9	Nil	c	1½	c. L.M.S. Ord.	11	−1 1/2	13 12 9
60 1/2	21 1/2	Nil	c	4	c. 4% Pf. 1923	29	...	14 0 0
70 1/2	35	2	a	2	b. 4% Pf.	42	−1	9 10 6
65 1/4	24	Nil	b	1½	a. Lon. Trans. "C" ...	30	...	5 0 0
22	7	Nil	c	1¼	c. Southern Def.	9	− 1/2	13 17 9
79	35 1/2	1	a	4	b. Do. 5% Pf. Ord. ...	42	−5	11 18 1
104	58 1/2	2 1/2	a	2 1/2	b. Do. 5% Pf.	73	+4 1/2	6 17 0
					Banks and Discount			
67/9	51/−	10	b	7½	a. Alexanders £2, £1 pd.	55/−	...	6 10 9
34 1/2	31 6/12	6	a	6	b. Bank of England.....	325	...	3 13 10
£31	£43 1/2	8	c	8	c. Bk of Montreal $100...	*	...	...
30/9	21/9	5	a	5	b. *Bk. of N. Zealand £1*	22/6	...	7 2 5e
73/3	46/6	7	b	7	a. Barclays Bank £1 ...	62/6	+6d	4 9 3
9 1/2	5 1/4	5	a	5	b. Chtd. of India £5.....	6 1/4	+ 1/4	8 0 0
52/−	45/−	5	b	5	a. District B. £1 fy. pd.	48/9xd	+1/−	4 2 0
£95	£92	£2 1/2	b	£2 1/2	a. Hongkong and S. $125	£65	+£2	7 13 9
59/6	30/−	6	b	6	a. Lloyds £5, £1 pd....	41/3	+1/3	5 16 3
8 1/4	5 17/32	7½	b	7½	a. Martins £20, £2½ pd.	6 3/4	...	5 11 0
85/−	68/−	8	b	8	a. Midland £1, fy. pd....	75/−	−5/−	4 5 0
5 5/8	4	5	b	5	a. Nat. Dis. £2½ fy. pd.	4 1/2	...	5 11 0
32 1/2	23 1/2	8	a	8	b. N. of Ind. £25, £12½pd	24 1/2	−1	4 1 3
69/6	39/−	7½	b	7½	a. Nat. Prov. £5, £1 pd.	49/−xd	−2/−	6 2 6
444	385	8½	b	8½	a. Royal Bk. of Scotland	390	−5	4 7 0
48/6	29/−	6¼	b	3¾	a. Union Discount £1 ...	36/3	...	5 10 0
85/−	46/−	9	b	9	a. Westmtr. £4, £1 pd....	61/6xd	−4/2	5 16 6
					Insurance			
24 5/8	15 3/4	40	a	50	b. Alliance £1, fully pd.	18	+1	5 0 0
13 1/8	8 5/8	4/6	a	6/−	b. Atlas £5, £1¼ pd. ...	8 3/4	...	6 0 0
16 5/8	8 5/32	†25	a	†25	b. Pearl (£1), fy. pd. ...	10 1/4	− 1/8	4 15 0†
15 9/16	9 5/16	6/−	a	6/−	b. Phœnix £1, fy. pd. ...	10	...	6 0 0
28 3/4	16 1/4	†25	b	†22 1/2	a. Prudential £1 A	19 1/2	+ 1/2	4 6 0†
8 1/4	5	11	a	19	b. Royal Exchange £1 ...	6 1/4	...	4 16 0
7	4 1/4	†10	b	13 3/4	a. Sun Lf. Ass. £1 fy. pd.	4 3/4	+ 1/4	5 12 0
					Investment Trusts			
498	476 1/2	11	a	14	b. Alliance Trust	490	...	5 2 0
187 1/2	180	3½	a	8½	b. Anglo-Amer. Deb. ...	180	...	6 13 4
168	155	6	b	4	a. Debenture Corp. Stk.	157 1/2	−5	6 7 0
187	168	5	a	8	b. Invest. Trust Def. ...	170	...	7 13 6
142 1/2	139	3	a	7	b. Trustees Corp. Ord....	147 1/2	...	6 15 0
278	140 1/2	6	b	4	a. United States Deb. ...	154 1/2xd	+1	6 9 0
					Breweries, &c.			
128/6	96/3	†20	b	†5	a. Bass Ratcliff Ord. £1..	103/−	−1 1/2d	4 17 0†
57/6	36/3	6	a	11	b. Courage Ord. £1	45/−	...	7 11 0
70/3	46/−	6¼	a	10	b. Distillers Ord. £1 ...	53/3	−3/3	6 2 0
83/−	45/−	14	b	11	a. *Guinness Ord. £1* ...	55/−	−5/−	9 1 9
26/6	47/−	16	b	7½	a. Ind. Coope & Allp. £1	58/9	...	8 0 0
32/9	30/6	12	b	6	a. Watney Combe Def. £1	42/−	...	8 11 9
					Iron, Coal and Steel			
6/6	3/−	10	c	10	c. Baldwins 4/−	3/9	−3d	10 13 3
34 1/2	13 11/12	†5	a	†10	b. Brown (J.) Ord. 10/−...	17/6	...	8 11 6†
8/9	3/6	4	a	6	b. Cammell Laird 5/− ...	4/9	−3d	10 11 3
24 1/2	11/3	3	a	5	b. Colvilles Ord. £1 ...	15/−	+6d	10 13 3
28 1/2	12/6	10	c	10	c. Dorman Long Ord. £1	15/−	...	13 6 9
28/11¼	13/6	†2½	a	†4	b. Guest Keen &c.Ord.£1	18/9	...	6 19 0†
27/9	13/1½	7½	a	15	b. Hadfields 10/−	17/6	...	12 17 6
22/7½	11/3	2	a	5½	b. Powell Duffryn £1 ...	13/9xd	−9 1/2d	10 18 0

Prices, Jan. 1 to July 17, 1940 High	Low	Last two Dividends (a)	(b)	(c)	Name of Security	Price, July 17, 1940	Ch'ge since July 10	Yield July 17, 1940
		%		%		£ s. d.		
16/7½	5/9	6	c	4	c. Allied Sumatra £1.....	27/3	14/−	2 4 8
32/10½	20/−	−2½	a	4	b. Anglo-Dutch £1	3/11¼	2/3	4 4 0
34/9	20/−	4	a	6	b. British Aluminium £1 ...	24/9	−2/6	8 12 8
107/6	53/1½	†20	c	†19 1/6	c. Brit.-Amer. Tob. £1...	65/−	...	5 18 6
60/−	42/6	7	a	10	b. British Oxygen £1 ...	50/−	...	6 16 0
52/6	37/3¼	12½	b	7½	a. Brockhouse (J.) £1 ...	37/6	−1/3	10 12 0
65½	27	4	c	4	c. Cable & Wir. Hdg. ...	36	...	11 12 0
6 5/16	3 1/8	15	b	11 2/3	a. Carreras 'A' Ord. £1	33¼	− 1/4	7 2 0
38/9	19/9	9	c	12	c. Dunlop £1.....	24/9	+3d	7 5 0
10/1½	4/−	5	c	Nil	c. Elec. & Mus. Ind. 10/-	5/9	+6d	Nil
28/3	16/3	15	a	25	b. Ever Ready Co. 5/− ...	20/6	...	9 15 0
27/7½	14/6	17½	b	12½	a. Gallaher Ltd. Ord. £1	5/8	− 1/8	7 11 6
73/6	35/−	5	a	16	b. Gestetner (D.) 5/− ...	17/6	...	11 8 9
81/10½	28/9	†20	c	†5	c. Harrison & Cros.Df.£1	67/6	...	7 8 0
40/6	26/−	5	a	5	b. Harrods £1	27/6	...	7 5 6
33/9¾	17/6	3	a	5	b. Imp. Chem. Ord. £1...	23/6	+3d	6 15 0
13/9	5/−	5	c	Nil	c. Imp. Smelting £1.....	6/3	...	Nil
6 11/32	3 5/16	†7½	a	†15½	b. Imp. Tobacco £1	4 1/8	− 1/8	5 11 6
$49 9/16	$30 1/4	$2·25	c	$2·00c	Inter. Nickel n.p.	*	...	...
12/3	9/−	5	b	5	a. International Tea 5/-	10/−	...	5 0 0
34/3	15/−	4¾	a	5¼	b. Lever & Unilever £1...	19/4½	...	10 6 0
32/9	24/6	20	c	10	c. London Brick £1	29/4½	+1/10½	6 16 0
87/6	67/6	5	a	15	b. Lyons (J.) Ord. £1 ...	70/−	−2/6	5 14 0
54/4½	25/−	15	a	23½	b. Marks & Spen. 'A' 5/-	31/3	...	5 18 0
4 1/32	2¾	5	a	12½	b. Metal Box £1	3 1/8	...	5 12 0
87/6	45/−	12½	b	7½	a. Murex £1 Ord.	65/−	+2/6	6 2 0
23/7½	13/9	4	a	6	b. Pinchin Johnson 10/-	16/−	...	6 5 0
61/6	36/3	2½	a	12½	b. Ranks Ord. 5/-	14/−	...	6 6 9
57/9	35/−	10	b	3½	a. Spillers Ord. £1	43/9	...	6 16 0
45/6	29/6	5	a	5	a. Tate and Lyle £1	43/9	+1/10½	6 3 0
26/3	16/−	25	c	20	c. Tilling, Thos. £1	31/3	...	6 8 0
96/9	59/9	13¾	b	10	a. Triplex Safety G. 10/-	17/6	−1/3	11 8 0
68/−	41/3	11¼	b	3¾	a. Tube Investments £1	71/3	...	6 12 6
52/6	38/9	7½	b	5	a. Turner & Newall £1...	50/−	...	6 0 0
28/3	15/−	22½	c	28⅛	a. United Dairies £1.....	40/7½	...	6 3 0
66/3	38/9	50	b	20	a. United Molasses 6/8...	17/6	...	8 11 6
					Woolworth Ord. 5/-...	48/9xd	+1/−	6 13 3
					Mines			
65/7½	26/3	95	c	95	c. Ashanti Goldfields 4/-	32/6	−1/3	11 13 0
11/9	6/3	15	b	3½	a. Burma Corp. Rs. 9 ...	7/6	+6d	10 12 0
51/3	22/6	10	b	3¾	a. Cons. Glds. of S. Af. £1	25/−	...	11 0 0
8 1/4	2 17/32	Nil	c	Nil	c. Crown Mines 10/- ...	12	− 1/4	7 18 0
41/6¾	25/3	11¼	b	11¼	a. De Beers (Def.) £2½	3	...	Nil
					Oil			
11 5/16	5⅜	25	b	25	a. Anglo-Iranian £1	26/3	...	17 2 9
16/−	7/−	5	b	10	a. Apex (Trinidad) 5/- ...	53/3	− 1/4	8 14 0
10 1/8	6⅞	75	b	75	a. Burmah Oil £1	9/−	...	8 6 9
8 1/8	5	2/6	a	5/6	b. Shell Transport £1 ...	71/4	...	10 6 0
88/9	30/−	Nil		Nil	Trinidad Leaseholds £1	5 1/2	...	Nil
					Miscellaneous			
					Assoc. P. Cement £1	48/11½	+1/10½	6 4 6
					Barker (John) £1	26 3	...	7 12 3
					Boots Pure Drug 5/-...	35 −	−2/6	4 8 3
					Brit. Aluminium £1 ...	30/−	−7/6	8 6 9
					Brit.-Amer. Tob. £1...	65/−	...	5 18 6
					British Oxygen £1 ...	50/−	...	6 16 0
					Brockhouse (J.) £1 ...	37/6	−1/3	10 12 0
					Cable & Wir. Hdg. ...	36	...	11 12 0
					Carreras 'A' Ord. £1	33¾	− 1/4	7 2 0
					Dunlop £1.....	24/9	+3d	7 5 0
					Elec. & Mus. Ind. 10/-	5/9	+6d	Nil
					Ever Ready Co. 5/- ...	20/6	...	9 15 0
					Gallaher Ltd. Ord. £1	5/8	− 1/8	7 11 6
					Gestetner (D.) 5/- ...	17/6	...	11 8 9
					Harrison & Cros.Df.£1	67/6	...	7 8 0
					Harrods £1	27/6	...	7 5 6
					Imp. Chem. Ord. £1...	23/6	+3d	6 15 0
					Imp. Smelting £1.....	6/3	...	Nil
					Imp. Tobacco £1	4 1/8	− 1/8	5 11 6
					Inter. Nickel n.p.	*	...	...
					International Tea 5/-	10/−	...	5 0 0
					Lever & Unilever £1...	19/4½	...	10 6 0
					London Brick £1	29/4½	+1/10½	6 16 0
					Lyons (J.) Ord. £1 ...	70/−	−2/6	5 14 0
					Marks & Spen. 'A' 5/-	31/3	...	5 18 0
					Metal Box £1	3 1/8	...	5 12 0
					Murex £1 Ord.	65/−	+2/6	6 2 0
					Pinchin Johnson 10/-	16/−	...	6 5 0
					Ranks Ord. 5/-	14/−	...	6 6 9
					Spillers Ord. £1	43/9	...	6 16 0
					Tate and Lyle £1	43/9	+1/10½	6 3 0
					Tilling, Thos. £1	31/3	...	6 8 0
					Triplex Safety G. 10/-	17/6	−1/3	11 8 0
					Tube Investments £1	71/3	...	6 12 6
					Turner & Newall £1...	50/−	...	6 0 0
					United Dairies £1.....	40/7½	...	6 3 0
					United Molasses 6/8...	17/6	...	8 11 6
					Woolworth Ord. 5/-...	48/9xd	+1/−	6 13 3
					Mines			
					Ashanti Goldfields 4/-	32/6	−1/3	11 13 0
					Burma Corp. Rs. 9 ...	7/6	+6d	10 12 0
					Cons. Glds. of S. Af. £1	25/−	...	11 0 0
					Crown Mines 10/- ...	12	− 1/4	7 18 0
					De Beers (Def.) £2½	3	...	Nil
					Randfontein £1.....	26/3	...	17 2 9
					Rhokana Corp. £1 ...	53¾	− 1/4	8 14 0
					Roan Antelope Cpr. 5/-	9/−	...	8 6 9
					Sub Nigel 10/-	7¼	...	10 6 0
					Union Cp. 12/6 fy. pd.	5½	...	7 5 0
					W. Witwatersrand 10/-	35/−	...	Nil

(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 1946. (l) Yield based on 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	July 9, 1940	July 16, 1940
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Mt.	29 9	29 9
Eng. Gaz. av., per cwt.	7 1	7 2
Flour, per 280 lb.—		
Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	16 5	16 8
Oats " " " "	11 6	11 6
Maize, La Plata, 480 lb., f.o.b.	13 3	14 3
Rice, Burma, No. 2, per cwt. f.o.b.	9 0	9 6
MEAT—Beef, per 8 lb.—		
English long sides.....	4 8	4 8
	6 0	6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English ...	4 4	4 4
	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.)—		
Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)—		
Accra, g.a.	34 6	34 6
	35 6	35 6
Grenada	55 0	55 0
	62 6	59 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	44 0	44 0
Costa Rica, medium to good ...	65 0	65 0
	98 0	95 0
EGGS (per 120)—English (Std.)....	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English, New.....	13 0	12 0
	14 0	16 0
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
REFINED London—		
Granulated, 2 cwt. bags	36 10	36 10
	36 9	36 9
West India Crystallised	37 9	37 9
TOBACCO (per lb.)—		
Indian stemmed and unstemmed.....	0 7	0 7
	2 4	2 4
Rhodesian, stemmed and unstemmed	1 0	1 0
	2 6	2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·79	8·07
" Giza, F.G.F.	11·22	11·37
Yarns, 32's Twist	14·44	14·75
" 40's Weft.....	15·69	16·00
" 60's Twist (Egyptian) ...	26·15	26·35
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.
16 × 16, 32's & 50's ..	24 0	24 3

	July 9, 1940	July 16, 1940
COTTON—*continued.*		
Cloth, 36 in. Shirtings, 75 yds.,	s. d.	s. d.
19 × 19, 32's & 40's ...	35 0	35 3
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.....	13 2	13 3
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.....	12 2	12 3
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26/0/0	26/0/0
JUTE (per ton)—		
Native 1st mks., c.i.f. London	Nom.	Nom.
Daisee 2/3, c.i.f. Dundee, Sept.-Oct. (new)	28/5/0	27/10/0
SISAL (per ton)—African, July-Sept	£ s.	£ s.
—No. 1	26 0	26 0
SILK (per lb.)—	s. d.	s. d.
Japan	15 6	15 0
	16 0	15 6
China fil	17 0	16 6
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—		
64's warp	42½	42½
56's super carded.....	36¾	36¾
48's average carded	29¼	29¼
44's prepared.....	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3	28 3
	28 9	28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14 × 20) ...	26 0	26 0
NON-FERROUS METALS (per ton)—		
Copper (*d*)—Electrolytic.....	62/0/0	62/0/0
Tin—Standard cash	263/5/0	265/0/
	263/15	265/5/0
Three months	263/5/0	264/0/0
	263/10/0	264/5/0
Lead (*e*)—Soft foreign, cash ...	25/0/0	25/0/0
Spelter (*e*)—G.O.B., spot.....	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0	190/0/0
	195/0/0	195/0/0
Antimony, Chinese	98/0/0	98/0/0
	99/0/0	99/0/0
Wolfram, Chinese .....per unit	Nil	
Platinum, refined .....per oz.	9/10/0	9/10/0
Quicksilver ..... per 76 lb.	57/0/0	57/0/0
	60/0/0	60/0/0
	s. d.	s. d.
GOLD, *per fine ounce*	168 0	168 0
SILVER (*per ounce*)—		
Cash	1 9 11/16	1 10 5/16

	July 9, 1940	July 16, 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	44 6	44 6
CHEMICALS—	s. d.	s. d.
Acid, Oxalic, net .....per ton	60/0/0	60/0/0
	s. d.	s. d.
" Tartaric, English, less 5%	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
	11/0/0	11/0/0
Crystals ..... per ton	5/5/0	5/5/0
	5/10/0	5/10/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland ..... 40/50 lb.	0 5	0 4¾
Cape, Jo'burg Ord.	0 5	0 5¼
Dry Capes, 18/20 lb.	0 7	0 6¼
English & Welsh Market Hides—		
Best heavy ox and heifer	0 7	0 7
	0 8⅝	0 8⅝
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 10	1 10
	3 0	3 0
Shoulders	1 2	1 0
	2 0	1 10
Insole Bellies	0 10	0 10
	1 4	1 4
Dressing Hides	2 0	1 11
	2 4	2 3
PETROLEUM PRODUCTS (per gal.)		
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
Fuel oil, in bulk, ex instal. Thames—		
Furnace.....	0 7¼	0 7¼
Diesel	0 8	0 8
**ROSIN

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Union of South Africa)

NOTICE IS HEREBY GIVEN that the Directors have declared a Dividend of 2s. per share, in British currency, less United Kingdom Income Tax, for the year ended 30th June, 1940, payable to all shareholders registered on the Company's books on 31st July, 1940, and to persons presenting Coupon No. 46 detached from share warrants.

The profit for the year, after providing all ascertained and estimated depreciation, amounts to approximately £270,000, and after deducting the amount of the dividend there is left to be carried forward on Profit and Loss Account approximately £95,000.

The Transfer Books of the Company will be closed from 1st August to 7th August, 1940, both days inclusive.

The Dividend will be payable to registered shareholders on and after 19th September, 1940.

The Dividend on shares included in Share Warrants will be payable at the London Office of the Company on and after 19th September, 1940, to the persons presenting Coupon No. 46 in accordance with a notice to be issued.

By Order of the Board,
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED,
A. W. CHRISTIE, Secretary.

10 and 11 Austin Friars, London, E.C.2. 15th July, 1940.

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT. INSCRIBED STOCK, 1952

NOTICE IS HEREBY GIVEN that in order to prepare the dividend due 1st September next, the BALANCES of the several accounts in the above-mentioned Stock will be STRUCK on the night of the 1st August, and that on and after the 2nd August the Stock will be transferrable ex-dividend.

Forms of Request for the purpose of forwarding Dividend Warrants by post to Banks or other Agents may be obtained on application to the Bank.

For BARCLAYS BANK (Dominion, Colonial and Overseas),
P. J. FROOME, Manager.

Circus Place, London Wall, E.C.2.
15th July, 1940.

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."

ROYAL BANK OF CANADA

DIVIDEND NO. 212

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 August, 1940, and will be PAYABLE at the Bank and its branches on and after 3rd September, 1940, to Shareholders of record 31st July, 1940.

By Order of the Board,
E. B. McINERNEY, London Manager.

6 Lothbury, London, E.C.2.
18th July, 1940.

IMPERIAL JAPANESE GOVERNMENT

SIX AND A HALF PER CENT. BONDS FOR $150,000,000

NOTICE IS HEREBY GIVEN that the COUPONS due 1st AUGUST, 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,
E. KANO, Manager.

7 Bishopsgate, London, E.C.2.
18th July, 1940.

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★

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Another Inadequate Budget

THE opinion was fairly generally expressed at the time of Sir Kingsley Wood's appointment to the Exchequer that his conceptions of war finance would not prove to be a very great improvement on Lord Simon's. This, it now appears, was giving Sir Kingsley the benefit of the doubt. The second interim Budget which he presented on Tuesday proves that his ideas about the rôle that finance can play in total war are exactly the same as Lord Simon's. The Budget, it is true, shows one or two points of improvement; but it is the lapse of time rather than any action of Sir Kingsley Wood's that must be given the credit. Thus there are stiff increases in taxation, and this is all to the good; but when an increase of £126 millions in the revenue is offset by an increase of £800 millions in the expenditure, the Chancellor can hardly be commended for taking a stricter view of his duties than his predecessor. Again, Sir Kingsley's exposition of the main economic problem was admirable; but it is the march of undeniable events and the increasing restrictions of recent months, rather than peculiar perception on the Chancellor's part, that have brought realisation of the basic fact that taxation does not impose sacrifice, it merely distributes equitably a volume of sacrifice that is determined by the prosecution of the war itself.

Where Sir Kingsley most resembles Lord Simon is in his failure to act upon his own diagnosis of what is needed. His figures revealed the old bad habit of deliberately under-estimating the probable expenditure. Having announced that expenditure out of Votes of Credit has been running for the past month at £57 millions a week, he gave a figure for the year's total from this source of only £2,800 millions, or substantially less than fifty-two times the present weekly rate. This sort of "estimating" no longer deludes the public, though it is apparently still considered, within the walls of the Treasury, to have the advantage that the true dimensions of the problem can be ignored a little longer. The Army is still enrolling men, capacity is still being created for the manufacture of munitions, wages are still going up. If the weekly rate of expenditure from Votes of Credit was some £32 millions at the beginning of the year and is £57 millions now, a quarter of the way through the year, it is perfectly apparent that it is going to be at the very least, say, £65 millions on the average of the year. This would make an expenditure from Votes of Credit for the year of about £3,400 millions and a total expenditure of just over £4,000 millions. Would not Sir Kingsley Wood have been entirely safe in taking such a figure as a minimum and building his Budget round a total that had at least approximate relation to reality? It is true that, by implication, he promised another Supplementary Budget later in the year. But we know nothing, in the sphere of finance, to-day that was not clearly predictable when Lord Simon spoke in April, and we shall know nothing in October or November that is not apparent to-day. The duty of the statesman is to foresee what others cannot; it has been interpreted both by Lord Simon and by Sir Kingsley Wood as to ignore what is obvious.

It is difficult to resist the suspicion that this pernicious under-estimating is not so much the cause as the consequence of the inadequate detailed proposals that followed. The Chancellor, that is to surmise, did not confine himself to what *The Times* has called "a few more turns of the old familiar screws" because he under-estimated the gravity of the problem. On the contrary, he was compelled to produce figures of expenditure that did not make his Budget look too outrageously unbalanced because he was unwilling to introduce any major modification of the country's fiscal system. Admittedly, he was faced with the difficulties, though they are not insuperable, of making changes in the middle of the financial year. But his major difficulties may have been political. In the present peculiar conditions of coalition, Budget-making must be a matter

of negotiation, and the leaders of the Labour Party have never shown any particular sense of realism in fiscal matters. But if this is the explanation of the present financial paralysis, then the sooner the differences of view are publicly revealed and publicly judged the better. The reception of this week's Budget has made it clear that any Chancellor of the Exchequer who made bold proposals for new methods of raising revenue would receive very strong support. Even those majestic organs of the daily Press that condemned Lord Simon last September for being too drastic are now anxious for heavier and still heavier taxes. It would be a pity if coalition became an excuse for political cowardice.

Whatever the reason, however, Sir Kingsley Wood's Budget followed lines of tedious familiarity. There were only two features of it for which the least novelty could be claimed. One of these was the division of the Purchase Tax into two schedules. There is to be a luxury tax of one-third of the wholesale value and a tax on the purchase of necessaries (other than food, drink, children's clothes and shoes and a few other exceptions) of one-sixth. The yield of the Purchase Tax is to be £110 millions, which is certainly more than seemed probable at one time; and it adds to its revenue-yielding qualities the further advantage of restricting the consumption of luxuries. But the contribution that this, the only new idea of this or the last Budget, will make either to the financial problem of raising money or to the economic problem of transferring resources to the needs of war, is obviously tiny. The second novelty was the decision to make compulsory the deduction at source of income tax on salaries and wages. This is to be strongly welcomed, not only for its immediate effect in facilitating the collection of the tax, but as an improvement in machinery that prepares the way for that generalisation of income tax into a universal direct tax which has frequently been advocated in these columns.

The result of raising by taxation considerably less than half of a total of expenditure that is itself a gross underestimate is to leave a gap to be filled by borrowing far larger than can be covered by the savings of the people. On the Chancellor's own showing, the gap is £2,100 millions; in fact, it is more likely to be £2,700 millions or more. It is perfectly true that there are sources other than the public's savings from which funds will be available; sales of gold or foreign securities and the increase in Dominion balances in London. But these will not cover more than a fraction of the total. A sum of at least £2,000 millions will be left to be found from domestic borrowing. There is no visible prospect of raising more than half that sum, at the very most, without inflation.

The criticism of this Budget, as a Budget, is, then, that it leads straight to inflation. But from the wider standpoint of financial policy as a whole the main criticism is different. Inflation is, after all, one solution, though the least desirable, of the problem of compelling the public to set free resources for the purposes of war. The main criticism of Simon-Wood finance is that it has failed to give that imaginative assistance in the problems of mobilisation that is the main rôle of the money-manager in time of war. Finance could be used as a solvent of practical difficulties; it could ensure that the gigantic necessary changes of wartime are carried out with the minimum of disturbance to the permanent structure of the country. For example, three million men and women could be recruited for war work from the distributive trades if they could be given some guarantee that they would not suffer financially after the war. The necessary evacuation of threatened areas would be much easier if the inhabitants (and the local authorities) could be guaranteed against financial ruin as a result. Such suggestions, it may be objected, "cost money." In the Budgetary sense they do; but that merely illustrates the inadequacy of the Budgetary view. If it is necessary in the national interest that the businesses of the tradesmen in an East Coast town should come to an end, a certain amount of loss is, in any case, involved. It does not "cost money" to spread that loss over the whole community instead of leaving it on one undeserving pair of shoulders. But unless the financial power will step in and do the spreading, necessary action is impeded by sympathy for its victims.

We have made much progress in financial matters in ten months, and many principles which were then dismissed as the vapourings of extremists are now accepted as plain common sense. Perhaps it is not too much to hope that, in another ten months, we shall learn the further lesson that finance in wartime is merely the instrumentality through which the community shares its burdens. Perhaps, if we are very lucky, it will not then be too late.

THE BUDGET ACCOUNTS

THE only change in the expenditure side of the new Budget accounts is the estimated increase of £800 millions in the Votes of Credit, which will bring war expenditure up to £2,800 millions and total ordinary expenditure to £3,467 millions.

On the April Budget estimate of revenue this would leave a deficit of £2,233 millions in the current financial year, and the table opposite shows how far Sir Kingsley Wood's tax changes will reduce this deficit. The standard rate of income tax is to be raised by 1s. to 8s. 6d., and the reduced rate on the first £165 of taxable income, which at present is half the standard rate, will instead be raised to 5s. The rates of surtax are to be increased by 9d. on incomes over £2,000 and up to £15,000; they will then be increased by 6d., and the maximum rate of 9s. 6d. will be charged on incomes exceeding £20,000 instead of £30,000 as at present. A further 10 per cent. will be added to the scale of estate duties on all estates exceeding £10,000. These changes will increase the yield from direct taxation, compared with the April Budget, by £69 millions this year and £101 millions in a full year, the increases being made up as follows: income tax, £60 millions this year and £84 millions in a full year; surtax, £8 millions and £11 millions; estate duties, £1 million and £6 millions. The rate of E.P.T. has been raised to 100 per cent. since April, but the additional yield will not be received by the Exchequer until 1941-42, when it is expected to be £40 millions.

Indirect taxes have been increased by additional levies on beer, wine, tobacco and entertainments: another penny a pint on beer, 2s. a gallon on light wines and 4s. on heavy wines, 2s. a pound on tobacco, and a higher scale of entertainments duty. These increases will raise the yield from Customs by £7,300,000 this year and £11 millions in a full year and Excise by £9,500,000 and £17,150,000 respectively. Excise will also benefit by the purchase tax, discussed on page 118, which is estimated to bring in £40 millions this year (though this will depend on the date it comes into force) and £110 millions in a full year.

The total of taxation will be increased by £125,800,000 in 1940-41 and £279,150,000 (including the extra £40 millions from E.P.T.) in a full year. There is a deficit of £2,107 millions for 1940-41, compared with an estimated deficit in the April Budget of £1,432 millions.

REVENUE (£'000)

	Actual Receipts 1939–40	Estimate 1940–41 April Budget	Estimate 1940–41 July Budget
Inland Revenue :—			
Income Tax	390,083	450,500	510,500
Surtax	69,780	75,000	83,000
Estate Duties	77,720	85,100	86,100
Stamps	17,070	19,000	19,000
National Defence Contribution	26,940	70,000	70,000
Excess Profits Tax	40		
Other Inland Revenue	1,300	1,000	1,000
Total	582,933	700,600	769,600
Customs and Excise :—			
Customs	262,136	302,050	309,350
Excise	137,900	164,050	213,550
Total	400,036	466,100	522,900
Motor Vehicle Duties	34,086	35,000	35,000
Total Tax Receipts	1,017,055	1,201,700	1,327,500
Post Office Net Receipt	3,846	13,291	13,291
Post Office Fund	1,757	...	...
Crown Lands	1,250	1,150	1,150
Sundry Loans	4,940	5,000	5,000
Miscellaneous	20,341	13,250	13,250
Total Ordinary Revenue	1,049,189	1,234,391	1,360,191

Russia and the West

GERMANY'S sensational conquests in the West have thrown Russia's performance on the Continent's eastern frontiers rather out of perspective. Yet with the absorption of the Baltic States, whose formal incorporation as federated Soviet republics covers with only a rag of autonomy the naked fact of military occupation, Russia has crowned ten months of intensive aggrandisement at the expense of her western neighbours and there are still no signs that the process has come to an end.

Judging by Russia's overt and underground activity since the occupation of Bessarabia and the Bukovina took place, the advance into Roumania, like the Finnish peace of March, is still somewhat provisional. Stalin may hold his hand, but the reports of a parallel pressure on Finland and Roumania to compel them to modify their internal regime to something more "popular" (in the esoteric Soviet use of the term) suggest a further step in a policy which, in the case of the Baltic States, was finally content with nothing short of total absorption.

Russia's policy is obscure only to those who persist in looking at it through pink spectacles. It is true that the swallowing up of millions of people whose desire for union has in no case been tested and, in one case at least, actively disproved by the fierceness of their resistance, is irreconcilable with the vision of the U.S.S.R. as saviour of peace and champion of the rights of peoples. But the policy pursued with such tenacity since August last is perfectly comprehensible in terms of a world which in President Roosevelt's words, is "dominated by the one fact of armed aggression." In the thieves' kitchen of modern Europe, Soviet Russia has both strength and skill enough to keep abreast with the aggressors. The Russian leaders draw no distinction between the Axis and the West. They have reinforced Russia's traditional xenophobia by expressing it in terms of anti-capitalism, and all the extra-Russian Great Powers are equally suspect. When Goebbels recently produced "evidence" designed to prove that France and Britain had been seeking Turkey's collaboration in an action against the Baku oil wells, the Russians may well have believed it for no better reason than that it was the kind of behaviour they expect from any "capitalist" State.

Thus, although the ideal solution of the war from the standpoint of the Kremlin would be a stalemate leaving the protagonists exhausted, Russia has to envisage the possibility of a quick and overwhelming victory on one side or the other and has to prepare to meet it. Since the time to do so is obviously while all potential enemies are engaged elsewhere, Russia has spent the year of war in the West pushing forward her strategic outposts and advancing her frontiers so as to be better placed to defend the lands behind. The advance to Brest Litovsk, the action in Finland and the Baltic States, the seizure of Bessarabia and the Bukovina, all place Russia in a better strategic position to meet the offensive which the Russian leaders regard as ultimately inevitable, whatever the outcome of this war. It follows that there are no very definite limits to this policy of "defensive expansion." The Finnish frontier, for example, is entirely artificial. Would not an Atlantic seaboard serve Russia's strategic purpose more fully? In Poland, the Vistula would be almost certainly a better line than the Bug and the San. Further south it would be more advantageous to control two banks of the Danube than the north bank only, and if Russia's security in the Black Sea is at stake, it can be argued that nothing short of control of the Straits will maintain it.

Although security is the first principle of policy, an element of national ambition and aggrandisement reinforces the strategic argument. The international ideology of revolution has tended to give ground to national tradition, a process accelerated by Stalin's control of foreign policy. As early as 1921 Lenin called him "a Great-Russian Chauvinist" for the ruthlessness with which he restored independent Georgia to the Russian patrimony. With the exception of Eastern Galicia and the Bukovina, all the territories annexed to Russia in the last year were part of the Czarist Empire. However, it is doubtful whether a mere restoration of the Empire exhausts the new imperialist programme. Soviet Russia seeks expansion for the same reasons as did the Russia of the Czars, to increase her security and maintain her communications with the outside world. So far in neither the Baltic nor the Bosphorus is that security fully achieved.

Russia's expansion and the likelihood that it will continue place Great Britain in an awkward predicament. We are fighting the German Reich in a war for survival, and it is quite obvious that whatever overt attitude Germany may choose to adopt towards her Russian partner's activities, they are a disturbance and a preoccupation to her. Russia is now strategically better placed than Germany for a lightning raid on Roumania's oil. Russian troops stand on the Danube, which only a few weeks ago the Nazis were proudly calling a "German river." A Russian advance into the Dobrudja would cut Germany off from the Black Sea. Russia in control at Istanbul would thrust another Great Power athwart Germany's advance towards the oil fields of the Near East. In the north the German attack on Norway may well have served the dual purpose of embarrassing Britain and forestalling Russia, and the railway concession which Russia exacted from Finland showed that Germany was not the only Power interested in Sweden's iron ore.

The obvious conclusion to draw from this latent clash of interest between our enemy and another Power is that at all costs our relations with that other Power must be improved to the point, if possible, of an eventual alliance. Our own military isolation reinforces the need. We cannot defeat Germany fully without allies, and what more obvious ally could there be than the State whose alliance with the West Hitler has already shown his anxiety to prevent at any cost? A further fact—our common interest in keeping Germany from the Dardanelles and the Near East—seems to clinch the argument. Patiently if need be, but with great persistence, we must work for a Russian alliance.

That is to say, we must make every effort to conciliate the dictator who, in violence, cynicism and aggression, is second only to Hitler himself. We engaged on this war for a perfectly clear purpose, to check aggression and to make restitution. Our war was and has remained a just war. Hitler's more recent aggressions have only reinforced the first. We are in a quite literal sense fighting the battle of Europe for its rights and liberties. If this is the case, by what strange political alchemy do these rights and liberties disappear when the aggressor comes from the East? Excuses can perhaps be found. The cession of Karelia was essential to the security of Leningrad. So Hitler argued when he took the Sudetenland. The Baltic provinces and Bessarabia were part of Russia once. In just the same way German-occupied Poland and Alsace-Lorraine were once part of the Reich. Stalin needed to extend his control over Finland and the Baltic States, for fear they should be used as the springboards of an invasion of the U.S.S.R. And the argument brings us within a hair's-breadth of Hitler's "preventive occupation" of the Low Countries to "forestall" the Allies. Stalin's aggressions can, in fact, be excused only on grounds which we have already contemptuously rejected in the case of Germany.

Our dilemma *vis-à-vis* Russia is thus that, while her assistance in the conflict might well be extraordinarily useful in the military sphere, it would be a fatal slur upon the probity of our cause. Russia is not our only potential ally, nor even the most important. The United States' respect and support now are an essential preliminary to active intervention at a later time. Mr Sumner Welles' strong condemnation of Russia's action in the Baltic States is a reminder that, if in our search for allies we betray the principles for which we stand, we may compromise our military chances as well as our good cause. There is obviously only one basis upon which a *rapprochement* would be conceivable: that of strict realism—a realism in which

military expediency and sincerity of purpose both play a part. If we can secure the assistance of Russia without compromising our chances of securing the ultimate acceptance of the principles we sincerely believe in and without alienating American opinion, there is a case for an *entente*. But this is a matter for statesmen and military experts, not for ideologues.

Unfortunately, approval of or opposition to a Russian *rapprochement* in the community at large has a strong bias towards ideology. To the Left, there is the tendency to urge that our entire diplomacy should be reorientated towards Moscow, and that no major step, such as, for example, the closing of the Burma Road, should be taken without full consultation with the Kremlin, a notion which is hardly likely to raise more than a smile from the Russian leaders, who were not noticeably anxious to consult with Britain, Roumania's guarantor, before annexing Bessarabia. To the Right, there is the equally dangerous tendency to suggest that Russia, not Germany, is the real enemy, a belief which, at its most innocuous, leads men to excuse the actions of the Pétain Government, at its most dangerous, to advocate an early peace with Germany so that the war may be "switched" against Russia.

Our most precious safeguard in the coming struggle is our high degree of national unity. The Russo-German pact helped to deepen this unity by beginning to mend the grave fissure produced by the Spanish war. It would be fatal, in our hour of greatest danger, to restore the old division, and an attempt to approach the problem of our relations with Russia from any but the standpoint of strict realism would inevitably have that effect.

The melancholy fate of France is a warning of the extent to which a division on foreign policy, coupled with a social division at home, can destroy the cohesion of a society. In France, this Right-Left split was deliberately fostered by Germany. We need not suppose the Nazis are any less active here, and there are signs that they are making a virtue out of the necessity of accepting Russia's eastern conquests by whispering to the Balkan States, to Turkey, to Iran and to Conservative circles here in Britain that Hitler is the only real security against "red aggression" abroad and "red revolution" at home, and only the war with the West prevents him from fulfilling his rôle.

Our cause is resistance to the policy of aggression wherever it may be pursued, and if our material resources are not adequate to meet the challenge in every case, we do not mend matters by lacing our weakness with ideology. Our relations with the Soviets will only be complicated if the Left insists on condoning Stalin's aggressions, while the Right uses these same aggressions to condone Germany's. In the interests of realism abroad and unity at home, we must seek the springs of our thought and action, not in rival brands of foreign philosophy, but in a national tradition which is strong enough and rich enough to transcend both.

Parliament on Guard

THE chief feature in Parliament this week has not been the third stop-gap Budget of the war. It has rather been the concern of the Commons, without party difference, for the rights of citizens, and their anxiety has been echoed in the Press. Defence of the Realm in wartime must override all other pleas. In Mr Churchill's phrase, "the House has accepted numerous regulations which, but for the gravity of the hour, would be extremely repugnant to all our ideas." Parliament has refused no emergency power that the Government has asked for and justified, and there has been no protest in the country at large against drastic measures. But Parliament has never forgotten the duty of constant vigilance by which the nation's liberties are guarded, and four times this week Members have taken up their stand against abuses.

It is a tribute to the Parliamentary system, and to the high price that is set upon the practical rules of freedom by most Ministers and Members alike, that three times the Government has given way. The Prime Minister himself cast the Silent Column, with its stifling of intelligent discussion and its accompanying tendency in the courts of magistrates "to make crimes out of silly vapourings," into "innocuous desuetude." Sir John Anderson surrendered twice. He promised rapid progress in improving the welfare of aliens interned and in releasing the infirm and those able to render national service. And he was forced on Wednesday to accept the Commons' demand that, in the working of the special courts to be set up in emergency in home war zones, all sentences for grave offences should be subject to judicial review.

In the fourth clash, the Home Secretary was obdurate. Many weeks ago a Member of Parliament was detained for some unspecified offence under the Defence Regulations, and now lies in Brixton gaol, his case having been surveyed and reviewed *in camera* by a special advisory committee. The committee's findings have not been made known to Parliament or the public. The evidence adduced against Captain Ramsay has been kept secret, and it is widely doubted whether he was allowed a legal adviser in the proceedings.

The Commons hold no brief for Captain Ramsay's views. On all benches the shortest of shrift is wished for Fifth Columnists. But a situation in which the liberty of any Member is placed at the Home Secretary's disposal is regarded as intolerable. Members are privileged, not in their own right, but as representatives of the people. To operate *lettres de cachet* against them is to strike against their right and duty to speak and act on behalf of electors. It is not the propriety of the incarceration of Captain Ramsay that is in question, but its manner; and already since Sir John Anderson refused to publish any further facts one motion calling for inquiry by a Select Committee has been tabled, and another to refer the matter to the Committee of Privileges is being supported.

"I am sorry if I am being unduly suspicious (one Member said on Tuesday). If I am it is the right hon. gentleman's own behaviour that is responsible." It is the grievous way in which the Home Secretary has bungled his high duties, rather than any disagreement with his programme for public safety, that has caused the House to rise against him. Liberty in England is simply based. It has no trumpets and no uniforms, no tests, no holy book. The right of trial in open court by a known procedure for the breach only of a known law; the right of the people through their representatives to question and change their governors; free speech, free criticism and protection by impartial courts against capricious oppression—it is a way of life, not a set of mechanical forms or an ideology, and it is this that the Commons are defending, not against tyranny, it is true, but against ineptitude. Nor has Sir John Anderson been the only sinner. The name of Mr Duff Cooper has been coupled with recent foolish and petty attempts to bridle opinion, and there has been flirting with the intransigent few who wish to see the open forum of the Press closed and sealed.

There is every reason to be grateful to Parliament. Not only because they seek to protect their Members against the fiat of a single Minister, or because, in their campaign for a clearer definition of the scope and processes of the new emergency courts, they have denied to single judges "completely unlimited, undefined and uncircumscribed powers over the life and limb of every citizen"; but no less because of their plea for aliens. It is a main difference from our enemies that, among us, freedom is not bounded by race. The rule of law runs for all inhabitants of these islands; and the fact that, in the treatment of enemy aliens since the real threat of Fifth Column sabotage became recognised from experience abroad, offences against humanity, justice and expediency alike have not been avoided, is cause for deep regret.

Even if the need to intern all enemy aliens is admitted, the greatest care for their welfare and comfort is still

imperative. It is wrong to break up families or to treat any like prisoners. Nor is it expedient to cast the cream of Europe's science, art and letters, skimmed contemptuously from the Continent by the doctrines of blood and soil and envy, into useless detention, when there is work for them to do in Britain's aid. This much Sir John Anderson has admitted. An advisory committee will advise on welfare and releases, and the Home Office, not the over-pressed Army, will watch the well-being of internees.

There is a chance here to translate the meaning of freedom into real terms and many tongues. Nor is it enough to meet the counsels of humanity and expediency in these ways. There is justice, too, to be served. As one journalist shrewdly said a few days ago, General de Gaulle is not interned. There are other Generals de Gaulle in internment camps, leaders with the pen and the weapons of politics, if not with the sword. It was almost certainly necessary to take no chances with any enemy alien, to place them under watch and ward as soon as danger was scented; but to give these men and women, whose painful fight against Nazism or Fascism is a matter of history, only another concentration camp for good is to make a mockery of our cause and our past. Let the onus of proof be on them. They must prove their good faith to the hilt, and when they have done that the door should be open, and there should be a place for them in the legions of liberty, the Poles, the Norwegians, the Dutch, the Belgians and the makers of free France.

It is not easy for Ministers with angular minds or imperious tempers to see the vista of free men and free habits that lies behind the hurried prosaic meetings of a wartime Parliament; or to appreciate that Members who wholeheartedly approve the granting to the Government of the most drastic powers needed, understanding very well that the limits of freedom must always be set by public safety, still insist upon the safeguards that centuries have taught them. But there was never any need for the battle of rights that Westminster has seen this week. No Minister has the defence of Britain closer at heart than the Commons, and it is a bulwark both for that defence and for freedom, not only that Parliament still does its duty against Ministerial blunderings, but also that the Prime Minister holds that same duty dear.

Movies for the Millions

VICTORY'S recipe is hard work, tempered with relaxation. In this recipe, entaintainment thus ranks as an essential wartime industry, though some of its peacetime features are inevitable wartime casualties. The great sporting occasions are suspended for the duration and the London theatre is languishing. But the most popular entertainment of all—the cinema—continues to attract faithful patronage in defiance of air raids and the black-out.

The cinema itself, with its 23 million weekly attendance and box office receipts of £50 millions a year, is one of three components which make up the film trade, for it draws its supplies of films from the renters, who in turn distribute the output of producers. None of the three sections has escaped unscathed from the war. Exhibitors' costs have increased appreciably, and this week's Budget will compel them to draw the bulk of a £4 millions increase in entertainment tax from cinema-goers. To do so without affecting the cinema industry's present net takings may not be easy, for low-priced admissions represent a surprisingly large proportion of cinema attendances—in 1934 some 80 per cent. of cinema audiences paid 1s. or less for their seats, and seats up to 6d. are tax-exempt. Thus, while the demand for cinema entertainment is insistent, it is also a low-priced demand satisfied largely by the small cinema "round the corner" and less by the super cinema "down town."

The reaction to the increase in the entertainments tax after October 6th may provide an object lesson for future taxation possibilities. The cinema industry is the rare case in which higher prices could have beneficial effect on the war economy. Higher box office prices to cover increased entertainments tax stimulate no increase in activity in the film-producing industry, but they divert purchasing power which might have been expended on tangible consumption to the Exchequer. If the cinema habit proves to be as ineradicable in wartime as in peacetime, the industry may find itself adapted as a flexible instrument for indirect taxation before the war is over.

Such experimentation, however, belongs to the future. Meanwhile, the cinema-goer finds little change in the general character of film programmes. Apart from that lengthy and costly prodigy "Gone with the Wind," the peacetime double bill and the familiar star names still provide the staple cinema fare. To feed this supply is the task of the producers and renters, and war has not interrupted the regular flow of films, American and British, to the cinemas. It has, however, altered the peacetime routine of their release. Before the war, the interval between the registration of a film and its general release to cinemas up and down the country was about six months. War conditions have cut that interval nearer to three months. On any normal criterion, that is a welcome change. In wartime, it should encourage British production, since it locks up capital ventured in production for a shorter time. But it also means that the exhibiting branch has, in effect, anticipated its normal supply of films, and therefore it focuses special attention on the future rate of film production in the United States and this country.

In the past the British producing industry has lived too much on sanguine hopes and extravagant finance. In wartime it should have special opportunities. After a phase of unparalleled depression in British studios in the early months of the war it now appears to be tackling these opportunities with courage. But to suppose that British production can compete on equal terms with the American industry, even in wartime, would be false optimism. The bulk of renting business in this country is carried out by American companies handling American films. In a normal peacetime year it has been estimated that some £8 millions is paid by British exhibitors for showing American films. A large part of such remittances are now, by agreement, blocked, and as a result the American industry has been steadily accumulating sterling balances. The need to economise dollar exchange, however, has not reduced the supply of American pictures to this country, nor is there any evidence that such a reduction is officially desired. For their part, American producers still regard this country as their most valuable second market. It is now the only area in Europe where their films can obtain a showing, and hence, despite temporary difficulties of payment, it remains a market of great value to American producers.

To suggest that British pictures could replace American productions on a large scale is simply to ignore the facts shown below. During the year to March 31st British long films represented little more than one-fifth of the total number registered by the Board of Trade:—

"LONG" FILMS (EXCEEDING 3,000 FEET)

Year ending March 31	British	Foreign	Total
1939	103	535	638
1940	108	399	507

These figures superficially suggest that supplies of American films had already been cut appreciably last year. In fact, however, the number of films registered in any one year is artificially affected by quota requirements, and a number of films whose registrations were delayed will appear in the current year's figures.

The apparent progress of the British industry suggested by the figures is also subject to qualification. Against a statutory minimum quota of 20 per cent., the length of British film ranking for renters' quota represented 25.78 per cent., compared with 21.3 per cent. in 1938-39, when the statutory minimum under the 1938 Act was 15 per cent. But the actual quota length of British film registered last year was 818,033 ft. compared with

870,904 ft. ranking for quota in the previous year. There was a sharp fall in the number of films counting for "treble quota" (on which the minimum labour cost must be £5 per foot) from 10 to 6, and an appreciable increase in single quota films (for which the minimum labour cost is £1 per foot) from 47 to 57. In the film industry, cost is not necessarily an accurate index of quality, but last year's registrations suggest that British producers were largely engaged in making films which had less chance of attracting attention in overseas markets.

Nor do the registration figures indicate the extent to which production in British studios was at first curtailed by the war. Of the 108 films registered, only 15 were started after the outbreak of war, and seven out of the remaining 93 were in fact produced between 1936 and 1938, and taken off the shelf after the war broke out. An appreciable recovery in British production has since occurred, but the number of British films put into production during the first six months of this year is only 44, against 52 for the corresponding period of 1939. The same trend is evident in production costs. In 1937, it was officially estimated that the cost of long films produced in British studios amounted to £5,000,000. Independent estimates, covering £4,635,000 of this 1937 total, suggest that the cost in 1938 was in the region of £2,825,000, and put the 1939 figure at £2,080,000. And indications for the current year suggest that expenditure on British film production may amount to no more than £1,500,000 at the present rate of production.

Such facts, contrasted with the progress of the British film industry in pre-war years, are disappointing, but they are simple to understand. Finance for film production is always shy, and shiest of all in wartime. But the provision of war risks cover, to a limited extent, for film production should help, and it is known that a scheme for a Credit Bank for film production has been under official consideration for some time. Its appearance has been delayed, for there are more urgent national tasks at present. But the plan has not been pigeon-holed, and it may be urgently required before many months have passed.

Official assistance to the industry in recent weeks has taken the indirect and debatable form of the alternative quota. The film quota, with its "doubles" and "trebles," is far from easy to understand, and to describe the alternative quota in detail might merely add confusion, particularly as it is a wartime stop-gap. The main point of the alternative scheme is that renters must spend £1,000 on British labour for every 1,000 feet of British film which they must acquire from independent British producers or make for themselves under the existing quota. They must also obtain one British film of at least 7,000 feet (which would play for 80 minutes) for every 100,000 feet of foreign film, and on this not less than £3 per foot must be spent on British labour and services. The general effect is intended to reduce the number of quota films, but to increase their attraction. In other words, it should help the American renters to obtain better British pictures, and should encourage them—or independent British producers—to make them. As a result, the American companies should obtain films capable of earning dollars when they are shown in America. It is calculated that if the alternative quota had been available last year, and if all American companies had taken advantage of it, they would have produced 23 films of double quota standard, compared with the 14 double quota subjects actually registered. The scheme may help American companies to put films made in Britain on the American map, but if it does, they will be competing with their own American productions. That is a primary limitation, which may offset their desire to free part of their sterling balances. It was advantageous to British film technicians that the Metro Goldwyn Mayer Company made "Busman's Honeymoon" in this country earlier this year, at a cost of perhaps £100,000. But until native British producers can undertake such productions with the certainty of a "second market" outside the British market, the native film industry will not rank on a basis of equal competitive power with the American. If the alternative quota secures that end, the reduction in the number of films will have been well worth while. But so long as the native industry is largely circumscribed by a limited home market, it will be compelled to concentrate upon more numerous and more modest productions—though there is no reason why these should not be of good standard.

Until more stable financial arrangements can be made for the producing industry—and they need not, and should not, involve any charge on public funds—the British producer must contrive to cut his coat according to his cloth. And when the Film Credit Bank scheme comes into operation, it will be necessary to prevent any repetition of the financial excesses which have marred British film production in the past. To this end, something more than co-operation between individual producers is needed. Some instrument of control—for which the Films Council may form a basis—would also be required. But such questions belong to the future. For the present, the problem is to provide the maximum output of British films, and to keep British cinemas supplied with regular programmes. As the war progresses, that may not be an easy task. In the last war, the cinema was in its infancy, and British production lost ground to American films. Its opportunities to-day are considerable, but it cannot measure its size against the American industry. What it can do is to succeed by merit, despite its unequal competitive power, in satisfying a larger part of the British demand for good entertainment; to be unpretentious but not slapstick; and to display to British audiences something of that British way of life which we are fighting to maintain. It might find, in the process, that it could interest audiences overseas, and thus take the first step towards establishing a regular export outlet for British films.

NOTES OF THE WEEK

Four Speeches

Since a new phase of the war is about to open, it is only appropriate that the transition should have been marked by four remarkable speeches. In this lull between two campaigns it was as though the significance of the struggle and the issues at stake had suddenly aroused the world's leaders to a new awareness and impelled them to give testimony to their faith and purpose. Hitler's decision to summon the Reichstag on July 19th did not come as a surprise. Ever since the collapse of France it was evident that the world would soon be submitted to yet another of the Fuehrer's feats of oratory. The extent to which the idea of a "new German order" had dominated German propaganda in the weeks before led many people to expect a speech proclaiming the form and shape of a brave new Europe, coupled possibly with a specific offer of terms to Britain as the only remaining disturber of the peace. These expectations were disappointed. Hitler had a great deal to say about the past, little or nothing to offer for the future. The Reichstag was treated to the old, old Hitler version of the war, the stab in the back, Versailles, the Nazi "rebirth," Hitler's will to peace, the "betrayal" of his peace hopes at Munich, the machinations of the capitalists and warmongers (now led by Mr Churchill). To these were added a malicious and, it must be confessed, telling exposition of the Allies' failures on the field of battle, of their military incompetence and of the contrast between Germany's victory and their ignominy. As for the future, Hitler seemed to be still in some doubt. Except for a glancing reference to the 200 million people at "Germany's disposal," the question of Europe's reorganisation was not broached. No concrete peace offer was made, although Britain was given her last chance of following the path of "reason and common sense." The alternative to acceptance was, as Hitler freely confessed, a war of annihilation in which Britain, not Germany, would be destroyed.

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The speech thus bears every mark of indecision. Hitler is not yet sure enough of the Balkan situation, of the degree of compliance in the subject peoples, of the measure of truth in talks of a "Latin *bloc*," to draw up his scheme in any but the broadest outline. Nor are the plans for the next phase of the war worked out in sufficient detail to permit of more than a general reference to "annihilation." Hitler's speech in itself is not, in fact, as interesting as the three speeches which were made over the week-end in conscious or unconscious reply to the German dictator. It is significant that two of these speeches—Mr Roosevelt's speech accepting nomination as Democratic candidate to the Presidency and General Smuts' broadcast to this country—came from other continents and from leaders of nations bred in part from British stock whose links of friendship, on the one hand, of association, on the other, have survived the test of war. Quite apart from the words used by the American and South African leaders, the very context of the speeches is an answer to Hitler's outburst. Instead of racial hatred and military oppression, here is the vision of free association and free co-operation. In the place of a continent turned back upon itself and excluded from its place in the community of States by the aggressive militarism which has enslaved it, here is the picture of a stable world in which the "salt estranging seas" have been transformed into channels for the communication and interchange of material and spiritual goods and in which peace is established by consent, not force. No one can fail to be impressed by the unanimity of thought and purpose which rang in the speeches of President Roosevelt, General Smuts and Lord Halifax. All were united in their condemnation of "the oldest and most discredited rule known to history." All were unflinching in their acceptance of the challenge offered to free institutions and free men by Nazi aggression, and Lord Halifax's statement of Britain's vision for the future may be taken as a most moving expression of the common purpose both of our Dominions and of our friend, the United States. "Free men, not slaves; free nations, not German vassals; a community of nations freely co-operating for the good of all—these are the pillars of the new and better order the British people wish to see." The recognition of the provisional Czech Government comes just at the right moment to give Lord Halifax's pledge a practical application.

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Balkan Tug-of-War

The game of "pull devil, pull baker" continues in the Balkans. Germany's problem appears insoluble. As her primary need at present is for the largest possible deliveries of grain and oil, anything that disturbs the peace of the Balkans must be avoided at all costs. Yet it is questionable whether Russia's advance *can* be checked by anything short of forceful measures. Germany is thus faced with the alternative of allowing Russian influence to spread into spheres of interest hitherto marked out for the Axis or of opposing the extension of Soviet power at the risk of a general conflagration. The Nazis are very uneasily suspended between passivity and active intervention. A policy of no direct interference with Russia appears, in spite of numerous incidents along the Polish frontier, to be an axiom in Berlin, and diplomatic action had to be engaged among the Balkan States themselves. But here again German diplomacy is thrust into a hornets' nest of treaty revision and territorial claims. The ideal solution would be to stabilise conditions for the time being and weld Hungary, Roumania and Bulgaria, the States most exposed to Russia, into a *bloc* under German leadership which would not ostensibly interfere with Russia's plans, but which would serve the double purpose of a military check and a barrier to disintegrating Communist propaganda, whose effects are already making themselves felt in Roumania and Bulgaria. Thus the Prime Minister and Foreign Minister of Roumania have been summoned to Salzburg, while a Bulgarian delegation is to leave for Berlin. The Slovak President is also to visit the Reich, and it is reported that some of the delegations will make their return journey via Italy. Hitler's purpose is still obscure. He may offer "protection" against Russia in return for a sinking of differences. He may threaten to impose a "solution" unless the contending States do not reach an agreement among themselves. Yet whatever decision he may reach, his freedom of action is limited by the necessity of Balkan peace and of a conciliatory policy with Russia.

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The Fate of Roumania

Roumania's future still hangs in the balance. Both on the internal and the foreign front, the three weeks which have elapsed since the cession of Bessarabia and the Bukovina have not clarified her position. The King's repeated declarations that Roumania would fight for her territory, followed by the loss of Bessarabia without a blow, have created a sense of dissatisfaction and unrest which Communists, on the one hand, and Iron Guardists, on the other, are doing their utmost to capitalise. On the surface of things, the King's position is still secure, but there are signs that the political machine is badly out of gear, for example, the arrest of General Antonescu, a popular and respected figure and the obvious autonomy of the newly constituted Iron Guard in a country which has only recently received a totalitarian single-party structure. The internal uncertainty mirrors the external situation. In the first hour of peril, Roumania flung herself into the arms of Germany. Given the power of her adversary, there was no other course she could pursue. But Germany has, rather unceremoniously, thrown her out again or rather is holding her at arm's length. The survival of this or that regime in Roumania is a matter of profound indifference to the Nazis. Their only preoccupation is whether, given the possibility of a Soviet advance down the Black Sea Coast, they can, while continuing to avoid an overt clash with Russia, still secure a monopoly of supplies in the Roumanian rump State which would remain. Thus the Nazis refuse a military guarantee but are attempting to check the appetites of Hungary and Bulgaria. In the meantime, every effort is being made to increase Roumania's deliveries to Germany. Tankers and trucks have been requisitioned; the largest oil company, the British and Dutch owned *Astra Romana*, has been taken over by the Government since it refused to deliver oil to the Germans; and over 300,000 men have been demobilised at this moment of tension to help bring in the harvests, earmarked for the German market. Roumania can do nothing else, and we should avoid criticism of a small Power whose independence we cannot now in any way support.

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Cross-currents at Havana

With President Roosevelt's nomination to the Democratic candidature, the focus of political interest shifts from Chicago to Havana, where Mr Cordell Hull has arrived to take part in the Pan-American Conference. The Conference meets, just as the two American Conventions met, under the shadow of German aggression, and it is very appropriate that the two main items on the agenda should be concerned with safeguarding the American continent against the Nazis' now familiar tactics of infiltration and disintegration. The last few months have given sufficient examples of Nazi intrigue—for example, the discovery of fully organised Nazi parties in Uruguay and parts of Argentina—to reinforce the lesson of the Quislings of Europe. The Americas are on their guard; it remains to be seen whether their vigilance can be given practical expression. In the political sphere attention is centred round the proposal to establish a joint guarantee of all European possessions lying in the Western hemisphere. In Mr Cordell Hull's words, the Americas "have no desire to absorb these possessions . . . but could not permit these regions to become the subject of barter in the settlement of European differences." The difficulty in securing agreement on this proposal may well prove to lie in some States' unwillingness to acquiesce in the "altruism" of the United States' lead. Holding territory in trust for others has not the attraction of a policy of absorption, yet any attempt to redistribute the colonies among the South American States would create revisionist competition on a truly Balkan scale. Mr Hull's scheme is the only practicable one, but that in itself does not guarantee its adoption.

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The other centre of interest is also connected with German attempts at intervention. South America is largely a

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producer of primary products, and an important percentage of its marketable surpluses found their way to the European market, from which Britain's blockade now cuts them off. Deprived of these markets, certain States are in economic jeopardy—Chile, for example, which used to sell one-third of its copper to France, or Peru, with its unsold cotton. The problem is aggravated by the excellence of the grain harvests throughout the Western hemisphere. The United States and Canada would not in a normal way of business buy up corn of which they themselves have a surplus. Germany is busy among the primary producers, urging them that the British blockade and Yankee imperialism are at the root of the evil, whereas steady trade with a vast stabilised European market under German control would solve all their difficulties. Obviously, unless vigorous steps are taken to counter this propaganda (which is coupled with a strenuous German buying campaign) it will have a very damaging effect. The United States is aware of this, and Mr Cordell Hull's first speech contained plans for greater economic co-operation between the American States and for the establishment of appropriate institutions—for example, a strengthened Financial and Economic Advisory Committee or a more ambitious cartel to buy up and dispose of American surpluses. The South American republics do not in principle welcome German encroachment. But Germany's strong card is their inbred suspicion of the United States. Nazi propagandists miss no chance of attacking "dollar diplomacy," and, in spite of some incredibly clumsy blunders (for example, Dr Reinebeck's note to the small Central American republics to warn them against adopting an anti-Nazi attitude at Havana), the United States delegation will have its capacities fully taxed to allay suspicion and secure co-operation.

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Lull After Armistice

Just now the war is uncommonly like what it was before the *Blitzkrieg* began. The only land fighting, in Africa, is a mere affair of outposts, and the main battle is at sea and in the air. Bombs, not leaflets, are being dropped on German Europe, it is true, with damaging effect, for the quality of British aircraft and their long training in reconnaissance over enemy targets are now telling. But German raids on convoys or scattered coastal and inland places are still small, like the attacks last autumn and winter on the Fleet and shipping, though the number of aircraft used by the enemy is larger now, more varied in type with many fighters. No real attack has yet been launched, and it may well be that the *Luftwaffe's* rôle is still to be the eyes and advance artillery of the German Army. "I have ordered hardly any reprisals," Hitler has solemnly said, and certainly nothing comparable to our own battering of enemy oil depots, aircraft batteries, communications, barges and supply ships has been done over Britain. Far more decisive than any air action, in fact, has been the refusal of the British Navy to allow the loss of French aid and the imminence of attack nearer home to loosen its grip upon the Mediterranean. The sinking of Italy's proud and swift *Bartolomeo Colleoni* by H.M.A.S. *Sydney* and a pack of destroyers, while another enemy cruiser fled, was significant. Sea-power is no Maginot Line to lull us again into lethargy. At the approaches to Eastern Eire and our own West Coast a new minefield over 50 miles wide, from Cornwall to the edge of Irish waters, has been laid to block assaults directed from the French deep sea ports that sent out privateers against us a century ago. The Navy is on the alert and on the move. In a few weeks 15 Italian submarines have followed Germany's 70 sunk, while we have lost only 11 since September. True, we have lost 26 destroyers, nearly half by air attack. True, too, we are finding convoy escorts less readily without the French and with the new need for constant vigilance in home waters; and shipping losses are high again. But we have much more than replaced the lost destroyers, and the scale of our overseas trade is big enough to meet our needs and increase our stocks. The defeat of France was a resounding German victory. At sea its echoes have been gratifyingly muted, and it is not wishful thinking to claim that, in his duel with Britain, Hitler has gained no ground at all yet—and will not unless he can successfully deliver the large-scale attack with all three arms that the omens still point to as the most likely next event. Britain's strength cannot be nibbled away. Nor, indeed, is it likely, from what we know, to be broken frontally.

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Command Remodelled

In the dying days of the Battle of France a reconstruction of the higher command of the British Army was begun. General Sir John Dill replaced General Sir Edmund Ironside as Chief of the Imperial General Staff. General Ironside became Commander-in-Chief of the Home Forces, and there were changes in the Western and Northern Commands. The first hectic stage of preparing Britain against attack has now been passed, and the reconstruction has been resumed. General Ironside, superseded by Lieutenant-General Sir Alan Brooke as Commander-in-Chief at home, becomes a Field Marshal. The Southern Command, held only briefly by Lieutenant-General Brooke after his commended command of the Second Army in France and Flanders, passes to Lieutenant-General C. J. E. Auchinleck, who led the British land forces at Narvik; and, to complete the infusion of men blooded in Hitler's European campaigns, General the Viscount Gort is to be Inspector-General for Training. In the main, our military leadership has been placed in the hands of men whose faith in an active strategy and modern mobile tactics is recognised. So far, since France fell, the chief preoccupation has been with the bricks and mortar, so to speak, of defence, though there is good reason to hope that the plans and dispositions made envisage the use of swiftly moving and heavily armoured units as pivotal pieces in the pattern. But defence is only the first step. The second, despite the limited liability strategists who still give tongue, is to train and equip an Army big enough and tempered enough to carry the war into the enemy's territories; appropriately, this is Lord Gort's job. The third step is to use these forces. It seems likely that the New Model Command betokens a clearer and broader vision after the bitter blows of defeat. The fatal error of under-estimating the total character and requirements of modern warfare should by now have been so grievously brought home that it should be impossible again for a British Army to be put in peril because it has no more equipment than its spokesmen called for, or because its trust (or that of its Allies) is placed in outmoded ways.

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The New Purchase Tax

The new presbyter is old priest writ large. The old Purchase Tax foundered on the opposition of the Labour Party; the revised version, almost identical in its administrative detail with the terms of the withdrawn Bill, is different in only two major respects. It introduces two differential rates, the larger to cover luxuries and goods whose replacement can be postponed without hardship, and the smaller for personal and household goods which require more frequent replacement. A simple differentiation of this sort is doubtless intended to disarm criticism from the Labour benches. Indeed, Sir Kingsley Wood made much of the small area of the cost of living index affected by the tax—80 per cent. untaxed, 12 per cent. at half duty, and only 8 per cent. at full rate. But the rates he proposes are certainly far stiffer than most observers had expected; indeed, they are so high that the double object of the tax (on which the Chancellor confidently but illogically reckons) may be defeated through the substantial curtailment of civilian consumption to the detriment of the expected £110 millions of revenue. The rates to be imposed are 33⅓ per cent. on wholesale values (about 24 per cent. retail) and 16⅔ per cent. (or 12 per cent. retail) on half-rate articles. Differential rates will require two schedules of goods, showing which rate of tax they attract. Children's shoes and clothing (a "child" remains undefined) will be exempt from the tax, and the Chancellor estimates the area of its incidence to be £600 millions reckoned at wholesale values, which fits reasonably well with *The Economist's* estimate of £825 millions at retail. Nothing in the Chancellor's outline of the revised tax makes it more palatable. Indeed, the rates of duty, even granted the differentiation between less necessary and more necessary articles, are so high that it must act as a powerful inflationary agent, which will supercharge the higher "ex tax" prices for the smaller quantity of goods which are to be produced in these categories. We can only hope that the Labour members are satisfied with their bargain. If so, they can only be bemused by the apparent importance of money wages, and blind to the more important consideration of safeguarding real wages. The honest tax to absorb increased purchasing power, which it is the partial task of the Purchase Tax to achieve, is a direct tax. But that alternative demanded political courage which has been lacking on every side of the House. The workers' pennies are to be jealously guarded. But the widows' and pensioners' mites will suffer the full blast of rising prices, for they are not so easy to increase.

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Call to Action

An appeal has been sent out jointly to 9,000 firms doing war work by the First Lord of the Admiralty, the Minister

of Supply and the Minister of Aircraft Production. It asks them to play their part in the organisation and training of a new Industrial Army: to make sure that every skilled engineer is spending all his time on skilled work; to see that sufficient suitable labour is ready to man new plant; to ensure that essential plant is never idle for lack of workers; to provide relief staffs for their present over-pressed employees; and, wherever possible, to break down processes into simpler operations to allow the employment of fresh unskilled men and women. This plea for support for Mr Bevin in his task of providing the necessary manpower for the expanding war industries is timely and to the point. Even at the present rate of production, which is not by any means full speed yet, skilled men are being over-driven, and there is wide room for reorganisation and for the up-grading or promotion of less skilled workers to eke out the efforts of the real craftsmen. In the next stage, when another tier of new or extended plant is brought into use, there will be need, not only for the strictest economy in the use of skilled men, adjustments in the allocation of work and generous promotion to positions of responsibility, but also for the training of semi-skilled men and women on the spot in the workshops. Mr Bevin still thinks that his army can be raised by quite voluntary means. Nor have the bulk of employers or workpeople been unwilling to help. But the voluntary system in wartime, when there is a job that must be done, puts an inordinate burden on the people who respond and lets off lightly those who do not. Two considerations at least supply the case for instructions instead of appeals. One is the fact that employers and, at their side, the trade unions, will not readily draft in and train new recruits in large numbers, because they know neither what Government orders will be forthcoming in the future nor what total labour requirements, even a few months ahead, are likely to be. The other is that it is the Government's duty, and no one else's, to see that the labour is ready.

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Employers and Workpeople

A National Arbitration Tribunal has been set up to settle trade disputes. It is to serve as the linch-pin of comprehensive machinery for preserving peace in industry. Before the war, collective bargaining between employers and workpeople had reached its heyday. Increasingly, the bargains struck had become regarded as the common law in entire industries, both within and without the scope of actual organisations; and in one sense last week's Order, which set up the Tribunal and laid down general principles for the conduct of labour relations, represents the pinnacle of recognition that trade union methods have yet attained. It requires that terms and conditions of work should be settled by voluntary joint arrangements. It insists that those terms and conditions should not be less favourable than those already recognised. It gives to the Tribunal the duty of defining recognised terms and conditions in cases of disagreement. It makes obligatory the procedure already embodied in trade unions' wartime agreements with employers for recording established trade practices and the departures made from them to meet emergency needs. It is, in short, a codification in general terms of existing practice—with one very important exception. Strikes and lock-outs, the basic sanctions in industrial bargaining, are to be forbidden. In the event of discussions failing to lead to the settlement of trade disputes, they are to be reported to the Minister of Labour for submission to the Arbitration Tribunal, made up of a Justice of the High Court, a barrister skilled in industrial conciliation, a University Vice-Chancellor with experience on trade boards, and a representative each for employers and workpeople.

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In the history of labour relations, Mr Bevin's Order is a landmark. It is a well-deserved tribute to the orderly fashion in which labour disputes are handled in this country as a matter of course. Whether it is an equally outstanding contribution to wartime policy is not so sure. The retention of collective bargaining is in itself extremely desirable; but without more express reservations it leaves ample room for delay and even obstruction. It will still be possible, in default of the most heroic resolution on the part of the bargainers, for haggling (over dilution even more than pay) to slow down the pace of output and for soaring wages to sap, at one and the same time, the nation's finances and, through rising costs and prices, the people's livelihood. To stop the industrial machine will now be an offence. To check its speed will not. What is wanted is not simply machinery, but a policy as well—to set *a* ceiling to wages and to open the doors of industry to as many new recruits as can be trained.

North Africa: A Spanish Bridgehead?

The war in the Mediterranean has yet to come into shape. The grilling weather in North Africa limits the mobility of European troops, and it is obvious that for the time being neither side has the intention of launching a serious offensive. If Italy had an overwhelming superiority in numbers, it is hard to believe that she would waste time and resources on frontier skirmishes in the Sudan and Kenya. The only serious military objectives are in Egypt itself, or to the South, in French Somaliland. Her passivity suggests that, so long as the British Navy and Air Force can keep a check on her convoys and are in a position to bombard Libya's coast road into Egypt, no major operation can be undertaken. Britain's position is uncomfortable, for the Near Eastern army is not large enough to undertake campaigning on a big scale. But the mere process of holding Italy in check frays the nerves and uses up the precarious supplies of the Italian colonists. The presence of Haile Selassie in the Sudan has not yet been capitalised in the military sphere, but the organisation of revolt in Abyssinia is reported to be going forward. In general, however, the form of the war in the Mediterranean and North Africa is undefined. It must not on that account be dismissed as irrelevant or unimportant. The end of the struggle in Europe has set free great reserves of manpower in Germany and Italy. At the same time, French colonial resistance has collapsed. Should Hitler be seeking alternative campaigns to the hazardous onslaught on Britain, North Africa appears to offer an obvious field. Control of the North African Atlantic seaboard at one end of the Mediterranean and of the Near Eastern oilfields at the other must be extraordinarily tempting to a conqueror who, by now, is surely thinking in terms of continents.

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Thus the attitude of Spain as "the German corridor" takes on a new significance. If reports of General Franco's recent speech are to be believed, the mission of Spain includes the control of Gibraltar and the extension of Spanish colonial domain in Africa. At the same time, the unification of Spain—in other words, the destruction of Portugal's independent sovereignty—is said to be an article in the Falangist programme. Germany has achieved a direct land link with the Iberian peninsula and the common frontier marches with a part of Spain in which Germany's influence, materially and morally, is already very great. It may be that the Caudillo's statements were twisted and exaggerated by the German news agencies, for it is difficult to believe that any responsible Spanish statesman could wish to plunge his ruined country into another war, or that a cautious leader would be ready at this stage to "arm the people." It is, in this context, interesting to note that Germany's "victory march" in San Sebastian has been cancelled. Yet these pointers are negligible compared with the volume of evidence pointing in the opposite direction. There is, therefore, all the more need for us to revise our attitude towards Spanish "non-belligerency," particularly its material aspects. If America's reported embargo on excessive shipments of oil to the Peninsula should prove ineffectual, shall we allow the comedy of Italian non-belligerency to be placed out for us once again?

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Another Coalition Offer

Australia is the latest Dominion to have caught the coalition fever at present spreading in the Empire, but it is unlikely that the Prime Minister's offer to the Labour Opposition will have any more fruitful results than a similar proposal made by Mr Mackenzie King in Canada. For Mr Menzies' Government, which depends for a majority in the House of Representatives on its coalition with the Country Party, has never enjoyed undiluted popularity since the outbreak of war—considerable criticism was voiced over the question of military pay, over the wool agreement with Britain which was alleged to have neglected Australia's interests, and, finally, over the proposal to establish a monopoly of motor-car manufacture which decided the electorate in the Corio by-election in March to return a Labour candidate. Last week this incipient unpopularity was fanned by two incidents—the closing of the Burma Road and the new Press regulations. Japan has for so long been Australia's traditional enemy, particularly in the eyes of Australian Labour, whose adherents have at times indulged in unofficial sanctions, that the British Government's decision on an appeasement policy has not had a good reception, and a speech made by the Australian Foreign Minister

has aroused suspicions that the Australian Government played an important part in the negotiations. And the new Press regulations, by which the Government is empowered to compel any newspaper to publish any specified matter, evoked such a storm of protest that Mr Menzies has promised that they will be redrafted. He asserted that it was never the Government's intention to make any newspaper publish a comment other than its own or to stifle any criticism, but that it was desired to have the power to make newspapers publish Government statements as such, so that misstatements are not persisted in. Pending the redrafting of the regulations further comment has been reserved, but Mr Menzies could hardly have made his coalition proposals at a more unpropitious time.

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Deducting Tax at Source

There should be no mystification about the method of deducting income tax at source which Sir Kingsley Wood outlined in the Budget. It is not a scheme for forestalling revenue by telescoping the January and July instalments, as some have feared; nor is it a scheme for paying salaries free of income tax, as an optimistic minority seem to hope. The arrangement will probably be very similar to the voluntary arrangement which has been in operation since 1932 for the collection of income tax by deductions from pay. Under this arrangement, the tax instalment due on January 1st is deducted in six monthly instalments, beginning from the end of October to the end of March, while the July payment is similarly deducted from April to September. The employer undertakes to pay the deducted tax to the Collector of Taxes in quarterly instalments from the beginning of January to the end of September. It is suggested that the compulsory scheme will begin on November 1st, which has a double advantage of being a Friday pay-day and of enabling monthly deduction to begin from salaries paid from the end of October. There is no reason to suppose that the employer will be able to pry into his employees' affairs as a result of the new system. The employee will remain personally responsible for agreeing his assessment with the tax authorities, and differing family and financial circumstances will, in the majority of cases, prevent any employer from obtaining a detailed knowledge of his staff's financial affairs from their tax liabilities. It might be well, however, to revise the voluntary method in at least one respect—to make the deducted tax payable to the collector of taxes monthly, and not, as at present, quarterly. By this means the Exchequer would receive income-tax payments, on the average, at their due date, and in practice rather before the average date when they would normally be paid.

* * *

The Home Guard

The "parashots" are "parashots" no more. That is the burden of Mr Eden's statement this week on the functions and organisation of the Local Defence Volunteers, who now number 1,300,000. Not only has their name been changed to the Home Guard. Their duties have also been broadened beyond the popular conception of armed irregulars roaming abroad to watch for and delay enemy troops falling to earth in parachutes. This is common sense, for the trip by parachute is only one of several ways in which German soldiers might make their appearance in civilian England. They might be landed by troop-carrying planes or disembarked from all sorts of vessels from the sea. They might wander about the countryside in disguise or filter in small detachments, motorised or on foot, through the first lines of defence. And even if parachutists were the main danger, the watch for Fifth Columnists with whom they must make contact to do much harm would be at least as important as scrutinising the skies. As it is, the Home Guard are to act as auxiliaries to military formations. Their value (the Secretary of State for War said) lies "not in individual action but in co-operation with other parts of the military machine." In each military area, at the side of the regular military commander, there is an area commander of the Home Guard, responsible for organisation, equipment and training in the zones and groups in which the various battalions, companies, platoons and sections of the Home Guard operate.

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The duty of these part-time units is to participate in the defence of their localities (or even, in some cases, the defence of their workplaces); to provide "static defence" and protect vulnerable places by guards at strong points; and, as an observer corps, to give notice of enemy movements to their superior military formations. Criticism of the Home Guard, now that the problem of equipment has been roughly solved, is naturally centred on their officering. If the force's value lies in co-operation with the Army, the need for liaison and understanding on the part of area and group commanders is paramount, and no responsible officer of the Guard should be unaware of the set part to be played by his men in the larger operations of defence. Indeed, there is a good case for claiming that each Home Guard commander should have allocated to him a member of the Army, officer or N.C.O. according to the responsibility of his command (area, group, battalion, company or platoon) to advise and assist in organisation and training. The fact that the volunteers are part of the military machine should be made explicit. Clearly, duties will vary tremendously from place to place according to the nature of the ground to be defended; but no unit should be ignorant of what its allotted task is, and no time should be wasted on irrelevant duties that could be spent in rifle training or in familiarising the troops with their job and the terrain it is to be done on. The Home Guard is voluntary, and not easy to hold together. In an emergency it would be put under compulsion, but meanwhile it is important that there should be no sense of frustration or bewilderment.

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More Migration

The scattering of air raids all over the country has not removed the need for evacuation. Together with the threat of invasion, it has made it more necessary than ever. Mr Malcolm MacDonald made this point in a speech on Wednesday, pointing out again that casualty records so far show that, in air raids, it is fifteen times safer to be in a reception area than in an evacuation area. Indeed, evacuation is at last being put on a sound footing and no longer left to individual whim. The movement of children is still voluntary. But certain coastal areas in the zone of most likely invasion have been made subject to evacuation by order, and people are to be moved from industrial centres likely to be brutally bombed. Under Government instructions, in fact, something like a mass movement is going on. Meanwhile there is no spontaneous flight in panic. The proper principles of evacuation are emerging. Civilians must "stay put"; they must not move *en masse* without orders—and the bulk of them have shown little inclination to do so. If the Government decides evacuation is needed, then it must be made compulsory and the migrants given maintenance or work. Only in this way can public safety be served, public order preserved and the structure of the nation's economy kept from sudden and needless dislocation.

* * *

Prices and Proper Feeding

The object of British rationing is not to eke out scarce supplies, as the Germans (who ought to know better from their own wise application of the rationing principle) gleefully say, but to cut out needless imports and save ships for other purposes, and, in addition, to build up still more substantial stocks. Shipping difficulties are likely to grow and, as Mr Boothby said last week, it is hoped by rationing for storage to make more tea, fats and sugar available in the harder winter months. If one lesson has been learned about food control since last September, it is that rationing is a source of strength. The new tea ration, for instance, almost certainly could have been larger, had it been imposed sooner. After nearly eleven months of war, food stocks and supplies are remarkably high, and the chief problems confronting the authorities are problems of price and good nutrition, not of shortage. The prices of bread, flour, home-produced meat and bacon are particularly held down by subsidy. Free or cheapened milk has been made available (with so far a rather discouragingly small response) for children and expectant mothers. Even so, transport, insurance and labour costs have all risen, and with the need to curtail imports and the loss of some supplies, this inevitably means that the price of home-produced beef and mutton, milk, eggs and potatoes, for instance, will rise again. There is still room for further steps to make it certain that even the poorest families can purchase a balanced minimum ration of dietetically necessary foods. Together, vegetables, milk, butter or vitaminised margarine, oatmeal, cheese and wholemeal bread would at least ensure health and efficiency; and the addition (announced by Mr Boothby) of vitamin B1 and calcium salt to white flour, which keeps in storage better than wholemeal, means that the popular predilection for white bread will be able to march with nutritional needs.

THE WORLD OVERSEAS

Non-Belligerent Spain—I

(By a Spanish Correspondent)

THE economic background of Spanish non-belligerency is outlined in the Report of the American Commercial Attaché in Madrid, published in the *Commerce Reports* of March 12, 1940, which shows how the agricultural and industrial situation is still suffering from the Civil War. In 1939, the wheat and rice crops were only about 50 per cent. of normal, corn about 80 per cent., and sugar about 10 per cent., and there was a shortage of about 120,000 tons of dried pulse. The potato crop was normal, but was insufficient to make up for the shortage of pulse and rice. The continued export of olives and olive oil to Italy and Germany resulted in a severe shortage and the seizure of all oil stocks by the Government.

Textile production was only 35 per cent. of normal, steel 60 per cent., cement 50 per cent., tanning and shoes 40 per cent., paper 65 per cent. (fine-grade paper 20 per cent.), and fertilisers and heavy chemicals 50 per cent.

The decline in agricultural production has, naturally, severely affected the food situation, and about 850,000 tons of wheat will have to be imported this year to meet normal requirements. Hence the drastic rationing of bread, the staple food of the working classes, which now allows 1 lb. per head every two days, but from April to June had to be cut to half that amount. Beef is scarce, and only 3½ ounces a week of other meat—veal, pork or mutton—is allowed. Other weekly rations are: 2 eggs, less than a quarter of a pint of olive oil, and about 10 ounces of beans, chick peas or lentils. Some foods are distributed at intervals greater than a fortnight, such as sugar (10 ounces) and potatoes (2 lbs.). The milk production covers only one-third of the requirements. Tobacco is rationed at 1¾ ounces of cut tobacco or two packets of 20 cigarettes a week.

In addition, once a week one of the meals at home and in restaurants has to be without dessert or sweet and on Thursdays one meal must consist of a single dish. The amount saved has to be handed over to *Auxilio Social*, a Falangist organisation run on the lines of the German Winter Relief. It has certainly done good work, and the number of free meals distributed per month last winter was nearly 54½ million.

Although food is scarce and its prices are carefully fixed by law, there are always ways of getting food illegally at higher prices. The authorities, however, are taking stern measures to stop this "bootlegging"; and 279 fines, amounting to about 200,000 pesetas, were imposed by the Governor of Barcelona in twenty days during May.

It is only natural that this situation means privation for the consumer and anxiety for the producer. When Sr. Serrano Suñer presided over a gathering of 200,000 Falangists in Valencia at the end of April, the President of the Rice-Growers' Federation made a speech in which he voiced their anxiety at the decreasing fertility of the fields owing to lack of fertilisers. Sr. Serrano Suñer replied that he was perfectly aware that fertilisers, as well as many other things, were lacking. "We must all suffer gladly, and share the privations. The most important thing is not lack of bread, but our boundless pride in having redeemed the Fatherland. We have no bread, but we have our country. We do not want to eat bread bought by selling our country."

These words typify the outlook of the present rulers of Spain. Their policy is not guided by realistic motives and the wish to improve conditions for the people, but seems instead to be inspired by political ideals which they follow with a sort of mysticism—what they themselves call the "spirit of the national-syndicalist revolution." Without an insight into this state of mind it is very difficult to understand and forecast their policy.

This state of mind explains, for instance, why, contrary to expectations, General Franco's Government did not have recourse to a foreign loan for reconstruction at the end of the war. It also explains their general policy revealed in the Budget for 1940-41, issued at the beginning of June, in which much more is allowed for military preparations than for reconstruction.

The Budget amounts to 6,000 million pesetas (about £150 millions at the present rate of exchange), which is an enormous sum in proportion to the resources of Spain since the Civil War and compares with the last Republican Budget in peacetime of 4,000 million pesetas.

But, out of this big total, only 52 million pesetas are earmarked for agriculture in a country which is mainly agricultural, and only 450 millions for public works in a country ravaged by a three-years civil war. Not less surprising is the small amount allotted to education—380 millions (though 45 per cent. of the population is illiterate) compared with 496 millions in the Republican Budget of 1936-37. The latter covered only the territory under the rule of the Republic during the war, and in addition the Catalan Government spent another 52 millions on education in Catalonia. In the new Budget, therefore, three very important departments of the life of the country—agriculture, public works and education—are being given between them only 882 million pesetas.

Big Military Expenditure

This figure is in striking contrast to the 1,510 millions devoted to the Forces. The Army gets 838 millions, but only 165 millions goes to the Navy. The Air Force is to have 295 millions. The 212 millions allotted to Morocco is to be spent chiefly on the army there.

It is also interesting to place alongside this total of 1,510 millions the 825 millions allotted to the Home Office under Sr. Serrano Suñer. The Home Office now controls not only the *Guardia Civil*, the armed police and all the radio and Press propaganda, but all the machinery for the administration of the fifty provinces by the Governors appointed by Sr. Serrano Suñer. The large sum of 825 millions allotted to his Department emphasises once again, therefore, the important part played by this Minister in controlling the life of the country.

To sum up, while the total amount to be spent on agriculture, education and public works represents 14.7 per cent. of the Budget, and the Home Office 13.7 per cent., the total set aside for military preparations is over 25 per cent.—proportions certainly surprising in a peacetime Budget of a nation which has just emerged from civil war.

There will, moreover, be difficulty in collecting the revenue, since taxation is already heavy and the economic situation is not improving—without taking into account the difficulties created by the European war. The Government, therefore, has had to turn to loans. In October, 1939, an internal loan of 2,000 million pesetas was floated. In December frozen assets in the Spanish banks were released, leaving another 3,500 millions free for investment. Another subscription to the 3 per cent. Treasury Bonds early in July has yielded 4,083 millions. On the other hand, the interest on all

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the loans represents a heavy item in the budget—some 1,160 millions.

Spanish Arms

The proposed expenditure on the fighting forces is in pursuance of the plan to establish Spain as a military power. This is one of the 26 points of the Falangist programme, and it was emphasised by General Franco in his New Year speech of 1939 and by several Government measures.

At the present moment Spain could put into the field an army of possibly 1,200,000 to 1,500,000 seasoned troops, taking into account the strength of both armies in the Civil war—although General Franco stated on July 17th that he had 2,000,000 soldiers ready to defend Spanish rights. Since the end of the war General Franco's Government has issued a series of laws and decrees completely reorganising the army. It is now divided into 10 army corps, comprising 24 divisions. Two military bodies have been set up by the laws formulating the central organisation of the State. There is the High General Staff, under the direct orders of General Franco, and including the General Staffs of the land, sea and air forces; and the National Defence Council, also under the presidency of General Franco, and including the Ministers of the army, navy and air force, with their Chiefs of Staff, its secretary being the Commander-in-Chief of the High General Staff.

Taking into account the material of both armies engaged in the Civil War, it may be reckoned that Spain has now, apart from any new material which may have been manufactured or imported, 1,500,000 rifles, 70,000-80,000 machine and sub-machine guns, and 600 tanks.

As regards aeroplanes, at the end of the Civil War General Franco was supposed to have about 900, but in July last year it was admitted in Berlin that 1,369 German and Italian aeroplanes were left in the country. Germany has since supplied Spain with many new aeroplane engines, possibly even about 2,000. In January last the Minister for Air called for 2,000 pilots by the end of 1940 and 4,000 by the end of 1941.

When General Franco reviewed the navy at Cartagena shortly after the end of the Civil War he said: "A nought must be added to the number of vessels in the Spanish Navy." At the moment the strength of the Spanish Navy appears to consist of 6 cruisers, 19 destroyers, about a dozen large torpedo boats and possibly another dozen of a smaller type, 13 submarines, 5 minelayers and half a dozen gunboats.

By all this expenditure and reorganisation of her armed forces Spain is preparing to play a prominent part in the Mediterranean and other zones. As General Franco said in his New Year speech of 1939: "We have in our hands the entrance to the Mediterranean. It is impossible to leave out Spain when the Mediterranean is under discussion. We cannot be dissociated from this problem, and we cannot allow ourselves to be ignored; our geographical position would have to be altered before this would be possible. I will refuse to let us be bound by any action that may be taken in the Mediterranean without us."

July 18th.

The New Soviet Republics

[BY A CORRESPONDENT]

THE three Baltic States—Estonia, Latvia and Lithuania—have lost their independence "of their own free will." The recently elected Parliaments of the three countries unanimously approved a notion asking the Supreme Soviet Council of the U.S.S.R. to incorporate them in the Soviet Union.

The act of giving up their independence was staged in all three countries on the same day and in the same way. When the Parliaments met, demonstrations of workers and peasants took place in the streets of Tallinn, Riga and Kaunas, and demands were put forward for the formation of a Soviet system of government and for inclusion within the Soviet Union. The speeches delivered in all the three Parliaments by representatives of the workers, peasants, soldiers and intelligentsia were framed in nearly the same wording. All the speakers denounced the old regime and great hope was expressed in the future, when their countries would become integral parts of the U.S.S.R. The motions carried were everywhere framed in the same way, and the resolution asking for incorporation was passed unanimously in the three Parliaments of the Baltic States.

The news of the three republics' "wish" to join the Soviet Union was prominently displayed in the Moscow daily press, and full accounts of the parliamentary sessions were given over all wave-lengths of the Russian radio. Special press correspondents of *Pravda* and *Izvestia* attended the historical session, and full and detailed accounts were given by the most prominent Russian journalists. The personal representative of Stalin attended the session of the Estonian Duma, and the hall was decorated with Estonian and Soviet flags. The passing of the resolution was celebrated as a day of great rejoicing; mass meetings and celebrations were staged in all towns and villages of Estonia, Latvia and Lithuania. The Estonian President, Constantin Pâts, and the Latvian President, Ulmanis, have resigned office and handed over their duties to their newly elected Premiers, but the Lithuanian President, Smetana, was spared this ordeal, as he had already escaped four weeks previously from Lithuania to Germany, where he was interned as a political prisoner.

The Supreme Soviet Council will be summoned on the first of August and will then consider the application for membership in the Soviet Union of the three small countries. In the meantime the process of sovietisation is going ahead. Banks, large industrial concerns, transport, and the land have been nationalised; the land is already being distributed to peasants, the limit for private land ownership being 30 hectares. Workers' councils and soviets are being set up everywhere, and the country is being quickly adapted to the new economic and political regime. There was no need to occupy the territories by Soviet troops, for the Red Army, Navy and Air Force had been stationed in all three of them since last September, and the process of introducing revolutionary communism by "peaceful" means was consequently carried out under the watchful eye of the Soviet troops.

Change in Russia's Policy

The incorporation of the Baltic States marks a new step in Russian policy towards her neighbours. It was as recently as last September that Russia signed pacts of mutual assistance with Estonia, Latvia and Lithuania; and in all the treaties a special article was inserted which stipulated clearly that, in spite of the fact that Russia was to station troops and to receive air and naval bases in the countries, "this pact shall not affect in any way the sovereign rights of the contracting parties, and in particular their State organisation, economic and social systems and military measures." Incorporation and sovietisation were not expected to follow so soon after these treaties; moreover, it is the first time that Stalin has brought "alien" peoples into the Soviet Union.

By the incorporation of the three States, Russian territory is increased by Lithuania's 22,959 square miles, Latvia's 20,056 square miles, and Estonia's 18,353 square miles. Lithuania has a population of 2,879,070, Latvia one of 1,994,500 and Estonia one of 1,134,000. The economic structure of all three States is mainly the same. Over 50 per cent. of their population is engaged in agriculture. Their land is thickly afforested and timber is their chief article of export. The co-operative system was largely developed, and wheat, oats and maize were mainly exported through farmers' co-operative societies. These also exported a certain quantity of dairy products, England and Germany being the chief purchasers in recent years.

All three countries formed similar democratic constitutions when they regained their independence after the last war. Their minorities, consisting of Germans, Russians, Poles and Jews, were fairly treated and enjoyed a national cultural autonomy. But the economic crisis of 1929-31 and the coming of Hitler to power caused political ferment, and the free democratic institutions were replaced by semi-dictatorships, which were headed in Estonia by Constantin Pâts, in Latvia by Ulmanis and in Lithuania by the governing group around the President, Smetana. The totalitarian system in the Baltic countries was neither based on the Nazi nor on the Fascist model. It was a system of its own, in which the people were governed authoritatively and some democratic institutions were preserved.

Russian Gains and German Losses

Russia's economic gains by the incorporation are rather small, especially as the main exports of these States are the same as those exported from Soviet Russia (timber, flax, wheat, etc.). Politically, however, she has now managed fully to establish her superiority on the Eastern Baltic and has added to her northern coastline another 800 miles with several very important bases. The buffer States between Germany and Russia, which constituted the weak spot in Russian defence, are now in Russian hands, and the Red Army will have a free hand in building fortifications.

It is interesting to note that the incorporation will affect Germany's supplies in timber, wheat and dairy products and will also deprive Germany of good customers for different industrial products. All the foreign trade of these countries will now be controlled by the central Soviet authorities in Moscow, and Russia is a much more difficult client from the German point of view than the small Baltic States which had to trade under threats and political pressure from Germany.

July 24th.

Financing Canada's War Effort

[FROM OUR OTTAWA CORRESPONDENT]

THE Federal Budget, submitted to the House of Commons on June 24th, amply confirmed fears that the Canadian people would be asked to shoulder a heavy additional burden of taxation to pay for their war effort. In the fiscal year 1939-40, for which revenue was placed at $562 millions and expenditure at $681 millions, special war expenditures totalling $118 millions had been responsible for a deficit of rather more than the same amount, which was more than double the deficit for the previous year, $51 millions. Increased by this deficit the net national debt had risen to $4,208½ millions on March 31st; but when account is taken of active assets valued at $757¼ millions, the net debt at the end of the last fiscal year was placed at $3,271 millions and the indirect liabilities at $1,084½ millions.

For the fiscal year 1940-41 the Government has pared normal peacetime expenditure by $77 millions to $448 millions and has appropriated $700 millions on war account, but the Minister gave warning that further commitments involving between $150 and $200 millions had been undertaken and more might become necessary. Against this he would only forecast on the basis of the existing tax structure a total revenue of $650 millions, and therefore he faced a certain prospective deficit of $498 millions and probably one of $700 millions. He announced, therefore, a programme of new taxation, partly in the form of fresh levies and partly of increases of existing imposts, which is expected to yield $110 millions in the present fiscal year and $280 millions in a full year. And he intimated that when allowance was made for funds required to finance the repatriation of securities held in Britain, expected returns from the sale of War Savings Certificates and cash in hand, the Government would probably require to raise between $550 and $600 millions by bond issues during the year.

New Taxes

The most notable innovation of the Budget is a national defence tax, which will materially broaden the basis of taxation and bring within the scope of the Treasury's direct net a large body of wage-earners and persons with small salaries who have hitherto escaped it. It is to be levied at a flat rate of 2 per cent. on the total income of single persons when it exceeds $600 and of married persons when it exceeds $1,200, while it is raised to 3 per cent. for single persons whose income exceeds $1,200. For each dependant there is an allowance of $8, and the tax, which will be deducted wherever possible at source, will become operative immediately. Another new levy, designed primarily for the purpose of conserving exchange, is a ware exchange tax of 10 per cent. on all imports except such as enter under the British preferential tariff, and it is expected to produce $50 millions this year and $65 millions in a full year. Conservation of exchange and the release of productive capacity for war purposes are the avowed motives behind a new motor tax, which replaces the present 5 per cent. levy; it will be levied on a graduated scale ranging from 10 per cent. on cars up to a value of $700 to 80 per cent. on cars valued over $1,200, and in effect it will constitute a ban upon the importation of high-priced cars.

There has been a sharp upward revision of the personal income tax on all levels, and the present exemptions of $1,000 for single persons and $2,000 for married persons have been lowered to $750 and $1,000 respectively. The increases are particularly severe for the middle-income groups; for incomes of $4,000, which now pay $84 in income tax, the joint burden of the income and the defence taxes will next year demand $355; for incomes of $8,000, $1,435 instead of $491; for incomes of $15,000, $3,890 instead of $1,789; and for incomes of $25,000, $8,850 instead of $4,775. The increases for very large incomes are proportionately smaller, but a taxpayer with an income of $100,000 will have his burden increased from $39,299 to $51,520 and, if he has an income of $250,000, from $139,242 to $156,870. When provincial income taxes are taken into account, Canadian taxpayers in certain provinces will henceforth, if they have large incomes, be paying income tax on as high a scale as British taxpayers at present; a married man with no dependants, living in British Columbia, will actually have to pay 14 per cent. more.

The Excess Profits Tax has been readjusted, and one of the alternative plans, "Option A," a graduated tax on the basis of capital employed in a business, has been withdrawn. Henceforward everybody must pay on "Option B," a plan which is applicable to profits in excess of those earned in a standard base period, 1936-39, and the rate on the excess is raised from 50 per cent. to 75 per cent. A minimum rate of 12 per cent. will be levied on all profits of a business before deducting income tax, and there will be set up a board of referees which will determine a standard of profits for new businesses or businesses depressed during the standard period. Sumptuary taxes are either increased or imposed for the first time upon a variety of luxury goods like cigarettes, cigars, tobacco, radios, phonographs, material used in soft drinks.

Unsatisfactory Crop Report

Until last week the news about the all-important western wheat crop was remarkably good, as it was thriving well under ideal growing conditions, warm but not too sunny weather and generous rains at intervals. But the latest western report of the Bureau of Statistics says that, owing to the cessation of the rainfall, there has lately been a serious deterioration of the crop over a substantial area, chiefly in Saskatchewan, and moisture is urgently needed. General business conditions remain satisfactory, with the flow of war orders from Ottawa increasing steadily. For the week ending June 15 the general economic index of the Bureau of Statistics was 104.3, compared with 103.1 for the previous week and 103.4 for the same week of 1939. The stock exchanges are still in a very depressed condition, and prices of seasoned stocks remain about their lowest level for many months, but the bond market has been relatively firm.

July 11th.

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THE BUSINESS WORLD

The Completion of Exchange Control

TEN months after the outbreak of war, the machinery for controlling sterling exchange has now become a comparatively simple, cohesive whole, designed to prevent the exodus of domestic capital and to ensure the flow of export trade proceeds to the central exchange reserve of the authorities. Further details remain to be filled in; other countries have to be added to the number with which Payments or Clearing agreements are already operated; and the remnants of the free sterling market have to be liquidated. But these disappearing vestiges of the old system do not affect the essential character of the new scheme, as it emerged from the Order in Council of July 17th.

The first Order, of August 25th last year, contained only the elementary provisions essential to any exchange control scheme. It required holders of gold and certain foreign currencies to offer them to the authorities, and forbade the conversion of sterling into foreign exchange without official permission. It required the listing of foreign securities held in this country. But control was far from rigid. It permitted a leakage of foreign exchange, which would otherwise have gone to replenish the country's reserves, *via* the free market. That leakage tended to increase, despite official protestations that the volume of transactions in the "free" market was of minor importance. Until last March, no attempt was made to ensure that the exchange proceeds of British exports were released to the Control, and even then the tightening-up was only applied to six commodities. The importance of these partial steps in reinforcing the exchange control, however, was apparent from the slump of the pound in the New York free market. To compel American and other importers of the commodities concerned to pay for them at the official rate meant a corresponding reduction in the demand for free sterling. But so long as the free market continued to be fed by an exodus of capital from this country, it offered a channel for the leakage of dollars from the control. Hence, it was decided on June 8th to block sterling securities held by non-resident investors, and further to require payment for all British exports to the United States and Switzerland in sterling obtained at the official rate or in dollars or Swiss francs. Foreign holdings of sterling—that is, the bank balances of non-residents held in this country—remained unattached, and are still unaffected by the latest measures. These are now the only loophole in the scheme of control, but in fact the system of Registered and Special accounts through which the bulk of our exchange transactions must now pass deprives these free balances of real freedom, and limits or prevents their replenishment. Hence, they will constitute a narrowing gap through which exchange proceeds can escape the control.

By the revised regulations, the fight against the exodus of capital has been waged in a much more offensive spirit by the authorities. Quite apart from the sterner penalties recently imposed for infringement of the regulations, they have been persistently strengthened to counter the subtler moves of the evader. The Order of November 23rd last made special provision for the strict control of the invoicing of exports from this country and increased the penalties for false declarations—thus stopping a loophole through the exchange control which Continental experience shows to have been one of the most fruitful devices of evasion. The latest regulations go further and expressly forbid various forms of evasion and export of capital by way of "compensation," of which the simplest and most familiar example is the payment by a resident of a non-resident's debt in this country against the payment of foreign currency to a third party by the non-resident in his own country. This aspect of exchange control is now reasonably effective; the exchange account will lose very little foreign exchange by the illicit leakage of capital from this country.

The main step towards more efficient exchange control under the latest Order, however, is the canalising of foreign exchange from sterling export trade—all the visible and most of the invisible—into the central reserve. The machinery is being provided by a chain of clearing and payments agreements which have been, or are being, arranged with all neutral countries which are now operating some form of exchange control, and by a less formal but equally effective type of clearing agreement with the two neutral countries which retain free exchanges, namely, the United States and Switzerland. Payments between the sterling area and the countries concerned are made through "Special" and "Registered" accounts maintained with London banks, and the total of such accounts opened under any one payments agreement—or under the agreement made with the United States banking system—will in fact be tantamount to a comprehensive clearing account between that country and the sterling area.

The use to which the funds in these "Special" or "Registered" accounts may at present be put are strictly those of bilateral trade. When, therefore, the chain of agreements is completed, the sterling exchange market will be subdivided into a number of watertight compartments. It will be the task of the authorities, in the light of the experience gained in working these accounts, and of the manner in which the balance of payments between the sterling area and each country concerned is running, subsequently to devise a method by which the essential intercommunication of these various compartments can be achieved. Tentative attempts have already been made to introduce some element of multilateralism in the working of the "Special" accounts, but experience has shown that this cannot be satisfactorily done by hard and fast agreements setting out specifically the purposes, other than those of strict bilateral trade, for which balances in the "Special" accounts may be used. The balance of international payments, even in these days, is still too fluid a concept to lend itself to any rigid agreements. Hence, the ultimate task of linking these "Special" and "Registered" accounts into an organic whole will demand more elastic methods. As a result of this departmentalisation, sterling is rapidly losing the homogeneity which is the hallmark of a free currency. But this transition is no sudden development introduced by the latest batch of regulations. It was inherent in the first distinction between "free" and official sterling and in the restrictions placed on the use of the latter from the moment exchange control was introduced at the outbreak of war.

The completion of the chain of payments agreements or their equivalent is proceeding fast. The area covered by them includes such neutral countries as the United States, Switzerland, Sweden, Argentina, Brazil and Roumania. It includes the Dutch and Belgian colonial possessions and a considerable part of the French Colonial Empire—though the position of the latter must for some time remain highly uncertain. New agreements are impending with Portugal and a number of South American republics. It may be hoped that before long all important neutrals will be brought within the fold, with the exception of Japan and Soviet Russia. In the case of Russia, the State monopoly of foreign trade creates certain specialised problems, but it also renders the conclusion of a clearing or payments agreement less urgent from the point of view of our exchange control. And there is, in any case, little likelihood of an exodus of capital to that country.

When the chain of these agreements is completed, the "free" sterling market will rapidly disappear. It is fed today solely by the residual non-resident balances—mainly American—and by part of the proceeds of trade between the sterling area and countries with which no "Special" or "Registered" accounts are at present operated. The strict limitations placed on the use of such "free" sterling makes its description something of a misnomer. For example, sterling balances held on American account when the new Registered account arrangements came into force may be used for three main purposes—for all payments in the sterling area other than for exports, for settling any sterling debt in any part of the world, provided it was outstanding before July 18th last, and for transfer to residents in any country with which the British Government have no special arrangement precluding such receipts of "free" sterling. The uses to which "free" sterling may be put are sufficiently diversified and important to ensure that the limited available supplies will be fairly quickly absorbed, and the process of elimination will be hastened as more countries come into the fold of payments agreements. The incentive to negotiate such agreements has now been considerably strengthened by the disappearance of the last organised market in free sterling in New York.

Another aspect of exchange control on which curiously little attention has been focussed is concerned not with the efficiency with which it functions in detail or with the "watertightness" of the whole, but with the terms of trade which the system establishes between the sterling area and the rest of the world. The German example has very clearly shown the importance of the choice of the rate of exchange between the two currencies involved in a clearing or compensation agreement as a factor in the machinery of exchange control. The set of exchange rates applied to the payments and clearing agreements made by this country has been based on the official rates for the currencies concerned, at the time the agreements were signed. The range of quotations was not a matter of deliberate calculation or choice, but resulted from the general adjustment of exchange rates to the depreciation of sterling in terms of dollars on the outbreak of war. This depreciation in the rate from $4.68 to the official rate of $4.03 was made *ad hoc*, and the rate then chosen could be justified as representing an approach to the real value of the pound if it had been governed only by normal transactions. But it almost certainly did not contemplate all the changes which would arise under a war economy. It was a relic of a free market, of the days of an under-employed economy, of a time when competitive prices were the limiting factor on our ability to sell abroad.

Hence the sudden move from 4.68 to 4.03—viewed in retrospect—might be interpreted as an exaggerated reaction to the fear of an over-valued pound which had pursued the authorities during the preceding years of the gold outflow. And if $4.03 represented the equilibrium rate for the pound, the consequent changes in other foreign exchanges put sterling out of alignment with many other currencies. Peacetime arguments against an over-valued pound, however, have long ceased to apply. The limiting factor on our ability to export is no longer the price we quote, but the material and labour we can spare. The advantages of an under-valued currency have disappeared and instead its disadvantages have emerged. In basing the new set of official clearing rates on the level to which sterling was allowed to drop at the outbreak of the war, there is, in the changed circumstances of the war, a real risk that the entire sterling area may be penalised for the advantage of the rest of the world. We have arbitrarily shifted the terms of international trade against ourselves at a time when war purchases would, in any case, have forced us to run our international trading accounts at a deficit. Admittedly the element of under-valuation of sterling embodied in the structure of the new payments and clearing agreements may be small, but it is evident now that more foresight could have been applied in visualising the conditions which would obtain in a new era of exchange control when the official rates were first fixed. By sounding the death knell of the "free" sterling market, however, we have improved the terms on which that portion of our trade that was formerly financed in the free market will now be conducted.

The past record of exchange control, however, is not the brightest chapter in administrative history. Months have been wasted, and valuable exchange resources dissipated, because the authorities attempted to disarm criticism by insisting that all was well. The emergence of exchange control as an effective and complete instrument must be hailed with relief. But if these full steps could not have been taken in the first instance, a readiness to react more quickly to proved cases of evasion, and a willingness to pay attention to the realities of the situation rather than to purely verbal dogmas such as "London's prestige as an international market" (as if that could be dissociated from victory) would have convinced the world that British exchange control meant business. Fortunately, the world knows that now, after ten leisurely months.

A.D. 1720

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Finance and Banking

The Free Sterling Rate

The exchange markets are rapidly settling down to the new conditions introduced by the Order in Council of July 18th. New York has this week been quoting the official rate for sterling and in addition a rate for "free" sterling. The latter has fluctuated rather widely, but its movements have been an indication of the further narrowing of the market rather than a reflection of the volume of business passing. Towards the end of last week it strengthened from 3.74 to 3.91, then fell over the first days of this week to 3.79, recovering later to 3.85. The supply of free sterling in the New York market is now at its peak. As it cannot be replenished, though the potential demand for it will continue unabated as long as the present regulations are in force, it must be expected that the undertone of the market will be strong. In fact, forces will be at work to narrow the gap between the official and "free" rates. As long as that gap remains appreciable, the demand for sterling from the United States to make payments to this country, other than for goods purchased in the sterling area, will obviously be diverted wholly to the "free" market. After a short period of unsettlement, due to the inevitable uncertainties and complications raised by the new regulations, it may therefore be expected that "free" sterling will make a steady recovery.

As the market for "free" sterling in New York is now divorced from the corresponding markets in all countries with which the United Kingdom has made Special or Registered Account agreements, the way is open for an interesting divergence in the rates quoted for "free" sterling in, say, the United States and Switzerland. These anomalies have already occurred, the rate in New York commanding a small premium on that quoted in the Swiss markets. Since direct arbitrage in "free" sterling between Switzerland and the United States is no longer allowed—or indeed possible—such divergence may continue and even be accentuated. There is one factor, however, which must tend to bring the rates together, namely, the fact that under existing regulations the "free" sterling balances of both American and Swiss nationals and

institutions may be used to make payments to countries with which the United Kingdom has arranged no Special or Registered account facilities. In so far as such centres as Lisbon or Shanghai need "free" sterling, they will naturally tend to buy in the cheapest market, and this will help to equalise the rates in the available alternative markets.

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One Rupee Notes

The Government of India issued an Ordinance on Wednesday providing for the early issue of one rupee notes. This decision follows a marked expansion in the demand for currency in India in recent months. Part of this demand is no doubt the counterpart of more active trade and higher commodity prices. But recently the demand has been mainly due to the hoarding of silver rupee coins. The well-established tradition by which the Indian turns to silver in times of political uncertainty and danger is being followed at the moment. The larger operator has been buying silver bullion, the smaller has been seeking safety in coins. Largely as a result of such hoarding, the rupee coin reserve of the Reserve Bank has fallen since May 10th last—when apprehension began to be awakened by the German attack on the Low Countries—from Rs. 50,70,00,000 to Rs. 29,21,00,000 on July 19th. This stock of coin could in time be replenished from the large stocks of silver bullion held by the Government of India, but the capacity of the Indian mints is small. Moreover, there are strong arguments against allowing so considerable a depletion of the silver stocks of the Indian authorities as to necessitate their replenishment from the United States—a course which would involve the expenditure of dollars.

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The issue of one rupee notes had its precedent in the last war. They were issued in 1917, when the soaring price of silver led to considerable hoarding of silver coins. The issue proved a much greater success than many sceptics at the time expected. There were occasional complaints from up-country districts during the initial phases of their circulation that the notes were changing at a discount on silver rupees, but this evidence of distrust soon disappeared. None the less, the Indian authorities must have reached their recent decision to reissue notes of such small denomination with a certain amount of reluctance. Climatic and social conditions in India are apt to make paper a far from ideal medium of circulation, except for notes of comparatively large denomination, which do not reach the masses of the people. One great disadvantage of paper money in India is that, in its hoarded state, it becomes all too easily a prey to the ubiquitous white ants. If therefore the demand for currency continues to expand, it might be worth the attention of the Indian authorities to consider an alternative plan to the issue of smaller paper money, namely, the reduction in the silver content of the rupee coin. Experiments in this direction have already been made with the small 4 anna coin. If need be, this could be applied to the whole range of silver coinage in India.

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"Patchy" Money Conditions

Until Thursday of this week conditions in the short-loan market continued to be barely comfortable. There was enough money to go round, but no sign of the abundance that was evident up to a fortnight ago. The factors at work in this contraction of the supply of loanable funds were in the main the heavy flow of revenue to the Exchequer and the scarcity of maturities in the hands of the banks. Tax payments are now at a seasonal peak, while the scarcity of maturities is probably due to the official purchases of July bills from the clearing banks during the closing days of June. These substantial operations designed to help the market over the half-year stile evidently extended into longer maturities than are now normally traded between the authorities and the banks. By Wednesday evening, however, the heavy flow of Government expenditure had largely remedied the scarcity of cash among the banks. This is reflected in the Bank return. Bankers' deposits are higher than last week by £24,791,000 at £103,957,000, while public deposits have fallen correspondingly by £25,771,000. A factor, which has been making for rather "patchy" conditions in the money market, has been the movements of funds caused by the reduction in the maximum rate of deposit to 1 per cent. This reduction has principally affected those institutions which applied the higher "country deposit" rate to a comparatively important part of their deposits. As these fixed deposits fall due and have to be renewed at the much lower maximum of 1 per cent., a considerable number of the depositors in question are withdrawing their money and finding more remunerative employment for their funds elsewhere—probably in Government loans. The general aim of the authorities in limiting the deposit rate is thus being served. The immediate effect of such withdrawals has, however, been to cause some persistent calling of funds from the market by the banks affected. As a result of these uneven credit conditions non-clearing lenders were able to obtain the clearing bank rate of 1 per cent. for their money until Wednesday of this week. Thereafter, however, the position eased appreciably, and by Thursday all the clearing banks had again become buyers of bills.

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Insurance Companies and Taxation

The serious problem for insurance offices of obtaining a satisfactory net income from investments when gross interest returns are falling and the standard rate of income tax is rising steeply, has been recognised in this week's Budget. The Chancellor of the Exchequer proposes to retain the standard rate of 7s. 6d. in the £ on the interest income of life assurance funds. This concession will at least arrest the decline in net interest earnings, so far as it is due to a rise in the standard rate of income tax. But it has been emphasised in these columns that the net rate for new insurance fund investment yielding say, 3 per cent. gross, is only 2.1 per cent. when allowance is made for the offices' tax liability on the basis of a standard rate of 7s. 6d. The Chancellor proposes to recoup the concession to the offices by pegging the relief given to the taxpayer in respect of life assurance premiums at last year's rate—that is, in general, 3s. 6d. in the £. The size of this relief has always been a material factor in encouraging new life assurance business, and hitherto it has marched in step with the standard rate of income tax. The fact that it has now been stabilised will not be regarded calamitously by the life offices in present circumstances, for, generally speaking, they are not anxious to increase their business at a time when interest earnings are so low, and future mortality experience so uncertain.

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Standard Bank of South Africa

A satisfactory account of economic conditions in the Union of South Africa was given in the chairman's speech at the annual general meeting of the Standard Bank. It had been feared that farming might suffer badly from the cancellation of the Payments Agreement with Germany, who had arranged to take farm products from the Union to the value of over £5 millions; but arrangements were made by the Government, in conjunction with the British Government, to dispose of the produce, notably wool, in an orderly fashion, and sales have been satisfactory. The Bank itself has had another good year, and though profits were slightly lower at £563,860, the dividend and bonus have been maintained at 12 per cent. and 2 per cent. respectively.

Investment

Budget Reactions

It would be unfair to impute to the market a feeling of selfish relief at the lightness of Sir Kingsley Wood's first Budget. That might seem a plausible inference from the behaviour of prices on Wednesday and Thursday. But, in point of fact, had the Budget been "bad" in the narrow market sense and "good" in the wider sense, the probable reaction would have been little different. Once it knows the facts, good or bad, the Stock Exchange invariably rallies. It would have rallied no less if the Budget had contained the stringent proposals which members fully recognise to be necessary. It was significant, for example, that gilt-edged failed to make any further progress on Thursday; any feeling of relief that the standard rate of tax had been raised only to 8s. 6d.—against the widely expected 10s.—soon evaporated. But the gains among the vulnerable industrials were more consistent. Tobacco shares welcomed the Chancellor's references to the high level of consumption, and a penny on the pint was regarded as a modest impost by the

(*Continued on page* 127)

THE ECONOMIST

TRADE SUPPLEMENT

JULY 27, 1940

The Trend of Business

THE intensification of military preparations which began with the change of Government in May was continued during the past month.

The number of persons on the registers of the unemployment exchanges in the United Kingdom fell from 948,000 on May 20th to 834,000 on June 17th; the decline in unemployment, hastened by the absorption of men into the Services, was widespread, and on June 17th only 5.2 per cent. of the total number of persons insured against unemployment were out of work, against 8.6 per cent. in August, 1939.

But the lack of foresight in training labour for munition work is now limiting the rate of expansion in the output of the armament factories. Virtually all the workers in the metal industries have been absorbed. In engineering the proportion of insured persons without work on June 17th was only 1.8 per cent.; in the motor and aircraft industries it was 1.5 per cent.; and in other metal manufacturing trades it was 2.9 per cent. The training of additional workers has been speeded up, but even now there appears to be no definite plan for relating the training of additional workers to the production programmes of the Supply Departments.

Again, there is still evidence of the incomplete employment of productive resources, of unnecessary delays in production, and of the persistence of inefficient methods and faulty organisation. But there is also evidence of vigorous efforts directed towards the elimination of existing defects.

The transfer of resources from civil to war work is proceeding, though still rather slowly. Purchasing power has tended to grow with the rise in wages and the increase in employment. Sales of consumers' goods, though declining and lower than a year ago, are still substantial; but there are indications that the decline in the production of non-essential durable goods for civil consumption at home will be accelerated. Sales of new private cars in the home market have been proscribed. Rationing is becoming more extensive. And the Purchase Tax, proposed by Sir Kingsley Wood in his Budget speech and affecting trade valued at £600 millions at the wholesale end, is expected to curb the demand for many commodities.

As a result of the military developments in Europe during June, our overseas trade has suffered some contraction. Imports fell from £110 millions in April to £105.6 millions in May and £90.8 millions in June. Similarly, domestic exports declined from £48.3 millions in April to £45.5 millions in May and £36.2 millions last month. Virtually the whole of the decline in exports between April and June has been caused by the German offensive; trade with other countries has been fairly well maintained.

The virtual cessation of trade with Continental Europe has caused some temporary dislocation, especially in the export industries, which are left with stocks of unsold goods. But most of the goods hitherto obtained from Europe can be imported from other countries, while the majority of commodities bought from us by Europe in the past, with the notable exception of coal, can be sold elsewhere.

British Industrial Developments

COAL

During the past month the industry has been attempting to readjust itself to the greatly reduced export trade. The chief sufferer from the loss of the French markets has been the South Wales coalfield, which has lost about 50 per cent. of its export trade. Attempts are being made to spread available orders over all coal-producing districts, but such a scheme involves many difficulties—including that of transport. The Mines Department is encouraging the accumulation of coal stocks by bearing the cost of dumps in various parts of the country. The Secretary of Mines has stated that they are aiming at a stock of 20 million tons for the beginning of the winter. Meanwhile, home demand is still very active and many industrial users are accumulating their own stocks. Production is being slowed down; there has already been some short-time working in Scotland, and holidays, which were to have been forgone in a drive to increase production, will be taken as usual. The value of coal exports fell from £3,424,000 in May to £2,860,000 in June, compared with £3,694,000 in June last year. On June 17th, the percentage of insured persons unemployed in the coalmining industry was 3.8, against 4.8 on May 20th and 13.1 on June 12, 1939.

IRON AND STEEL

There have been two important events in the iron and steel industry: the increase in prices on July 1st of about 10 per cent., and the Order which came into force on July 8th, prohibiting the use of steel already in the hands of consumers unless its purchase had been authorised under the Steel Distribution Scheme. The higher price is intended to strengthen the central fund as well as to compensate manufacturers for increased costs, and the limitation of supplies to forbid building except under licence and so prevent non-essential construction. Production continues at the highest level possible with the supply of raw materials. With the loss of Continental supplies the quantity of iron ore available is reduced, but a greater use is being made of the scrap obtained from the home collecting campaign. Imports of iron ore and scrap in June amounted to £1,673,000 compared with £1,827,000 in May and £1,268,000 in June, 1939. Imports from the United States are likely to increase. Exports of iron and steel fell from £3,364,000 in May to £3,076,000 in June. The tinplate position has tended to deteriorate during the past month, partly on account of the loss to the export trade of the European and Mediterranean markets. Home trade prices were increased on July 1st, but export quotations are lower.

ENGINEERING

The output of the engineering industry showed a further increase in the past month, though the shortage of skilled labour—due to the lack of adequate training—is acting as a brake on expansion. In engineering as a whole the proportion of insured workers without employment was only 1.8 per cent. on June 17th. A good deal has been done to speed up the output of munitions by concentrating work on the most vital tasks; but if the industry's total output is to be adequately enlarged in the future, large-scale training of additional labour is absolutely essential. The labour position is similar in the aircraft and motor industries, whose proportion of insured workers without work on June 17th was only 1.5 per cent. Imports of machinery declined in value between May and June from £2,840,000 to £2,694,000, largely, no doubt, as a result of military developments on the Continent; but imports in June were still £213,000 higher than in the same month last year. Exports also fell, from £3,787,000 in May to £3,165,000 in June; moreover, the value of last month's shipments was £1,277,000 lower than a year ago.

CHEMICALS

Business in chemical products has been fairly active during the past month, both in the home and export markets. Demand for most industrial chemicals has been on a very fair scale, and prices generally have remained unchanged. The closing of the French market has resulted in a temporary shortage of certain products, such as potassium carbonate and caustic potash. Conditions in the pharmaceutical and fine chemicals market have been rather quiet, most buyers confining their orders to small quantities to cover immediate requirements. Salicylates, iodides, bismuth salts and phenacetin have been in good demand. A fair amount of inquiry has been received for a number of coal tar products, but several items in this section are still receiving little attention. There are large stocks of creosote available, and there is as yet little market for pitch.

FOOTWEAR

Orders for civilian footwear are getting smaller week by week, though in some districts the position is no worse than is usual at this season. There is, however, a fair volume of inquiry for trade in the winter, but few definite orders are yet being placed. Firms producing service boots are still very busy, and overtime is being worked in many districts.

COTTON

During the past month the volume of the production of yarn and cloth has been much greater than that of new sales. Trade in goods for domestic consumption has fallen off, and there have been many cancellations of contracts following the cut in permitted deliveries. From October 1st retailers may only purchase 25 per cent. of the quantities bought in the same period a year ago. As a result of this decision, and of the greatly increased rate of production.

during the past month, it has been decided that the 48-hour week should be restored and the Lancashire holidays take place as usual. This will not apply to firms working on Government contracts, which are still very busy. Export sales have been disappointing, but an export scheme has been planned by the Cotton Board. It is suggested that private syndicates should be formed by firms at all stages of manufacture to arrange export deals, and a company is being formed to work on broad lines to secure more orders.

LINEN

The recent decision of the Ministry of Supply to liberate existing yarn stocks for export cloth contracts has been welcome to the trade, as it enables manufacturers and shipping firms to maintain relations with overseas consumers. The authorities have made it clear that Government requirements must have first call on raw materials, consequently private trading is non-existent for all practical purposes. It is hoped some improvement in the position may be possible if the growing flax crop comes up to expectations. While every indication is favourable, it is too early in the season to assess the yield.

RAYON

Conditions in the rayon industry have undergone a marked change. Uncertainty regarding the extent of the reduction in rayon sales under the Order limiting textile deliveries and fears that a high percentage cut will be made have led to a decline in the home trade. Reorganisation following the loss of several very important export markets has not yet been completed, but it is expected that a big step forward in foreign markets will be made soon; the Dominion and Colonial markets are still buying well. An announcement has been made increasing yarn prices by 3d. per lb. from September 1st; special cheap yarns for the export trade are to be made available.

WOOL

While the chief concern of the wool textile industry remains the provision of service clothing, exports must be given very serious consideration in present circumstances. European countries formed an important section of our export markets; as most of these are no longer available, western markets assume a greatly increased importance. But competition by European countries has also been eliminated in the markets upon which we must now concentrate, and Bradford and other producing centres are alive to the necessity as well as the means for an export drive. They are assured of every consideration and help from the Wool Control, and the necessity for co-ordination of effort among units which have hitherto been competitors is fully realised. France's capitulation alters the supply position; wools which were earmarked for French civilian and military needs now become available for export and home trade requirements. It is to be presumed, of course, that shipments from Australasia will be regulated according to requirements and that unnecessary sea transport will not be undertaken. Available figures indicate the existence of ample stocks in this country. In the last few weeks home retail demand has been much smaller. Buying has been concentrated on the more or less standard lines, and there is every reason to believe that satisfactory business in these grades will continue. The finer cloths of more expensive workmanship and design have naturally suffered some neglect, but increased exports can be expected to compensate this particular section of the trade. The price basis upon which British domestic wools will be taken over from farmers has been announced. The terms of the Order make it plain that the new prices include "a substantial element of subsidy," and it remains to be seen how the revised prices, which are now considerably higher than those for equivalent qualities from overseas, will be accommodated in the subsequent processes of manufacture. Issue prices for tops and those yarns containing a proportion of British wools may remain unchanged. Any other course would introduce complications difficult to reconcile with the present allocation scheme.

JUTE

The first Government forecast of the jute crop for 1940-41 has been published in Calcutta, estimating a record area of 4,112,750 acres, compared with 3,118,700 acres last year. Whatever may be the demands made upon the next crop, there seems to be an ample supply in view. There will be a great shortage of flax and hemp, and jute may to some extent be a substitute for these fibres. The better qualities of jute are already in demand, but the supply is rather limited and insufficient to meet all requirements. Mixed with cotton or flax and tow yarns, a fairly strong article can be produced in the form of canvas. So far, there is not much increase in demand for Dundee jute goods, though some orders are now being received for fresh supplies of sandbags for private use and also for cement sacks. The latter trade has for some time been lost in favour of paper sacks, but now there is a scarcity of paper and a plentiful supply of jute, which will probably be sold at even more reasonable levels than those now ruling. Consumption of hessian cloth in America for May was 53 million yards, compared with 44 millions in April and 50 million yards in May last year. Stocks of hessians in Calcutta showed a decrease of 18 per cent. and stocks of sacking an increase of 26 per cent. during June, compared with May this year. The Indian Jute Mills' Association has decided to reduce working hours from 54 to 45 per week from August 19th in an effort to raise the prices of Calcutta goods.

Business Developments Overseas

UNITED STATES.—Business activity continues to expand fairly rapidly, and the increase in armament expenditure is making itself increasingly felt. According to the *Iron Age*, 89 per cent. of the country's crude steel producing capacity is now in active operation; at the end of 1939 the annual crude steel producing capacity was estimated by the American Iron and Steel Institute at no less than 81.6 million tons, or almost double that of Continental Europe as a whole. The increased demand for steel has been fairly widespread, and the capital equipment industries have placed orders for substantial tonnages. Activity in the engineering and aircraft industries continues to expand, and the motor industry also remains active. In some of the consumption goods industries, however, recovery is proceeding rather slowly. In part this is due to weakness on the commodity markets, itself largely a reflection of the extension of the British blockade in Europe. The export trade to Continental Europe has been dislocated for the same reason, but shipments to a number of other countries have tended to increase. In view of the prospect of an intensification of re-armament, the trend of general business activity is likely to remain upwards.

BRITISH EMPIRE

CANADA.—The new Budget introduced at the end of June is considerably larger than Canada has ever known before; expenditure is estimated at at least $1,300 millions. Although taxes have been substantially increased, they are not generally regarded as unduly heavy. The national income is rising with the expansion in production which is now well under way. The index of manufacturing production calculated by the Dominion Statistician was 135 in the first quarter of the year compared with 108 in 1939. During the latter part of June the progress of crops was hampered by unfavourable weather, but the prospects are still fairly good. There is considerable variation between districts.

SOUTH AFRICA.—The quieter trend in general trade has been accentuated by stocktaking, but a fair volume of business is still being transacted at some of the larger centres. Factories engaged on the production of civilian clothing are less busy and the building trade is quiet. The wool-selling season is over, and though the quantity of unsold wool is small, large stocks of sold wool are still on hand owing to transport difficulties. The Transvaal gold output in June was 1,158,006 fine ounces, valued at £9,727,250, compared with 1,064,284 fine ounces, valued at £7,875,702 in June, 1939, when there was one more working day. Conditions in the farming industry are fairly favourable on the whole, though the future outlook is uncertain owing to the loss of European markets.

AUSTRALIA.—There are reports that seasonal conditions in Queensland are excellent, but other States need early soaking rains to prevent a marked decline in rural production. The output of secondary industries is maintained; munitions production is expanding rapidly and much additional plant has been established, but a decrease in general building is apparent. Retail trade is buoyant, but subscriptions to War Savings Certificates, interest-free loans and gifts to the Government, totalling over £13 millions, in addition to higher taxation, are expected to cause a decline in retail purchasing.

LATIN AMERICA

Following upon sterling clearing agreements with Argentina and Brazil, *pourparlers* are believed to be proceeding with Peru, Uruguay, Chile and Colombia, whose currencies in London became nominal on the abolition of free sterling in New York. With the closing of many European markets, monthly exports from Argentina this year show a gradual decline. The large maize crop presents an outstanding problem, and as much as 6,000,000 tons of maize may be used as fuel. British exporters of textile piece-goods now have practically no European competition in the Argentine market, but much will depend upon British prices and ability to deliver. Argentine buyers, however, are nervous because of European events, and the low price of maize and difficulty in disposing of the crop is a major depressing factor in business. Prices on the Brazilian coffee market are still nominal, due to the fact that the Coffee Department has not yet made its long-awaited announcement regarding measures for disposal of the crop for the year commencing July, 1940. A New York Coffee Conference is trying to work out plans for export quotas and minimum prices. Colombia has adopted a very comprehensive plan of economic reconstruction. In Chile, the sterling derived from recent purchases of wool, etc., by the British Government has now been sold, so that it is likely that sterling will again become scarce in the near future. Peru is feeling the repercussion of the war and the Government has raised the import duties on a number of articles.

JAPAN

The Government has prohibited the manufacture and sale of unessential luxury goods in order to regulate consumption and secure necessities and place the nation's life on a war basis. The measures taken have been approved and welcomed. Money was moderately tight at the beginning of the month owing to transfers of taxes, repayments of loans to the Bank of Japan and purchases of bonds. The sale of Government bonds for the half-month under review amounted to 260 million yen. The prices of securities were lower, due to the uncertainties of trade prospects. The price of silk was maintained by Government support.

UNITED KINGDOM AND UNITED STATES

	Unit of Measurement	Monthly Average 1929	1932	1936	1937	1938	1939	1939 Apr.	May	June	Nov.	Dec.	1940 Jan.	Feb.	Mar.	Apr.	May	June
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	5·64	5·50	5·03	6·27	6·53	5·59	6·52	6·49	6·72	5·74	7·72
2. Postal traffic receipts, daily (r) ...	Thous. £'s	133	133	147	154	155	150	149·6	146·9	149·7	142·7	194·3	136·7	133·1	137·6	145·9	177·6	...
3. Retail trade, Gt. Brit.: Food ...	Avg. daily sales	...	78	92	100	104	108	113	112	105	108	125	104	107	115	114	118	...
4. " Other merchandise	in 1937 = 100	...	83	95	100	100	102	103	109	100	98	146	100	83	100	106	113	...
5. " Total ...	"	...	81	93	100	102	105	108	111	103	103	136	102	95	108	111	115	...
6. Retained imports, value: Food...	Thous. £'s	42,444	29,810	30,921	34,099	34,923	31,550	29,234	32,460	35,187	37,868	42,882	42,799	37,070	42,755	40,984	38,933	34,934
7. " Raw materials ...	"	23,774	11,740	17,934	23,203	18,112	18,079	17,119	20,012	19,911	22,345	22,174	29,730	32,027	32,640	32,656	34,101	28,138
8. " Manufactures ...	"	25,467	12,168	16,452	20,878	17,958	18,997	18,633	20,473	22,266	20,576	19,404	26,008	23,637	29,040	31,336	28,814	25,364
9. " Total ...	"	92,589	54,221	65,710	79,492	71,569	70,002	65,505	73,529	77,867	81,243	84,081	101304	93,206	104945	105552	102339	88,775
10. Domestic exports, value: Food...	Thous. £'s	4,555	2,625	2,966	3,232	2,993	2,976	2,433	3,191	3,381	3,555	3,845	3,850	2,920	2,932	3,833	3,482	2,780
11. " Raw materials ...	"	6,575	3,634	4,278	5,388	4,744	4,533	4,152	5,363	5,182	4,979	4,581	4,647	4,262	4,142	4,555	4,626	3,800
12. " Manufactures ...	"	47,899	23,031	28,410	33,737	30,448	28,121	27,430	32,743	30,466	27,971	30,587	31,751	29,704	33,473	38,988	36,668	28,976
13. " Total ...	"	60,779	30,419	36,727	43,466	39,240	36,567	35,149	42,273	39,895	37,360	40,169	41,074	37,402	41,456	48,300	45,500	36,211
14. Registered unemployed G.B.	Thousands	1,212	2,756	1,684	1,413	1,791	1,514	1,644	1,492	1,350	1,403	1,362	1,519	1,504	1,121	973	881	767
15. Per cent. unemployed "	%	10·3	21·9	13·0	10·6	12·8	10·3	11·3	10·3	9·5	9·2	9·1	9·9	10·0	7·4	6·5	5·9	5·0
16. Registered at Exchanges, all ages (l)	Thousands	1,276	2,813	1,822	1,586	1,881	1,690	1,728	1,568	1,417	1,478	1,441	1,603	1,586	1,193	1,040	948	849
17. " London ...	"	118	306	179	171	226	239	226	207	186	303	287	309	282	239	210	194	183
18. " E. and S. England (m) ...	"	50	142	79	70	96	93	99	87	67	98	100	179	202	122	102	86	78
19. " S.W. England (p) ...	"	69	157	94	83	84	76	78	68	54	89	85	54	46	35	32	28	22
20. " Midlands & N. Midlands (m)	"	165	371	178	144	210	153	176	155	146	131	133	171	188	106	81	69	65
21. " N.E. England (m) ...	"	280	602	304	165	208	151	181	169	150	107	104	125	126	83	72	69	69
22. " N.W. England ...	"	285	562	374	304	398	309	342	317	301	264	246	260	247	185	159	154	122
23. " Northern (a) ...	"	...	...	179	156	158	139	157	144	131	114	116	121	128	97	87	78	67
24. " Scotland ...	"	156	378	277	246	253	217	242	222	199	186	177	185	184	155	138	123	111
25. " Wales ...	"	116	228	198	151	164	127	142	124	115	111	111	116	121	99	92	80	68
26. " Northern Ireland ...	"	36	68	67	71	91	76	82	73	68	75	79	84	82	72	68	67	67
27. Industr. disputes, No. days lost...	"	676	541	154	285	110	107	143	128	130	132	36	108	168	165	82	91	14
28. Wage rates, Min. of Labour (b) ...	1929 = 100	100	96	99½	103	107½	108			107½		109			...			...
Wholesale Prices: *Economist*:																		
29. Cereals and meat ...	1929 = 100	100	70·4	79·4	93·5	82·4	76·2	73·4	72·9	71·2	88·2	93·4	96·7	90·0	89·0	88·8	87·9	92·6
30. Other foods ...	"	100	72·8	71·2	78·6	68·4	76·4	73·3	72·4	72·4	92·4	92·9	92·8	95·0	94·2	93·7	93·2	90·5
31. Textiles ...	"	100	53·4	67·0	73·7	58·6	63·8	58·6	58·8	58·2	78·8	89·4	83·6	83·0	94·4	95·5	96·9	90·1
32. Minerals ...	"	100	76·3	88·5	108·4	97·4	100·0	94·6	96·3	96·0	107·5	116·4	116·0	120·2	120·0	121·2	123·3	119·4
33. Total, incl. miscellaneous ...	"	100	67·8	78·8	89·3	77·8	80·3	76·0	76·3	75·6	94·0	99·8	99·5	99·5	101·0	101·4	103·5	108·2
Cost of Living: Min. of Labour																		
34. Food ...	1929 = 100	100	81·8	83·6	90·7	90·1	92·4	87·0	87·0	90·3	102·0	102·0	104·5	104·5	102·5	103·2	102·5	100·7
35. Total ...	"	100	87·8	89·7	94·5	95·2	96·4	93·3	93·3	95·1	105·5	106·1	108·0	109·0	108·5	109·8	110·5	111·[illegible]
36. Industrial securities, Fin. News...	July 1, 1935 = 100	102·0	64·0	115·7	110·2	85·6	78·1	79·0	84·6	77·2	74·2	75·3	74·8	80·6	77·6	75·6	62·6	64·[illegible]
37. Fixed interest " " ...	1928 = 100	96·8	113·6	137·7	128·6	127·6	116·8	115·2	120·4	117·9	117·6	117·5	125·8	125·6	124·9	125·7	121·5	116·0
38. Govt. Revenue, cumulative (e) ...	Mill. £'s	815·0	827·0	896·6	948·7	1006·2	1132·2	59·9	116·8	163·8	527·2	605·4	802·4	981·7	1132·2	67·5	145·1	206·4
39. " expenditure, " (e) ...	"	829·5	859·3	902·2	919·9	1018·9	1408·2	94·6	226·0	315·6	751·0	919·8	1038·1	1148·7	1408·2	186·3	442·6	718·1
40. Bank of Eng.: Notes in circ. (d)	"	362·3	258·5	431·4	479·6	487·4	509·9	488·8	495·9	496·7	528·0	546·5	528·3	531·0	538·2	439·1	547·0	564·9
41. " Bankers' deposits (d) ...	"	62·9	81·3	96·2	97·2	103·8	102·8	94·4	98·9	99·9	103·3	101·6	105·0	102·7	109·8	116·8	109·8	102·1
42. " Gov sec. B'king Dept. (d)	"	55·9	64·0	88·8	98·4	103·2	107·0	104·5	114·5	114·2	105·3	134·4	125·9	124·5	135·4	133·7	140·8	146·6
Clearing Banks:																		
43. " Deposits (d) ...	"	1,738	1,791	2,142	2,210	2,205	2,179	2,077	2,088	2,137	2,257	2,441	2,320	2,366	2,275	2,268	2,324	2,374
44. " Cash & bal. with B.E. (d)	"	194	187	221	227	230	236	221	228	227	236	264	233	238	238	245	247	[illegible]
45. " Discounts (d) ...	"	229	308	313	278	279	248	180	195	242	344	323	375	341	327	329	396	[illegible]
46. " Advances (d) ...	"	991	844	839	924	940	959	962	958	957	962	968	964	968	971	951	932	[illegible]
47. " Investments (d) ...	"	257	348	613	622	611	579	581	576	571	582	580	582	580	582	588	603	[illegible]
48. Interest Rates: Bank rate ...	Per cent.	5·498	3·008	2	2	2	2·24	2	2	2	2	2	2	2	2	2	2	2
49. " Three months' bank bills	"	5·26	1·87	0·60	0·58	0·62	1·18	1·68	0·72	0·72	1·03	1·22	1·09	1·03	1·03	1·03	1·03	1·03
50. " Day to day loans ...	"	4·47	1·61	0·50	0·50	0·50	0·87	0·50	0·50	0·50	0·75	0·75	0·81	0·75	0·75	0·75	0·75	0·75
51. " Yield on 2½% Consols. ...	"	4·61	3·75	2·94	3·29	3·39	3·76	3·80	3·67	3·91	3·67	3·69	3·49	3·38	3·41	3·45	3·42	3·43
52. Cap. Issues Total (excl. Brit. Govt.) (*Economist*) Of which abroad ...	Th's £ New basis	...	...	36,073	26,653	16,435	8,754	5,005	8,813	29,556	1,231	366	412	949	1,113	6,652	2,617	1,[illegible]
53.	Th's £ Old "	*18,319*	*7,184*	*16,299*	*12,752*	*8,684*	*4,504*	*288*	*6,424*	*23,131*	*0*	*0*	*108*	*129*	*814*	*295*	*0*	[illegible]
54.	Th's £ New "	...	...	3,787	5,876	4,991	2,305	3,073	5,549	9,290	7	94	55	0	142	111	241	[illegible]
55.	Th's £ Old "	*7,267*	*2,153*	*2,125*	*2,431*	*2,279*	*1,365*	*3*	*5,128*	*7,341*	*0*	*0*	*0*	*0*	*142*	*0*	*0*	[illegible]
56. Exchange Rates: New York ...	$ per £	4·857	3·504	4·971	4·95	4·89	4·46	4·68	4·68	4·68	4·03	4·03	4·03	4·03	4·03	4·03	4·03	[illegible]
57. " Paris ...	Frs. per £	124·02	89·20	82·97	124·45	170·66	176·64	176·74	176·72	176·73	176·50	176·50	176·60	176·63	176·63	176·63	176·63	176·63
58. " Amsterdam ...	Fl. per £	12·09	8·66	7·78	8·99	8·89	8·35	8·81	8·73	8·81	7·55	7·55	7·54	7·55	7·55	7·56	7·56	[illegible]
59. " Kobe ...	Pence per Yen	22·81	19·33	14·02	13·99	13·99	14·06	14·00	14·00	14·00	14·35	14·39	14·25	14·24	14·97	16·01	17·21	19·45
60. " Shanghai ...	Pence per $	28·85	20·83	14·47	14·43	10·65	6·36	8·25	8·25	6·93	5·18	4·81	4·78	4·32	4·19	4·19	3·81	3·94
UNITED STATES (Population 1938: 130,085,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.)																		
1. Industrial production, F.R.B. (j)	1929 = 100	100	53·8	88·1	92·2	72·3	105·7	80	79	82	104	108	101	92	89	87	...	...
2. Investment goods, F.R.B. ... (j)	"	100	27·0	81·1	87·7	53·3	79·0	62	58	67	107	116	100	85	...	...	...	...
3. Consumption goods, F.R.B. (j) ...	"	100	75·2	94·0	94·0	85·5	96·0	90	92	94	101	103	97	95	...	...	...	...
4. Coal production ...	Million m. tons	46·0	27·2	37·5	37·4	29·3	33·3	14·6	20·8	29·1	42·4	37·3	45·9	38·8	35·7	...	...	...
5. Electricity generated ...	Million kw. hrs.	8,113	6,842	9,461	10,083	9,400	10,856	9,955	10,339	10,523	11,659	12,077	12,252	11,104	11,511	...	...	...
6. Steel production ...	Thous. m. tons	4,599	1,128	3,973	4,192	2,357	3,875	3,020	3,330	3,560	5,560	5,250	4,940	3,970	3,840	...	...	...
7. Index of new orders, N.I.C.B....	1936 = 100	134	41	100	100	79	105	84	90	86	128	110	108	98	96	...	...	...
Building contracts awarded:																		
8. Residential ...	Million $	159·6	23·3	66·8	75·5	82·2	111·2	114·4	133·8	111·9	116·6	88·7	77·4	74·9	121·7	...	...	...
9. Other ...	"	319·6	89·3	156·1	184·4	184·2	185·5	215·6	174·7	176·4	183·2	265·4	118·8	125·7	150·5	...	...	...
10. Output of Private cars ...	Thousands	382	88	306	326	167	239	273	238	247	285	374	363	337	352	...	...	...
11. " " Commercial vehicles	"	64	20	65	72	41	59	64	60	63	67	78	69	66	71	...	...	...
12. Cotton consumption ...	Thous. bales	587	418	592	619	492	614	543	606	578	719	653	730	663	626	...	...	...
13. Index of Rly. car loadings (j) ...	1929 = 100	100	52·8	67·9	74·7	59·2	66·6	56·6	58·4	63·2	77·4	73·6	73·6	68·8	65·1	66·0	...	...
14. Index of Dept. Store sales (j) ...	"	100	62·2	79·2	83·6	76·7	89·1	79·3	76·6	77·5	85·6	86·5	82·8	80·2	80·2	81·1	...	...
15. Retained imports ...	Million $	362	110	202	251	163	190	185·8	194·2	178·4	214·5	232·7	234·6	189·8	206·7	203·0	...	...
16. Domestic exports ...	"	430	131	202	275	255	260	227·6	245·9	236·1	286·9	357·5	359·1	338·6	344·6	...	...	...
17. Factory employment, F.R.B. (j)	1929 = 100	100	62·6	93·4	101·0	81·5	92·5	89·6	89·1	90·0	98·7	99·8	99·4	97·5	95·8	94·9	...	...
18. Pay rolls, Dept. of Lab. ...	"	100	42·6	78·4	93·5	78·5	83·3	78·4	77·8	79·2	93·4	95·2	90·0	89·6	90·0	88·3	...	...
19. Hourly earnings, N.I.C.B. ...	"	100	84	105	120	123	124	123·6	124·2	124·3	125·2	125·9	125·4	125·5	126·0	126·5	...	...
20. Av. hours of work, N.I.C.B. ...	Number	48·3	34·8	39·7	39·3	34·5	37·6	36·8	36·5	37·1	39·1	39·1	38·7	38·0	37·7	37·6	...	...
21. Applicants for work...	Thousands	...	...	7,705	5,155	7,404	6,240	6,545	6,382	6,283	5,629	5,746	6,086	5,920	...	...	...	...
22. Cost of living, N.I.C.B. ...	1929 = 100	100	77·9	84·8	88·4	86·3	85·2	84·9	84·7	84·6	85·7	85·2	85·3	85·6	85·4	85·8	...	...
23. Wholesale Prices, D. of Lab. ...	"	100	68·0	84·8	90·6	82·5	80·9	79·7	80·0	79·3	83·1	83·1	83·3	82·6	82·2	82·5	...	...
24. " Raw materials ...	"	100	56·5	82·0	86·9	73·8	72·0	70·3	70·7	69·5	74·3	75·2	75·7	74·6	73·9	74·9	...	...
25. " Semi-manufactures ...	"	100	63·2	80·8	90·8	80·3	82·0	79·2	79·1	79·0	87·4	87·3	87·0	85·1	84·8	83·3	...	...
26. " Finished goods ...	"	100	74·4	86·8	92·2	87·0	85·2	84·8	84·6	84·2	86·8	86·5	86·5	86·2	85·8	86·0	...	...
27. " Farm products ...	"	100	45·9	77·2	82·5	65·3	63·4	60·8	60·8	59·5	64·2	64·5	65·9	64·7	64·8	66·2	...	...
28. 847 " Indus. securit's, Standard Statistics ...	"	100	24·4	57·3	69·0	52·6	55·5	50	52	53	58	57	57	57	57	58	...	...
29. Federal Expend. Total (k) ...	Million $	321	360	756	712	641	...	7,451	8,196	9,169	3,877	4,766	5,479	6,147	7,153	...	...	...
30. Federal Receipts (k) ...	"	336	173	343	441	520	...	4,657	5,054	5,667	2,176	2,745	3,060	3,504	4,438	...	...	...
31. Total Res. Bank credit ...	"	1,459	2,077	2,491	2,554	2,600	2,616	2,595	2,573	2,579	2,722	2,812	2,503	2,547	2,529	2,518	2,519	...
32. Gold stock ...	"	3,996	3,952	10,578	12,162	13,250	12,215	15,791	15,957	16,110	17,217	17,518	17,931	18,177	18,433	18,770	...	...
33. Money in circulation ...	"	4,476	5,828	6,101	6,475	6,510	7,171	6,905	6,967	7,047	7,413	7,609	7,376	7,455	7,511	7,559	...	...
34. Member Bank Res. Balances ...	"	2,358	2,114	5,989	6,830	7,935	10,466	9,900	10,029	10,018	11,688	11,473	12,150	12,328	12,423	12,919	13,237	...
35. " Excess Reserves ...	"	43	256	2,512	1,220	2,522	4,469	4,098	4,218	4,140	5,259	5,011	5,559	5,692	5,828	6,149	...	...
Member Banks in 101 towns:																		
36. Loans and investments ...	"	22,599	19,080	22,064	22,198	21,023	22,417	21,727	21,693	21,887	22,966	23,353	23,157	23,220	23,380	23,489	...	...
37. Deposits: Demand ...	"	...	...	14,619	15,097	15,033	17,331	16,455	16,796	17,220	18,742	18,862	18,946	19,210	19,344	19,515	...	...
38. " Time ...	"	6,788	5,666	4,999	5,202	5,202	5,234	5,248	5,253	5,237	5,260	5,267	5,276	5,283	5,344	5,353	...	...
39. Bank debits ex. N.Y. City ...	$	27,662	12,867	18,306	19,601	17,054	18,200	16,832	17,763	18,676	18,636	22,386	19,978	17,344	19,537	19,250	...	...
40. Call money ...	%	7·61	2·05	0·91	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0
41. Yield on Govt. bonds ...	%	3·60	3·66	2·85	2·68	2·56	2·36	2·30	2·17	2·13	2·46	2·35	2·30	2·32	2·25	2·25	2·25	2·25
42. Capital issues, C.F. Chronicle ...	Million $	595	99	164	175	196	191	144	117	293	93	94	91	104	70	108	63	...

(a) Figure for 1936 is average of August-December. (b) Indices shown in last month of quarter to which they relate. (d) Average of weekly figures. (e) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Annual indices, year beginning in July; quarterly indices year ended in quarter shown. (j) Adjusted for seasonal variations. (k) Annual figures are monthly averages of fiscal year; monthly figures are cumulative over fiscal year. Annual figures for 1929 and 1932 are not completely comparable. (l) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (m) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England (n) From January 1940 includes former Southern and South Eastern divisions. (p) Includes Southern division before January 1940. (q) Average May 1-9. (r) Revised series from January, 1939. (s) Average June 1-22.

COUNTRIES OVERSEAS

	Unit of Measurement	Monthly Average 1929	1932	1936	1937	1938	1939	1939 Mar.	Apr.	May	Oct.	Nov.	Dec.	1940 Jan.	Feb.	Mar.	Apr.	May
I. BRITISH COUNTRIES																		
AUSTRALIA (Population 1936: 6,775,000; Area: 7,704,000 sq. kms.)																		
1. Retained imports	Million £ stg. (a)	10·69	4·26	7·17	8·36	8·78	8·00	8·67	6·79	8·40	7·32	7·39	7·71	11·52	13·90	9·64	...	...
2. Domestic exports	Million £A.	7·91	7·84	10·63	12·31	11·10	10·06	11·19	8·51	9·91	9·95	15·68	14·05	13·88	14·37	12·52	...	...
3. Unemployed Trade Unionists (e)	Thousands	47	120	54	42	41	47	...	...	46	...	45	...	...	39	...	...	...
4. Wholesale prices (Melbourne)	1929 = 100	100·0	78·3	85·6	91·9	92·2	92	98	94	90	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	99	90	99	90	90	97	110	109	108	114	106	99	112	...
7. Retained imports (g)	Million Can. $	108·2	37·7	52·9	67·4	56·5	62·6	58·4	41·9	73·0	79·1	84·6	72·1	71·1	70·0	76·7	...	...
8. Domestic exports (g)	"	102·1	46·7	85·7	93·7	79·7	...	77·2	56·5	94·9	91·4	97·2	101·0	90·9	72·3	82·7	...	...
9. Applicants for work (e)	Thousands	15	75	90	88	105	104	116	116	108	95	103	96	112	120	...	...	...
10. Wholesale prices	1929 = 100	100·0	69·8	78·0	88·4	82·2	79	77	77	77	83	84	85	86	86	86	86	...
11. Cost of living	"	100·0	81·5	80·9	83·2	84·1	84	83	83	83	85	86	85	...	...	...	...	...
12. Price of industrial securities	"	100·0	23·7	74·3	77·4	64·4	62	64	59	61	68	64	62	61	...	...	...	...
13. Commercial bank deposits (e)	Million Can. $	2,163	1,844	2,230	2,282	2,394	2,594	2,406	2,413	2,362	2,531	2,601	2,594	2,598	2,425	2,411	...	...
EIRE (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	4·373	3·521	3·340	3·851	4·260	4·258	4·671	4·101	4·120	5,080	...
15. Domestic exports	"	3·852	2·098	1·831	1·853	1·990	2·219	2·016	1·687	1·961	2·666	2·832	3·029	2·399	2·110	2·810	2·520	...
16. Applicants for work	Thousands	20·70	62·82	99·83	82·42	88·71	93	107	105	96	82	118	108	118	117	88	...	...
17. Cost of living	1929 = 100	100·0	89·2	90·9	96·8	98·5	101	...	...	98	...	109	...	...	119	...	...	123
18. Notes in circulation	Million £	14·2	13·4	15·1	15·7	16·9	18·0	16·3	16·4	16·3	17·2	17·6	18·0	17·1	17·1	17·5	17·6	...
INDIA (Population 1935: 370,500,000; Area: 4,684,000 sq. kms.)																		
19. Retained imports Sea-borne	Million rupees	208·6	110·7	101·9	132·9	125·2	129·1	151·1	129·0	138·9	101·5	116·3	127·0	155·8	...	...	...	...
20. Domestic exports trade (b)	"	268·8	112·6	150·5	168·8	135·2	151·0	145·0	126·1	145·1	144·0	167·5	200·2	236·6	...	...	...	...
21. Wholesale prices, Calcutta	1929 = 100	100·0	64·5	64·5	72·3	67·6	76	69	71	72	84	93	97	92	89	86	...	...
22. Cost of living, Bombay	1933–34 = 100	...	...	101	106	106	106	103	103	103	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	4·313	3·752	5·296	3·278	2·826	2·669	3·927	...	...	...	...
24. Domestic exports	"	4·515	2·915	4·689	5·517	4·817	4·787	7·640	4·907	6·597	3·857	3·174	3·437	6·265	8·115	7·265	...	...
25. Wholesale prices	1929 = 100	100·0	89	96	103	105	108	106	107	107	110	112	113	113	114	116	...	...
26. Cost of living	"	100·0	83·5	86·1	91·9	94·6	98	96	97	98	99	102	101	100	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	...	8·28	7·54	7·61	5·85	7·44	7·97	8·90	8·49	8·00	...	...
28. Domestic exports (h)	"	3·91	1·58	2·40	3·05	2·46	...	10·48	13·40	11·39	2·75	3·02	3·43	4·14	3·09	3·23	...	...
29. Wholesale prices	1929 = 100	100·0	79·0	85·0	87·0	90·0	89	...	86	...	90	91	93	94	95	...	...	...
30. Cost of living	"	100·0	89·9	88·5	90·5	93·8	94	94	94	94	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	121·1	97·3	98·0	109·1	117·5	142·5	161·5	137·0	127·1	157·5	...
32. Domestic exports	"	180·6	107·3	138·0	192·6	116·7	131·1	142·5	125·4	134·1	127·1	129·6	155·1	187·4	166·4	134·8	156·3	...
33. Wholesale prices	1929 = 100	100·0	92·8	102·9	116·8	109·4	112	107	107	107	123	126	128	130	128	129	128	...
34. Cost of living	"	100·0	77·7	90·5	92·8	92·0	93	93	93	93	94	94	98	98	96	...	...	...
BELGIUM (Population 1936: 8,331,000; Area: 30,000 sq. kms.)																		
35. Industrial production	1929 = 100	100	...	...	...	70	79	76	76	79	79	84	82	79	...	...	...	...
36. Retained imports	Mill. francs	2,961	1,347	1,775	2,291	1,891	1,624	2,007	1,671	1,806	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	1,867	1,637	2,003	1,638	1,711	1,943	1,750	1,941	2,309	...	...
38. Unemployment (e)	Thousands	...	211	154	126	174	195	189	181	187	194	203	213	241	214	164	...	...
39. Wholesale prices	1929 = 100	100·0	62·5	69·1	80·4	74·0	76	71	71	70	86	90	93	97	99	99	...	...
40. Cost of living (59 towns)	"	100·0	83·6	84·7	91·8	93·8	93	93	91	91	94	96	97	99	101	101	...	...
CHINA (Population 1935: 450,000,000; Area: 11,103,000 sq. kms.)																		
41. Retained imps. (excl. Manch.) (d)	Mill. std. dollars	160·6	146·7	78·5	79·5	109·5	330·3	215·1	234·7	334·3	438·6	329·2	383·0	391·0	506·8	714·3	974·4	...
42. Domestic exps. (excl. Manch.) (d)	"	131·9	83·4	58·8	69·9	63·6	85·6	68·2	65·7	83·5	93·8	133·5	122·1	160·9	110·2	126·3	146·4	...
43. Wholesale prices, Shanghai	1929 = 100	109·0	107·6	103·8	123·5	146·0	232	172	173	176	318	320	355	375	432	447	464	...
44. Cost of living, Shanghai	"	100·0	110·4	105·0	122·2	139·4	182	140	143	150	234	235	272	291	325	339	331	...
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	123·1	121·7	123·4	123·7	156·9	147·1	138·9	116·8	152·6	...	...
46. Domestic exports	"	165·8	70·5	62·2	95·7	86·6	80·5	97·2	82·3	90·7	51·9	75·1	67·7	71·5	62·3	83·6	...	...
47. Unemployed registered (e)	Thousands	...	271	414	369	354	253	341	240	213	198	212	271	298	274	...	...	...
48. Wholesale prices	1929 = 100	100·0	64·8	64·0	76·4	72·1	74	70	70	70·2	81	84	85	86	88	88	80	...
49. Cost of living (Amsterdam)	"	100·0	83·9	78·6	81·8	82·5	83	82	...	...	85	86	87	87	88	...	...	...
50. Price of industrial securities	"	100·0	34·5	45·1	67·0	65·3	65	68	64	65·3	63	61	59	60	61	62	62	...
JAPAN (Population 1935: 69,500,000; Area: 382,314 sq. kms.)																		
51. Industrial production	1929 = 100	100	98	151	171	173	...	190	186	188	179	182	190	...	...	...	...	...
52. Retained imports(f)	Million yen	180·7	115·3	225·2	311·0	220·1	241·5	259·9	219·5	291·6	231·5	214·3	309·1	252·7	307·7	378·0	297·0	...
53. Domestic exports(f)	"	175·1	113·5	219·3	260·4	222·3	296·4	255·8	221·9	309·1	317·5	360·4	442·8	216·6	294·8	352·0	404·0	299·0
54. Wholesale prices	1929 = 100	100	73·3	89·9	108·4	114·3	126	120	121	123	133	136	143	146	144	142	143	...
55. Cost of living, Tokio	"	100	75·4	87·8	96·1	110·1	123	117	120	122	129	130	132	136	138	140	143	...
56. Price of industrial securities	"	100·0	79·3	131·7	147·6	132·9	135	127	126	127	146	150	151	152	146	149	...	...
57. Commercial bank deposits (e)	Million yen	9,213	8,131	10,932	12,353	15,073	19,794	15,297	15,407	16,012	17,923	18,429	19,794	19,155	19,280	...	...	...
ROUMANIA (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	150	110	119	143	135	130	...	...	...	...	...
59. Oil production	Th. metric tons	403	612	714	596	550	520	538	510	521	523	511	520	515	489	421	...	...
60. Retained imports	Million leu	2,469	1,001	1,053	1,690	1,564	1,908	2,436	2,415	1,603	2,010	1,665	2,022	1,850	2,079	2,585	...	...
61. Domestic exports	"	2,413	1,394	1,809	2,631	1,794	2,234	1,900	2,097	2,345	2,161	2,982	3,475	2,800	2,360	3,648	...	...
62. Registered unemployed	Thousands	...	38·89	13·55	10·85	7·27	...	7·4	5·7	...	4·7	5·3	7·3	9·3	...	...	...	...
63. Wholesale prices	1929 = 100	100·0	54·0	68·5	78·2	78·3	88	82	84	85	92	98	104	109	114	...	...	...
64. Cost of living (Bucarest)	1936 = 100	...	...	100	108	114	131	122	123	123	142	147	149	153	159	166	...	...
65. Notes in circulation (e)	Million leu	...	21,594	25,663	29,391	34,902	48,800	38,270	39,189	38,948	48,382	47,891	48,800	47,749	48,095	49,848	49,844	51,252
SWEDEN (Population 1937: 6,285,000; Area: 449,000 sq. kms.)																		
66. Industrial production (i)	1929 = 100	100	88	135	149	146	155	152	154	154	156	158	160	161	159	158	149	...
67. Retained imports	Million krone	148·6	96·2	136·1	177·0	173·5	207·4	190·9	200·8	208·3	219·1	274·1	257·8	258·0	167·1	149·5	238·0	...
68. Domestic exports	"	151·0	79·0	126·2	166·7	153·6	156·6	138·6	151·8	166·5	159·7	180·5	155·0	168·6	115·1	140·1	104·3	...
69. Wholesale prices	1935 = 100	...	...	...	114	111	115	109	109	92·1	124	128	132	136	138	140	141	...
70. Cost of living (49 towns)	"	100·0	92·4	92·9	95·3	97·8	101	99	...	...	...	...	105	...	...	169	...	...
71. Price of industrial securities	"	100·0	37·3	67·3	78·8	75·3	73	77	77	82	66	61	57	54	56	66	56	58
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	146·0	141·2	162·7	171·5	227·5	224·3	177·9	199·7	236·0	248·8	201·0
73. Domestic exports	"	174·8	66·8	73·5	107·2	109·7	108·1	120·6	112·2	116·7	94·6	104·6	120·1	99·4	110·4	121·0	89·7	...
74. Wholesale prices	1929 = 100	100·0	68·0	67·7	78·8	75·8	79	75	75	76	85	87	89	90	92	94	95	96
75. Cost of living (34 towns)	"	100·0	85·7	80·7	84·9	85·1	86	84	85	85	87	88	88	90	90	90	91	92
76. Price of industrial securities	"	100·0	52·6	81·0	105·6	130·4	127	127	124	126	121	122	125	126	129	130	125	...
TURKEY (Population 1935: 16,157,000; Area: 763,000 sq. kms.)																		
77. Retained imports	Million livres	21·36	87·17	7·79	9·53	12·49	9·85	12·52	9·86	15·03	6·88	6·38	5·55	5·01	5·53	7·42	6·74	...
78. Domestic exports	"	12·94	8·44	9·81	11·50	12·08	10·62	9·47	9·23	10·46	18·99	12·05	11·55	10·81	11·43	16·47	10·04	...
79. Wholesale prices	1929 = 100	100	56·0	62·0	64·5	61·1	...	64	64	64	59	62	68	...	...	...	...	...
80. Notes in circulation (e)	Million livres	...	149	181	169	194	297	199	217	213	280	276	297	280	290	301	299	319

(a) Imports, 1929, £A. (b) In and from April, 1937, excluding Burma. (c) Monthly figures adjusted for seasonal variation. (d) From March, 1938, at open market rates; from 1933 figures exclude trade between Manchuria and rest of China. (e) End of month and year. (f) From February, 1940, including Korea and Formosa. (g) From 1931, imports from U.K. valued at £ at par; from September, 1939, exports exclude gold. (h) From August, 1939, excluding gold exports, valued at £68·7 millions in 1938. (i) Monthly figures partly adjusted for seasonal variation.

(*Continued from page 126*)

brewery share market. Yet the most spectacular—and least explicable—response came from store shares. Confronted by

	June 26	July 8	July 17	July 19	July 22	July 23	July 24	July 25	Change since July 19
Bass	97/9	104/3	103/6	101/3	101/3	101/3	101/3	101/–	–0/3
Distillers	48/–	58/–	53/–	54/–	54/9	54/9	56/–	55/6	+1/6
Guinness	47/–	63/6	55/–	55/–	55/–	55/6	58/–	63/1½	+8/1½
Watney	31/6	42/–	41/3	41/3	40/6	40/6	40/6	41/–	–0/3
B.A.T.	55/7½	66/3	63/9	62/6	63/1½	63/9	66/3	71/3	+8/9
Imps.	73/9	85/7½	83/1½	80/7½	81/10½	83/9	87/6	90/–	+9/4½
Harrods	27/6	28/–	28/–	27/9	27/9	27/6	27/–	27/–	–0/9
Mks. & Spr.	25/6	31/3	31/3	30/6	30/9	30/9	31/6	33/3	+2/9
Woolworths	39/–	49/–	48/6x	48/6x	49/–	49/–	50/–	53/–	+4/6
F. N ord. share index	49·4	58·7	57·4	56·8	56·8	57·0	57·7	58·8	+2·0

a Purchase Tax whose teeth had been sharpened rather than drawn, these issues, led by Woolworth and Marks and Spencer, gained considerable ground. The most spectacular movements in Budget week, however, have been far removed from the fiscal arena. Home rail stocks, from the most marginal of the equities to the most respectable prior charges, have gained ground consistently, in hopeful anticipation of Friday's dividend announcements, which were published after this issue had gone to press. But home rails are a law unto themselves. The conclusion at the end of Budget week is that Sir Kingsley Wood's nerveless arithmetic solves no fiscal problems, and provides no investment pointer, save that of heavier taxation to follow. That factor of uncertainty will probably assert itself very soon. And while the lively possibilities of inflationary finance which the Budget opens up cannot assist equities to any appreciable extent, they may increase the responsibilities of the authorities in their task of preserving the integrity of gilt-edged. Marketwise, Sir Kingsley Wood's first Budget seems destined merely to go down to history as one which raised the "grossing-up" factor from 1.6 to 1.74. That is not a signal achievement.

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Dealings in Dollar Stocks

The present intention of the authorities (as we showed in a Note on page 95 of last week's issue of *The Economist*) is to allow the resumption of dealings in those dollar stocks which have been taken over and shipped by the authorities to Canada, in exchange for certificates of the United Kingdom Security Deposit. It is not, however, intended to permit sales of these stocks for a resident in this country to another resident. Hence, since the dollar securities will only be transferable to non-residents it will still be impossible to resume any general market dealings in such issues in this country. If the holder of dollar securities wishes to realise his stocks, and they happen still to be in this country, his only opportunity for doing so, apparently, is to arrange for their transmission abroad, or to the authorities in Canada, and then to attempt to find a foreign buyer for them. Obviously, this procedure, and the lack of effective dealings, may impose some hardship on holders who still retain dollar securities in this country—those, in short, whose holdings were not already deposited with their bankers before the authorities moved them with such silence and efficiency, and such doubtful legality, to Canada. No serious complaint can be made, in the circumstances, to the authorities' action in making away with the investor's securities, nor with the banks who put public obligation before their customers' instruction. It may be asked, however, if the obstacles to resuming dealings in dollar stocks between residents in this country are really insuperable. As a first step, it is surely desirable to transfer all remaining documents of title to Canada without delay. That could be done by Order or even by appeal to their holders. Complete and not partial transmission of the securities to Canada is really required. That done, there should be no administrative difficulty in issuing deposit receipts as counterpart to such securities to holders in this country, and no reason why dealings in such receipts should not be permitted. The present situation has too many loose ends to be satisfactory either to the authorities or to investors.

Economy in the Official Lists

The deletion of certain companies from the Stock Exchange Official and Supplementary Lists would, in normal times, have ugly implications. But the decision of the Stock Exchange Committee to reduce the size of the lists to economise paper accounts for the wartime disappearance of securities in which dealings are infrequent. The measure is temporary, and in no way affects the standing of any withdrawn security. Moreover, such securities will be kept before the public eye by mention in a "stop press" column in the lists, by the posting of notices in the Settling Room and by the issue of a fortnightly supplement. The curtailed list will be kept more representative of active security prices, and will require less paper. But the fullest information regarding all securities dealt in on the London market will continue to be available in alternative form.

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Imperial Tobacco Interim

The directors of Imperial Tobacco were doubtless prepared for the possibility of increased income tax and tobacco duty when they announced the maintenance of the 7½ per cent., tax free, interim dividend before the Chancellor's Budget Speech. This traditional distribution, of course, carries no guarantee that last year's total payment of 23 per cent., tax free—against 25 per cent. in the preceding three years—will also be maintained. In fact, the company is severely affected by both direct and indirect taxation. The announcement of a further 2s. per lb. in the duty on tobacco raises the basic duty per lb. to 19s. 6d. against 9s. 6d. in April, 1939. The company has already announced that the increase will be passed on to the public to the extent of a rise of ½d. per packet of 10 and of 1½d. per ounce. That the demand for tobacco is insistent was shown by Sir Kingsley Wood's statement that so far consumption has stood up well to higher taxation. But will it always remain proof against ever-increasing duties? The company will also be called upon to make up the substantial increase in the cost of a tax-free dividend with the standard rate at 8s. 6d. in the £. The gross cost of the 7½ per cent., tax free, interim dividend would be raised from £3,880,000, when the income tax stood at 5s. 6d. in the £, to £4,900,000. It seems unlikely that the company will choose to exceed last year's net cash distribution of £8,639,501, which at the higher rate of tax now prevailing is equivalent to little more than 20 per cent., tax free. But the market reacted optimistically to the dividend and Budget announcements and the ordinary shares rose by 8s. 1½d. in two days to £4 10s. At this level, they yield approximately £5 2s. 3d. per cent., tax free, on last year's dividend.

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Rising Rubber Profits

At the Anglo-Dutch Plantations of Java meeting, Mr W. H. Daukes summed up the influence of the war on rubber company earnings as a combination of substantially advanced prices and severely increased freight and insurance charges. The accounts of five leading companies, analysed in the table below, show that, as in the case of earlier re-

Company	Crop	Price	Estate Profit	Earned for Ordinary		Paid	Ord. Shares(£1) Price	Yield
Years to March 31st	1,000 lbs.	d. per lb.	£	£	%	%		%
Bukit Rajah—								
1938	1,464	...	22,648	18,846	5·9	5	8/9‖	9·1
1939	1,040	...	15,383	11,916	3·8	3		
1940	1,112	10·0	20,662	16,353	5·4	4		
Laras (Sumatra)								
1938	3,638	8·13	59,168	Nil	Nil	Nil	–/4½†	13·3
1939	2,621	8·18	34,693	Nil	Nil	Nil		
1940	3,325	10·01‡	88,581	6,675	2·6	2½		
Pelmadulla*—								
1937	661	8·94	44,164	26,556	22	17·5	33/9‖	8·9
1938	650	7·56	26,496	12,809	9·9	10		
1939	624	10·18	43,978	20,665	16·0	15		
Java Para*—								
1937	1,249	...	32,071	29,729	19·9	15	12/6‖	10·0
1938	901	...	14,053	11,279	7·4	6¼		
1939	929	...	15,400	11,233	7·5	6¼		
Bukit Mertajam								
1938	4,427	7·93	56,339	43,130	10·1	6	1/11¼†	12·4
1939	3,805	...	39,177	27,174	6·3	4		
1940	3,823	...	90,085	56,324	11·7	12		

* Years to December 31st. † 2s. stock. ‖ Ex dividend. ‡ London price; Eastern price, 8·66d.

ports discussed in *The Economist* of May 4th and June 8th, this combination has resulted in a general improvement in earnings last year. In many cases, higher crop yields have combined with improved prices to raise estate revenue. The most striking improvement in earnings is that realised by *Laras* (*Sumatra*), whose equity earnings amount to £6,675, or 2.6 per cent., the first surplus since 1939-40. Thanks to a crop yield of 3,325,000 lb., against 2,621,000 lb., and a price of 10.01d. per lb., the highest in the decade, estate profit amounted to £88,581, against £34,693, and the board has declared a 2½ per cent. dividend. *Java Para* is an exceptional case, for the company earned less than half the £32,071 realised in 1937. The dividend is unchanged at 6¼ per cent., compared with the 15 per cent. paid in that year. Good results are shown by *Bukit Rajah* and *Pelmadulla*, although the latter company's crop at 624,000 lb., against 650,000 lb., is the lowest since 1936. Bukit Rajah's equity earnings amount to £16,353, against £11,916, and the dividend is raised from 3 to 4 per cent. Pelmadulla has increased the dividend from 10 to 15 per cent., and its estate profit of £43,978 falls short of the 1937 earnings by only £186. Taxation provision has been increased from £9,190 to £17,526, but the higher dividend is covered by earnings of 16.0 per cent. The increase in the *Bukit Mertajam* dividend from 4 to 12 per cent., double the amount paid in 1937-38, is based on a very substantial increase in estate profit from £39,177 to £90,085. The 12 per cent. dividend is not completely covered by equity earnings of £56,324, representing a rate of 11.7 per cent. The recent dullness of rubber shares is reflected in yields in excess of 9 per cent. on the ordinary shares of almost all these companies, which suggests that the market has some doubt regarding the present high level of rubber prices and output.

Distillers in Wartime

Lord Forteviot's speech, at the Distillers' annual meeting last week, provided a frank and encouraging account of the company's adaptation to war conditions. The chairman pointed out that the company was handicapped during 1939-40 by restriction in both production and sales. Production of distilleries is now limited by Government order to one-third of the amount produced in the year ending September 30, 1939, a measure which necessarily reduces the size of the company's stocks. Sales, in the home market, have been sharply reduced by the increase in taxation from 72s. 6d. to 97s. 6d. per proof gallon. In the interests of maintaining stocks, home customers have been rationed, but, so far, the company has not extended this policy to overseas markets. In developing the United States market, the Distillers Company is making an important contribution to the country's dollar reserves and hence to its war effort. Fortunately, the company's large stocks will insulate it for some time to come from the effect of restricted output. On the question of aerial bombardment, Lord Forteviot showed that property and stocks are widely distributed and fully insured against war risks. Subsidiary companies enjoyed a satisfactory year. The demand for industrial alcohol increased up to the outbreak of war, when the company's factories passed under direct Government control. Sales of yeast increased, thanks to the elimination of foreign competition and, in the building materials section, public demand has replaced the demand for private construction. Clearly, the company's most serious difficulties lie in the production and sale of whisky, but the existence of considerable stocks and an accessible market in the United States provide both a source of revenue and the opportunity to make a valuable contribution to the war effort.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE major influence on Stock Exchange dealings this week has been the Chancellor's Budget speech on Tuesday. On the first two days all sections except Home Rails stagnated. In the home rail market active buying was based on hopes of good interim announcements. After the Budget speech, the gilt-edged and industrial markets revived and gains were general, though business remained on a small scale.

★

At the beginning of the week, movements were irregular in the *gilt-edged* market, and both 4 per cent. Consols and 2½ per cent. Conversion lost ¼ on Monday. Sentiment hardened towards Tuesday's close, and in midweek a firm investment demand, based on relief that Budget proposals were relatively mild, led to a general advance in prices. Conversion 2½ gained ½ and War Loan ⅜, while many other gains were of the order of ¼. Thursday's dealings were rather chequered, and some slight declines were recorded.

★

The *foreign bond* market has been dull throughout, and showed no response to the Budget speech. Far Eastern issues, which were weak on Monday, hardened later, and China 4½s of 1898 gained 1 point on Wednesday. Some optimistic purchases of Brazilians were inspired by hopes of a better commercial position in South America resulting from the Pan-American Conference.

★

Striking rises in *home rail* stocks at the beginning of the week were inspired by dividend hopes. On Monday, leading gains were 3 points for Great Western ordinary and L.N.E.R. 4 per cent. second guaranteed, 4½ points for L.N.E.R. first preference and 5 points for L.M.S. 4 per cent. preference of 1923. The market became less firm owing to profit-taking, but a general advance was resumed on Thursday.

★

In the *industrial* market, the major price movements of the week have been experienced by those securities most directly affected by the Budget. Before the Chancellor's speech, breweries and tobacco shares were on offer, and transactions in other sections were irregular and restricted. In particular, Courtaulds and Tate and Lyle lost ground. On Wednesday, breweries and tobacco shares were in demand. Guinness, Distillers, Imperial Tobacco, "B.A.T.s" and Carreras all showed good gains and in the stores section Marks and Spencer and Woolworths attracted support. The iron and steel section continued to move uncertainly, but a number of leading issues improved a few points, including Guest Keen, Stewarts and Lloyds deferred and John Brown. Electrical equipment shares were well supported throughout the week.

★

The *Kaffir* market has been encouraged by local investment demand, and though turnover has remained small, shortage of stock induced several rises in price. Leading companies whose securities have been in demand are "Sallies," Sub Nigel, Crown Mines and East Geduld. Some attention has also been paid to developing mines, where West Wits. was marked out for support, and among the financial companies Johnnies have hardened. The *rubber* market remained frozen and transactions were again negligible. Anglo-Dutch gave way slightly on Monday, but price changes were few. Later in the week some demand developed for *tea shares*. The *oil* market was depressed by Budget fears and by the international situation, at the beginning of the week, but, relieved by the absence of an increase in the price of petrol, sentiment hardened on Wednesday when Shell issues, Burmah Oil and Anglo-Iranian improved.

New York

MARKETS showed no surprise at the news of Mr Roosevelt's nomination for a third term, nor did the speeches of Hitler or Lord Halifax have any effect on prices. The previous stagnation continued, and turnover reached the lowest level for several years in mid-week. Prices have moved narrowly, and the undertone of most sections has been weak. It is expected that Wall Street sentiment will show little change as long as the present lull in European war activity continues. Steel shares were depressed by reports of a fall in the price of scrap, and rail stocks fell on poor car-loading figures. Aircraft and motor issues remained firm. The *Iron Age* reports an increase in steel mill activity to 89 per cent. of capacity, against 87½ per cent. for the past two weeks.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices: 30 Ord. shares*	Security Indices: 20 Fixed Int.†
July 19 ...	2,822	*4,495*	56·8	119·6
„ 22 ...	3,237	*5,650*	56·8	119·6
„ 23 ...	2,310	*4,850*	57·0	119·7
„ 24 ...	2,500	*4,845*	57·7	119·8
„ 25 ...	2,682	*5,700*	58·8	119·8

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26) 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26).

New York Prices

Total share dealings:—July 18, 220,000; July 19, 260,000; July 20, 110,000; July 22, 230,000; July 23, 250,000; July 24, 200,000.

	Close July 17, 1940	Close July 24, 1940
1. Railroads		
Balt. & Ohio..	3⅞	3½
Gt. Nthn. Pf..	23½	21⅝
Illinois Cent.	7½	7
N.Y. Cent.....	11⅞	12⅜
Northern Pac.	6¼	6
Pennsyl. Rl....	19⅞	19⅛
Southern	11⅜	10⅝
2. Utilities, etc.		
Amer. Tel.....	160¼	159½
Amer. W'wks.	8⅞	8⅝
Pac. Light.....	42¼	38½
Pub. Sv. N.J.	36¾	36
Sthn. Cal. Ed.	27¾	27½
United Gas ..	12	12
3. Commercial and Industrial		
Amer. Metal..	14⅜	14
Am. Roll. Ml.	11	10½
Am. Smelting	35½	34½
Anaconda	19⅛	18½
Briggs	17⅜	17½
Celanese of A.	28¼	27¾
Chrysler	65¼	63⅝
Curt. Wr."A"	24	23½
Eastman Kdk.	119	118⅞
Gen. Elec. ...	31⅝	31¼
Gen. Motors..	43¾	43¼
Glidden.....	12⅝	12
Inland Steel .	81½	81
Int. Harvest .	43	43
Int. Nickel ...	23½	21⅝
Liggett Myers	98½	97
Nat. Dairy ...	13¾	14
Nat. Distillers	20	20⅛
Nat. Steel	57¾	58¼
Proct. Gamble	63½	63½
Sears Roebck.	72¾	72
Shell Union...	8¼	8¼
Socony Vac. .	8½	8½
Stan. Oil N.J.	34¼	33
20th Cen. Fox	6⅜	6
U.S. Steel	51⅜	50
West'hse El...	92½	94¼
Woolworth....	33	32⅞
Yngstn. Sheet	32½	30¾

(*Continued on page* 138)

Industry and Trade

Mr Morrison and Scrap

Mr Herbert Morrison has "jumped in." In a statement to the Press, issued on July 24th, the Minister of Supply announced that he had taken steps to eliminate certain defects in the policy and administration of the iron and steel scrap control to which attention was drawn on page 21 of *The Economist* of July 6th. Thus, the National Federation of Scrap Iron and Steel Merchants, hitherto virtually the sole channel through which scrap reached the steelworks, had promised to facilitate the entry of new members, by the reduction in the entrance fee, for example, and to put no unreasonable obstacle in the way of increased membership. Further, Mr Morrison pointed out that Public Authorities were now free to sell their scrap direct to the steel works. He made it plain that he would "tolerate no obstacle of any kind, whether commercial or technical, to the free flow of scrap for the mills." So far as the future supply of scrap is concerned, Mr Morrison said that arrangements would be made for the preparation of a comprehensive survey of all heavy scrap in the form of railings, derelict factories, pitheads and other obsolete structures, for the provision of additional labour for sorting, breaking and transporting scrap, and against any possible shortage of transport facilities. He omitted any reference to requisitioning, presumably because the response to the appeal for scrap has so far rendered this step unnecessary.

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Beer and Tobacco

The increase in the beer and tobacco duties which became effective on July 24th involves an average rise of a penny per pint in the retail price of the former and one of 1½d. per ounce in that of the latter. The increased duty on beer is expected to yield about £7,500,000 for the rest of this year and £13,000,000 in a full year, while that on tobacco is expected to bring in £6,000,000 in 1940-41 and £9,000,000 in a full year. The consumption of both beer and tobacco is reported to have risen since the outbreak of war, and, in view of the upward trend in wage rates and employment, it is doubtful whether the increased duties will have much effect on sales. It appears, indeed, that Sir Kingsley Wood was actuated by revenue considerations rather than by the need for curtailing consumption. All the tobacco consumed in this country is imported, and the principal constituents of beer—apart from hops—are cereals and sugar. Consumption can only be effectively curtailed by the restriction of imported materials for manufacture.

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The Rayon Industry and the War

The cessation of supplies of wood-pulp from Scandinavia, though it has added to the difficulties of the rayon industry, has not proved as serious a handicap as might have been feared, since there were good stocks on hand at the outbreak of war and good supplies were being obtained from Canada. Though there are shortages of certain chemicals from time to time, which are likely to cause delays, it does not appear at present as though these will ever become sufficiently serious to cripple the industry. Great progress is being made in the use of staple fibre in this country, and in the worsted industry, in particular, it is being used, not as a substitute, but as a constituent in the production of a new textile having distinctive features of its own and offered at a very attractive price. Prices of rayon altogether, have, indeed, been kept as low as was commensurate with the increased cost of production. An increase of threepence per pound in rayon prices to take effect in September has just been announced, but coupled with this is the announcement that cheaper yarns are to be available for the export trade and a request that users will co-operate with producers through a Central Rayon Committee.

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During the last three months there has been a complete change in the position of the industry. As the cut of 25 per cent. in the home trade in cotton from last year's level was accompanied by a corresponding cut in rayon, it is now feared that the later decision to cut cotton by 75 per cent. may foreshadow a cut of 75 per cent. in the home trade in rayon. As this industry has hitherto produced mainly for the home market, the prospect is viewed by rayon manufacturers with anxiety. At the same time, however, they have clearly made great progress with the development of the export trade. Aided by the considerable degree of vertical combination between yarn producers, weavers and dyers which had already been practised for some years, they made considerable progress during the first six months of the war and even the setback caused by the elimination of the Scandinavian and other European markets may prove only temporary, thanks to the very active co-operation between the producers and users of rayon. Actually, the elimination of these countries as sources of supply opens a very considerable new field for exports. As nearly as can be estimated, in 1938 the countries of Continental Europe sold 18 million lb. of yarn and 11.7 million square yards of piece-goods in the American market, and 19 million lb. of yarn and 30.4 million square yards of piece-goods in other markets outside Europe. This trade is now open to competition between Great Britain and her principal rivals in the trade, Japan and the United States. Happily, the British rayon manufacturers seem very much alive to its importance.

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Overseas Trade in June

The decline in the value of overseas trade which began in May as a result of the German offensive continued in June. Total imports last month were valued at £90.8 millions, against £105.6 millions in May and £110 millions in April, while domestic exports declined from £48.5 millions in April to £45.5 millions in May and £36.2 millions in June. Compared with May, the reduction in imports was most marked in dairy produce, oilseeds, oils and fats, paper-making materials and textile manufactures; the value of imports of wood and timber actually showed an increase. So far as domestic exports are concerned, there was a substantial fall in coal, iron and steel, textile manufactures and chemicals, drugs, dyes and colours. Changes in the value of imports and exports compared with June, 1939, are shown in the accompanying table and on page 143. As the majority of the commodities hitherto obtained from Continental Europe can be obtained elsewhere and as alternative markets can be secured for many of the products formerly sent to the Continent, our overseas trade is likely to show a recovery in coming months.

	1938	1939	1940	Change between 1939 and 1940	
June	£'000	£'000	£'000	£'000	%
Total imports	76,540	82,173	90,779	+ 8,606	+10·5
British exports	36,894	39,895	36,211	− 3,684	− 9·2
Re-exports	4,987	4,308	2,004	− 2,304	−53·5
Total exports	41,881	44,203	38,215	− 5,988	−13·5
Excess of imports over exports	34,659	37,970	52,564	+ 14,594	+38·5
Transhipments under bond	15,774	16,028	12,157	− 1,568	− 9·8
Six Months ending June					
Total imports	469,658	447,788	612,527	+164,740	+36·8
British exports	233,194	236,319	249,738	+ 13,419	+ 5·7
Re-exports	32,848	28,101	19,359	− 8,742	−31·1
Total exports	266,042	264,420	269,097	+ 4,677	+ 1·8
Excess of imports over exports	203,616	183,368	343,430	+160,062	+87·3
Transhipments under bond	15,774	16,028	12,157	− 3,871	−24·2

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Home-Grown Timber

In order to encourage the use of home-grown timber, changes have been made in the method of exercising control. Licences will still be necessary before timber can be acquired for consumption, but they are no longer necessary for the conversion of timber against customers' orders or to those specifications which are required for the national war effort. The Control retains power to prevent the use of timber for non-essential purposes. The Direction, which came into force on July 17th, also allows merchants to acquire timber for resale to mines without a licence, but the mining companies still require a licence to obtain the timber. The onus of proving that the wood is necessary is, therefore, on the consumer, and merchants can lay in stocks of home-grown timber in anticipation of sales, thereby giving it some advantage in competition with foreign-grown timber which has to be obtained for a specific order.

Building Trade Holidays

The cancellation by the Government of August Bank Holiday this year, coupled with the retention of the obligation, where it exists, to pay overtime rates for work done on Bank Holiday, left the building trades in some doubt as to the position in respect of recognised local holidays. This has now been removed by an announcement of the National Joint Council for the Building Industry. The Council expresses the view that the principle of special payment should apply to any statutory holiday which the Government may postpone or cancel, but that ordinary rates should be paid if time is worked on such local holidays as race weeks or wakes weeks. Employment remains fairly good, for many operatives are now engaged on defence work.

COMMODITY AND INDUSTRY NEWS

THE general level of wholesale prices is lower than a week ago. The most marked fall has been in all types of cotton, where market conditions have been quiet. The Cotton Board has negotiated a sale of over 20 million yards of cambric, valued at about £500,000, to Java. The Rayon Producers' Section of the Rayon and Silk Association has announced an increase of 3d. per lb. on rayon to come into force on September 1st. Cheaper yarns will be made for use in export orders. The prices of quicksilver and rubber have advanced, but those of hides and leather are lower. Moody's index of the prices of staple commodities in the United States declined from 155.7 (December 31, 1931 = 100) on July 17th to 152.9 on July 24th.

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Cotton (Manchester).—There has been a little more inquiry, but there has been difficulty in arranging the terms of fresh contracts, and the amount of business done has not improved. Raw cotton prices have been rather easier owing to the limited trade support from spinners and the absence of speculative interest. Consumption in Lancashire is declining owing to the return to the normal 48-hour week in the mills. In addition to the absence of fresh buying in the yarn market, spinners have complained of difficulties in obtaining delivery instructions. Controlled prices are now fixed with reference to October futures, instead of to July as at present. Spinners of coarse American counts and certain Egyptian qualities remain busy on Government work, but there is little commercial demand. Inquiry for cloth has improved slightly, particularly from Empire and South American countries.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended July 12, 1940	Week ended July 19, 1940	From Aug. 1 to July 21, 1939	From Aug. 1 to July 19, 1940
American	39·2	31·7	985	1,502
Brazilian	6·7	6·2	316	272
Peruvian, etc.	3·9	3·1	134	215
Egyptian	5·2	5·1	339	390
Sudan Sakel	3·4	0·7	153	161
East Indian	5·2	3·6	444	409
Other countries	3·0	4·8	201	162
Total	66·6	55·2	2,572	3,111

Source: *Liverpool Cotton Association's Weekly Circular.*

★

Tin.—The price of tin is higher on the week, partly due to the extreme reserve of sellers and partly to reports of good American buying for current use. As it is impossible for the representative committee of the Congo Tin Producers to work from Brussels, a Tin Committee has established headquarters in the Belgian Congo; it will control output and protect producers' interests.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
June 8	63·13	63·05
„ 15	72·23	69·95
„ 22	61·69	66·70
„ 29	64·09	67·64
July 6	70·93	65·73
„ 13	71·52	60·31

Metals.—The Controller of Non-Ferrous Metals has requisitioned some copper stocks. A list of 80 requisitioned warrants of 25 tons each was issued; compensation will be on the basis of £54 per ton. Figures published by the American Bureau of Metal Statistics show that stocks of lead in the United States fell from 63,000 tons at the end of May to 55,300 tons at the end of June. The Control of Magnesium (No. 1) Order, made by the Minister of Aircraft Production, came into force on July 23rd prohibiting the purchase, sale or use of magnesium or magnesium alloys except under licence.

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Grains.—The wheat market has been featureless; there have been no official purchases large enough to affect prices. It is expected that the Canadian official price to growers for the season 1940-41 will be the same as in the current season. It is estimated that the Canadian crop will exceed 400 million bushels and the carry-over 240 millions. Virtually the only remaining European market is Britain, which can absorb about a third of the exportable surplus; Canada will, therefore, have a large quantity left to dispose of. The Pan-American Conference is now discussing the possibility of dealing with American grain surpluses through the proposed Inter-American Trading Corporation. Argentina is formulating a scheme to use 6 million tons of her surplus maize instead of 3 million tons of imported fuel.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended July 13, 1940	Week ended July 20, 1940	From Aug. 1 to July 22, 1939	From Aug. 1 to July 20, 1940
N. America	524	336	30,237	25,843
Argentine, Uruguay	341	346	14,772	21,291
Australia	...*	...*	12,310	†4,546
Russia	...	...	4,624	114
Danube and district	74	65	9,635	10,482
Other countries	...	...	2,333	345
Total	939	747	73,911	62,621

* Unobtainable. † Shipments up to February 29, 1940.

Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended July 13, 1940	Week ended July 20, 1940	From Apr. 1 to July 22, 1939	From Apr. 1 to July 20, 1940
Argentina	114	133	6,912	4,112
Atlantic America	40	96	402	650
Danube Region	36	41	953	584
S. & E. Africa	...*	...*	581	705†
Indo-China, etc.	...	...	492	91
Total	190	270	9,340	6,142

* Not received. † Incomplete since June 8th.

Source: *The Corn Trade News*

★

Oils and Oilseeds.—The general supply of vegetable oils and fats continues to be satisfactory. All controlled prices are unchanged, but will undergo revision and adjustment to market costs towards the end of next week. Trade in oilseeds is very restricted; the Control has good supplies and does not appear to be buying at present. Linseed exports from the Plate to Europe have almost ceased. The market for linseed and other oilseeds is weak, and in the absence of business, quotations are nominal. Offers of Egyptian cottonseed are still withheld. The principal interest is directed to the condition of the new linseed crop in the United States, which is described as very favourable, and the yield may approach 750,000 tons.

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Rubber.—The rubber market has been steady, with an increased volume of inquiry. More particulars are now available about the American purchase for reserve. A Rubber Reserve Company has been formed which will acquire the rubber and keep the stock until the end of 1943; afterwards it will be handled so as to cause as little disturbance as possible to the market, and not more than 100,000 tons per annum will be sold. Manufacturers will purchase their current requirements as usual.

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Export Groups. The formation of the following export groups is announced:—

Antique and Art Dealers.
Artists' Colour.
Bright Steel Bar.
Bullion and Precious Metals.
Electric Vehicle.
Fire Extinguisher Trades.
Fuel Oil Burner.
Glue, Gelatine and Allied.
High-Conductivity Copper and Alloys.
Laundry Engineers.
Magnesia.
Paint, Ink and Allied Trades Machinery Manufacturers.
Power Transmission.
Pumps.
Shirt, Collar and Tie Manufacturers.
Steam-Raising Plant Accessories.
Stoneware Manufacturers.
Wholesale Clothing Manufacturers.
Woven Wire.

RETAIL FOOD PRICES

	Average price per lb. at Sept. 1, 1939	June 1, 1940	July 1, 1940	Per cent. increase since Sept. 1, 1939
	s. d.	s. d.	s. d.	
Beef, British:—				
Ribs	1 2¼	1 3¾	1 3¾	10
Thin flank	7½	9½	9½	25
Beef, chilled or frozen:—				
Ribs	9½	1 0¾	1 0¾	33
Thin flank	4¾	6	6	22
Mutton, British:				
Legs	1 3½	1 5¼	1 5¼	13
Breast	7½	8	8	7
Mutton, frozen:				
Legs	10¼	1 0	1 0	15
Breast	4	4	4	1
Bacon	1 3	1 6½	1 6½	23
Fish	...	...	...	39
Flour (per 7 lb.)	1 1½	1 1½	1 1½	0
Bread (per 4 lb.)	8¼	8½	8½	3
Tea	2 4	2 6	2 6	7
Sugar (granul'td)	3	4½	4½	47
Milk (per quart)	6¾	6½	7¾	14
Butter, fresh	1 4½	1 6¾	1 6¾	13
Butter, salt	1 3¼	1 6¾	1 6¾	22
Cheese	10	1 1	1 0¾	28
Margarine	6½	7¼	7¼	12
Eggs (each)	2	2	2¼	15
Potatoes (per 7 lb.)	6½	8	1 2½	122
Index, All foods, weighted (July, 1914 = 100)	**138**	**158**	**168**	**22**

Source: *Ministry of Labour Gazette.*

COMPANY MEETINGS

THE STANDARD BANK OF SOUTH AFRICA LIMITED

VERY SATISFACTORY RESULTS

14 PER CENT. DIVIDEND DISTRIBUTION

COMPREHENSIVE SURVEY OF AFRICAN INDUSTRIES

MR EDWARD CLIFTON-BROWN'S ADDRESS

The one hundred and twenty-seventh ordinary meeting of shareholders was held, on the 24th instant, at the head office of the bank, 10 Clements Lane, London,

Mr Edward Clifton-Brown in the Chair.

The Secretary (Mr H. Dales) having read the notice convening the meeting and the report of the auditors, and the report and accounts having been taken as read,

The Chairman said: My lords, ladies and gentlemen,—For many years past our annual meeting of shareholders has been held elsewhere, and we are very pleased to be able to meet you to-day in our own building. Most of the larger banks have their annual meetings on their own premises, and your directors felt that, provided the accommodation could be arranged there were many advantages in meeting the shareholders here. By throwing two rooms into one and making only slight alterations we have a room which we hope will accommodate our shareholders for many years to come.

Tribute to Earl of Athlone

Before dealing with the accounts I would refer to the resignation from the board of the Earl of Athlone, consequent upon his appointment as Governor-General of Canada. Lord Athlone became a director of this bank nine years ago on relinquishing the office of Governor-General of South Africa, which he had occupied with high distinction, and we have since had the benefit of his great qualities and wide experience. While we much regret the loss of his valued services, our best wishes go with him for a happy and successful term of office in Canada. Although we have to suffer what is a real loss to your bank, we must not grudge Canada their gain and they indeed have the added privilege of the presence of Her Royal Highness, Princess Alice, who is so well remembered in South Africa.

Balance-sheet Items

Turning now to the accounts which are before you, I will make brief reference to the principal changes in the figures as compared with those for the previous year.

The balance sheet shows the record total of £90,000,000, an increase of over £4,000,000.

On the liabilities side notes in circulation have fallen by £158,000, which is explained by the fact that from March 1st last the right to issue notes in Southern Rhodesia was vested in the Currency Board alone. Although notes issued by the commercial banks remain legal tender for two years from March 1st the amount of our Southern Rhodesia notes in circulation will diminish over that period.

Deposit, current and other accounts have increased by over £4,000,000, chiefly due to the larger volume of funds held on current account.

The other items on this side of the balance sheet do not call for comment.

On the assets side, cash in hand and at call and short notice reflects an increase of nearly £3,000,000. Investments stand at approximately the same figure as last year. While bills of exchange purchased are higher by £1,335,000, there is little change in the total of bills discounted, advances to customers and other accounts. Our statement of accounts as at September 30th last contained the item "Suspense Items pending Returns from Hamburg Agency, £73,381 8s. 10d." Although the agency is not now under our control I am pleased to say that practically the whole of the amount mentioned as being in suspense has since been recovered. Provision has been made for the small outstanding balance, and the item does not, therefore, appear in the balance sheet as at March 31st now before you. In view of the importance of the business which was conducted by our Hamburg agency I am sure you will agree that this is a very favourable outcome.

Year's Profit

The balance of profit for the year, after making a suitable appropriation to contingencies account, was £563,860, which, with the amount of £169,072 brought forward, left for disposal the sum of £732,932. The interim dividend paid in January absorbed £125,000, and after appropriating £75,000 to writing down bank premises, there is available a balance of £532,932.

It is recommended that £150,000 be allocated to the Officers' Pension Fund, that a final dividend of 7s. per share be paid, together with a bonus of 2s. per share, making a total of 14 per cent. for the year, and that £157,932 be carried forward.

The results of the bank's working will, I am sure, be regarded as very satisfactory.

Conditions in South Africa

Dealing with general matters, I may say that, notwithstanding the disturbed state of the European political situation and the subsequent outbreak of war, business conditions throughout South Africa, although unsettled, remained wonderfully steady during the year under review.

By virtue of her sound position, largely due to the continued prosperity of the gold-mining industry, South Africa's entry into the war in association with Great Britain was accompanied by little or no economic confusion, and after the initial shock and the necessary psychological readjustment there was evidence that business was settling down to comparatively stable foundations. Some uncertainty regarding the future was still felt, but this was largely dispelled by the optimism which was publicly expressed by the Government. It was generally accepted that the Union was entering a period of further economic expansion and industrial activity, and with the object of encouraging the use of the anticipated opportunities the Government have introduced legislation for the financing of new enterprises and the development of existing industries, which we all sincerely hope will prove of value.

Fresh Gold Mining Records

Although it has been evident for many years that the production of gold has been the cornerstone of the economic structure of the Union, the paramount importance of the industry has seldom, if ever, been more clearly marked than during the past year. Fresh records were established in respect of the quantity of ore milled and the number and value of fine ounces recovered. These results, which were achieved despite a further reduction in the average yield per ton of ore milled, were attributable largely to the entry of new mines into the production stage and to an upward movement in basis of valuation, which averaged £7 8s. 8.5d. per fine ounce as compared with £7 2s. 6.39d. per fine ounce in 1938. After the outbreak of war the sterling price of gold rose from around 148s. per fine ounce to the new record of 168s. per fine ounce.

Farming Industry

As regards the farming industry, climatic conditions in the Union during the year under review were not altogether favourable. Rainfall in most areas was good, but floods and storms in various parts of all Provinces resulted in losses of crops and small stock.

The Secretary for Agriculture, in his annual report for the year ended August 31, 1939, stated that farming conditions generally had been satisfactory and that there had been no break in the

continuity of the efforts of the Government to facilitate the regeneration of the industry on a basis that would encourage development on the soundest possible lines. These efforts, which include irrigation schemes, the prevention of soil erosion, the eradication of pests and noxious weeds, the improvement of the quality of farm products through grading and marketing regulations, the extension of the co-operative society movement and an agricultural survey, have been of material assistance in contributing to a steady improvement in the ability of the farming industry to withstand recurrent climatic and economic reverses. The measures taken have been of special value in offsetting the adverse effects of the changed circumstances that arose within a few days of the close of the period covered by the report of the Secretary for Agriculture as the result of the outbreak of war in Europe and the association of the Union with the British and French declarations of war on Germany. The Sixth German-South African Payments Agreement, which included provision for the sale of Union farm products to the value of over £5,000,000, was suspended, and farming prospects generally were overshadowed by widespread uncertainty regarding the disposal of the season's produce and, to a lesser extent, by doubts regarding the receipt and cost of packing materials, machinery, etc., usually supplied by overseas countries. As the result, however, of the general economic measures introduced by the Government and of the various arrangements made with the British Government in connection with the disposal of various items of farm produce, notably wool, conditions in the farming industry reflected marked improvement. Some difficulty was experienced as regards the provision of adequate shipping space, but it is evident that the total sales of farm products since the outbreak of war reached more satisfactory levels before the end of the period under review.

Further improvement in the production and sales of the farming industry is expected, and the upward rate of progress should be enhanced by the steps that have been and are being taken to foster a higher degree of basic stability.

In general terms, it may be said that the slight recession in economic activity in the Union during 1939 is measured by the decline in the external trade figures which, excluding exports of gold, amounted to £125,537,000, as against £128,189,000 in 1938.

Outlook for Current Year

While the outlook for the current year is overshadowed by the war, there are, none the less, certain aspects that are worthy of comment as they afford grounds for confidence in the economic future of the Union.

Policy of Vigorous Development in Gold-mining Industry

The gold-mining industry is maintaining a policy of vigorous development; widespread deposits of base minerals are being specially investigated; farming products are in good demand and basic conditions in the industry are registering steady improvement; secondary industries are well employed and every effort is being made to encourage sound development; major schemes for harbour and road extension are being put into effect; municipal development programmes are being continued and, finally, the National and Railway Budgets reflected a satisfactory position. These factors and the increasing diversity of activity indicate that the Union will be able to gain full advantage from any favourable turn in overseas affairs.

Southern Rhodesia

The steady expansion that had been evident for a number of years in the external trade figures of Southern Rhodesia was not quite maintained in 1939, the total value of imports and exports being £20,918,000, as against £21,642,000 in the previous year.

The value of the mineral output at £8,138,000 constituted the seventh successive record for the Colony.

Although a larger quantity of ore was milled, the gold production fell from 814,000 to 796,000 fine ounces; the value, however, increased from £5,820,000 to £6,227,000.

The tobacco production in the 1938-39 season showed a decline of some 3,000,000 lbs. in weight to 23,442,000 lbs., but reports of the Virginia leaf crop for the 1939-40 season indicate that the yield will reach record figures and that no difficulty should be experienced in clearing the total production at satisfactory prices.

While the prosperity of the Colony is largely dependent upon the development of the gold-mining industry, the growing importance of other activities is encouraging; secondary industries continue to expand, and as the farming and base mineral industries generally are making satisfactory progress the outlook in general is not unfavourable.

September of this year will mark Southern Rhodesia's fiftieth anniversary, and it is truly unfortunate that the war has upset the extensive plans that were being made for the Jubilee celebrations.

We all know of the great contribution that Rhodesia is making to the Empire's war effort; the warmest admiration has been evoked by the response of her people to the call for service in the common cause.

Northern Rhodesia

Exports from Northern Rhodesia at £10,220,000 showed little change as compared with the figures for the previous year, but imports fell by £703,000 to £4,521,000, owing to a decrease under the heading "Metals, metal manufactures, machinery, etc."

The copper mining industry is of paramount importance to the economic prosperity of the Territory, and the progress achieved during 1939 by the principal producers stimulated other spheres of activity.

Copper prospects will naturally be influenced largely by the course of events in overseas countries, but current reports indicate that world stocks are not unduly high.

Nyasaland

Exports from Nyasaland amounted to £842,000 and imports to £777,000, as against £975,000 and £833,000, respectively, in the previous year.

General business conditions were not altogether satisfactory, but some improvement is expected as a result of a larger native tobacco crop and the higher prices ruling for cotton. The increased production of tea in earlier years was well maintained during 1939.

South-West Africa

The trade figures for the last two years compared as follows:—

	1938	1939
Imports ...	£2,430,000	£2,301,000
Exports ...	£3,547,000	£3,396,000

The fall in the value of exports was attributable largely to the dislocation of external trade on the outbreak of war; but other markets, principally in America, have since been found for those products which had previously been purchased by Germany, and an improved trend in the external trade figures has been evident, and is confidently expected to continue.

The farming industry showed steady progress, and in this connection it may be mentioned that the value of the exports of Karakul pelts rose from £995,000 to £1,258,000.

East Africa

For the first eight months of 1939 the uncertainty of the European situation was reflected in the world's markets, which were reluctant to absorb more than immediate requirements of many lines of produce. This uncertainty was felt in Kenya and Tanganyika, where the respective Governments were unable to proceed with the various schemes for development that had been slowly maturing.

The outbreak of war in September caused a temporary dislocation of shipping, but this was soon remedied, and overseas demand and rising prices stimulated the production of many exportable commodities.

In Kenya another year of low rainfall was experienced. In Tanganyika the 1938 drought was fortunately not repeated. In Uganda weather conditions adversely affected to some extent the 1939-40 cotton crop, but proved quite favourable for the coffee crop. In Zanzibar the clove industry showed marked progress, the output rising from 7,860 tons to 13,187 tons.

Future Prospects

The present unsettled conditions make it impossible to forecast what the future may bring to East Africa. If progress can be made along the lines of development that have been mapped out the economic position of the Territories should be considerably strengthened, but stable conditions as regards markets and prices and adequate available capital are factors which must be present to ensure development on sound lines.

In the meantime Kenya is very busy with the war, and we have, I am sure, all felt encouraged by the opening successes of their operations both on land and in the air, and can feel justly proud of the splendid courage and valour shown by so many of their gallant men, who are receiving most valuable assistance from the Union of South Africa and Rhodesia.

More details regarding trade conditions in South and East Africa will be given in the report of this meeting, which will be sent to every shareholder.

I cannot close my remarks without voicing the gratitude and pride that all Britishers must feel about South Africa's entry into this war and her action in ranging herself alongside the Mother Country. We send to every one of her fighting men and their great leader our wishes for a victorious and successful ending to the war to which

we are both committed and pray that when peace is again restored the future may hold nothing but continuing prosperity for South Africa.

I will now move the first resolution, viz.:—

"That the report and balance sheet to March 31, 1940, now presented, be adopted,"

and I will ask my colleague, Mr Horace Peel, to second it.

Mr Horace Peel: Mr Chairman, ladies and gentlemen, I have pleasure in seconding the resolution which has just been proposed.

The Chairman: Before putting the resolution to the meeting I would like to ask if any shareholders have any remarks to make on the report and accounts or any questions to ask. If so, I will do my best to answer them.

No questions being asked, the resolution was put to the meeting and carried unanimously.

The Chairman: I have now to make a formal declaration of dividend by reading the following:—

"As empowered by the Articles of Association, on behalf of the Board, I now declare a dividend for the six months ending 31st March, 1940, of 7s. per share on 500,000 shares, as a final dividend for the 12 months ended on that date, with a bonus of 2s. per share (making, with the interim dividend, a total distribution of 14 per cent. for the year), both payable in British currency and subject to income tax, to be paid to those shareholders whose names appeared on the register on the 3rd day of July, and to become payable on the 27th instant."

Mr Robert E. Dickinson: I beg to move:—

"That Mr Edward Clifton-Brown, Mr Bertram Lowndes and Sir Roderick Roy Wilson be re-elected directors of the company."

The Rt Hon. the Earl of Selborne, K.G.: Mr Chairman, I have great pleasure in seconding that resolution.

The resolution was passed unanimously.

Mr Joseph Nissim: Mr Chairman, ladies and gentlemen, I have the privilege to move the resolution with regard to the appointment of auditors, as follows:—

"That Mr Roderick M. Peat, F.C.A., and Sir Nicholas Waterhouse, K.B.E., F.C.A., be re-appointed auditors of the company for the ensuing year, that Mr Leonard J. Osmond, F.C.A., be appointed auditor for the ensuing year in place of Mr A. T. Turquand-Young, and that the remuneration of the three auditors be at the rate of 400 guineas each."

Mr Chairman, we regret the retirement of Mr Adam T. Turquand-Young after more than 20 years of valuable services rendered to this bank in a period of steady and successful expansion of its activities. Mr Adam Turquand-Young succeeded his father, Mr Alexander Turquand-Young, many years ago, and soon after that he became the senior auditor of the company on the retirement of Sir William Peat. We wish to tender our thanks to him for his long service, and I am sure that it is in the fitness of things that a member of his firm should be elected in his place to preserve the continuity of that firm with the affairs of this bank. I move the resolution.

Mr R. E. N. J. Seyd: I have much pleasure in seconding that resolution.

The motion was unanimously adopted.

Vote of Thanks to Staff

The Chairman: Ladies and gentlemen, the next resolution falls to me. I have an exceptional and extremely pleasant duty to perform, and that is to propose a vote of thanks to the staff for all their good work, and I know that this will have your cordial support.

Mr William Gore, one of the assistant general managers at Cape Town, retired in April of this year owing to the age limit after rendering valuable service to your bank for 37 years. To succeed him the Board have appointed Mr C. M. Hutchinson, who has held the post of manager of our Cape Town branch since leaving Rhodesia, where he did very good service for the bank, and we feel sure that he will fill his more responsible position with equal success.

Prior to the outbreak of war the staff in Hamburg had an anxious and trying time. I am pleased, however, to be able to say that it has been possible for all the British members to make their way home, and they are proving a very welcome addition to the London personnel in these difficult days.

You will, I know, be pleased, although probably not at all surprised, to hear that our staff have responded willingly to the call for national service. In Africa and also in London no less than 25 per cent. of the male staff have been or are being released for duty with H.M. Forces.

War conditions and the depletion in numbers have naturally imposed increased work on those who remain, and our thanks are due to one and all of them for the loyal manner in which they have maintained the standard of efficiency which has always been a matter of pride in the service of your bank.

There has naturally been a particularly heavy strain on our chief officials, who are responsible for the smooth working of the whole system, but all difficulties have been cheerfully and successfully faced, and it is fortunate that the bank's affairs continue in such capable hands.

While I want specially to mention Mr Milton Clough, our general manager in South Africa, and his colleagues in the administration, I feel that the services of our London manager, Mr Ralph Gibson, call for particular notice and thanks. (Hear, hear.) He has had a specially busy and anxious time, and few outside what I might call the inner circle can appreciate the difficulties and the enormous strain involved in transferring your bank, with its multitudinous ordinary peacetime transactions all over the world, into a wartime bank subject to all the necessary Treasury regulations, the full effects of which have to be carefully considered and often advised upon. But not only to the management but also to the whole staff in South Africa, East Africa, New York and London do I want to express gratitude for their devotion to the interests of this bank. (Applause.)

I have pleasure in moving:—

"That the thanks of the meeting be given to the general managers, the London manager, and other officers for their valuable services,"

and I will ask Sir Ernest Clarke to second the resolution.

Sir Ernest M. Clarke: Mr Chairman, my lords, ladies and gentlemen: The chairman has so very well covered this vote of thanks that it leaves very little for me to say. I would, however, like to say that I think the custom followed at these meetings of proposing a vote of thanks from the chair to the staff and asking a shareholder to second it is very much nicer than the procedure that is usually followed of a mere expression of thanks from the chair. Although I am sure our splendid staff know how very highly we prize their help, it is always nice for them to be told so, and when a shareholder is asked to second this resolution it gives us that opportunity. During the forty-five years I have had an account with this bank I have always received the greatest kindness, consideration and help from every member of the staff, and I am quite sure, sir, that the same applies to every client and shareholder. We are indeed fortunate in having such a very able staff, and on behalf of the shareholders I desire to say to them "Thank you very much indeed from the bottom of our hearts." I have very much pleasure in seconding the resolution.

The resolution was passed by acclamation.

The Chairman: Ladies and gentlemen, that concludes the official business of our meeting.

Vote of Thanks to Chairman and Directors

Lieut.-Colonel Sir John Chancellor, G.C.M.G.: With your permission, ladies and gentlemen, I should like to propose the following resolution: "That the cordial thanks of the meeting be accorded to the directors for their attention to the affairs of the bank, and the chairman for his conduct in the chair."

It is a great pleasure and privilege to me to propose this resolution. We shareholders do indeed owe our board a very deep debt of gratitude for the wisdom and prudence with which they have conducted the affairs of the Bank during the last very difficult year. I am sure all of us here will rejoice that under the wise and able leadership of General Smuts, South Africa has taken its share in carrying on the war—(hear, hear)—and I must not omit to mention my appreciation of the effort made by my old colony—Southern Rhodesia—which is always in my mind.

I remember shortly after the last war General Smuts made a speech which impressed me very much. In that speech he said that humanity had struck its tents and was on the march; and he wondered where humanity would pitch its tents again. I doubt whether he, with his wisdom and statesmanlike outlook, at a time when it was hoped that the world had been made safe for democracy, could have foreseen the course of events. I do not think he foresaw that forces of evil would arise with such power and such malignancy that they would threaten the existence not only of democracy, but also of civilisation and Christianity itself. That very inspiring speech which General Smuts broadcast to us last Sunday must, I am sure, have given great encouragement to all of us and inspired us to continue the fight until Europe is delivered

from the thrall of Hitlerism, and he held up a vision of a new Europe in which there shall be a rule of laws between nation and nation and social equity and justice between man and man.

Before putting the formal resolution, I cannot refrain from adding my personal expression of regret to that of the chairman that the board has recently lost the services of one of its members—Lord Athlone—whom we have all regarded with admiration and affection. He will be greatly missed by us all and our only consolation is that our loss is Canada's gain. When he received the call to take up the great office of Governor-General of Canada anybody who was acquainted with him knew that he would answer that call with his usual great sense of duty which never failed in any circumstances, and we can only add to what the chairman has said that we wish H.R.H. Princess Alice and him all happiness and success during their stay in Canada.

Brigadier-General H. Clifton-Brown, M.P.: I have very much pleasure in seconding that resolution.

The vote was cordially approved.

The Chairman: On behalf of my co-directors and myself I beg to thank you, Sir John Chancellor and General Clifton-Brown, and I am very grateful to you, ladies and gentlemen, for passing this resolution. It has given me great pleasure to take the chair, and I appreciate the honour which the directors have accorded me in asking me to preside to-day. I hope you all approve of our calling the meeting in this room. There is perhaps a great deal that we miss, but I think it is so much nicer for the directors to meet the shareholders on their own premises, as it promotes that friendly spirit and feeling which we as a Bank want so much to cultivate. Thank you very much.

At the close of the meeting, Mrs E. B. Cunningham (a shareholder) expressed the hope that next year they would meet under happier circumstances.

The proceedings then terminated.

PARTICULARS IN REGARD TO THE CHIEF INDUSTRIES OF SOUTH AND EAST AFRICA FOR THE PERIOD UNDER REVIEW

MINERALS

The value of the mineral output of the Union for 1939, inclusive of the currency premium on gold, was approximately £105,000,000, as against £98,000,000 for 1938.

GOLD

The Transvaal gold output reached the record total of 12,819,344 fine ounces, representing an increase of 662,715 fine ounces over the figures for the previous year. The gross value rose from £86,367,864 to £95,326,922.

An increase of 2d. in the working cost per ton of ore milled was more than offset by a rise of 7d. in working revenue per ton, with the result that the total working profit increased from £31,687,956 to £35,516,961.

The total ore reserves are computed at 217,554,391 tons.

In Southern Rhodesia the output declined from 814,078 to 795,613 fine ounces, but owing to the rise in the price of gold the value increased from £5,820,534 to £6,227,282. Operations were hampered by exceptionally heavy rains during the early months of the year, and serious difficulties were also experienced in obtaining an adequate supply of native labour.

In Tanganyika there was a marked increase in the gold production, the value reaching £980,346 as compared with £588,679 in the previous year.

DIAMONDS

Exports of diamonds from the Union were valued at £1,921,441, as against £2,387,107 in 1938.

The demand for diamonds was adversely affected by the outbreak of war, but towards the end of the year business improved and sales have since risen appreciably. The outlook is, however, uncertain.

COAL

The value of the coal produced in the Union rose from £4,687,185 to £4,823,886.

Although the upward trend in the figures was maintained, there was some decline in the export and bunker trade during the closing months of 1939.

COPPER

A further increase was recorded in the production of copper in the Union, and good progress was made in the industry in Northern Rhodesia.

Following the outbreak of war there was a larger world demand for the metal.

ASBESTOS

The value of the exports of asbestos from the Union rose from £422,156 to £514,119.

In Southern Rhodesia production figures were maintained at about the previous year's level; the value of the output was £1,088,782, as compared with £1,020,921 in 1938.

FARMING INDUSTRIES

MAIZE

The latest estimate of the 1939-40 maize crop in the Union places the yield at 21,038,000 bags, as against the record figure of 29,103,000 bags in the previous season.

In May, 1939, the earlier interim marketing scheme was superseded by more comprehensive regulations, which included provision for the imposition of a levy, payments to producers, the registration of certain classes of traders and the prohibition of exports except by permit issued by the Control Board.

It is estimated that the 1939-40 maize crop in Southern Rhodesia will be a record one, and that about 1,000,000 bags will be available for export.

WOOL

The 1938-39 wool clip in the Union amounted to approximately 810,000 bales, an increase of about 47,000 bales over the figure for the previous season, but, as the average price per lb. for wool in the grease declined by 1.1d. to 8.3d., the total export value of the clip at £8,554,000 showed a decrease of some £214,000.

The opening sales, which are usually held in September of each year, were deferred during 1939 owing to the outbreak of war, and there was uncertainty regarding the disposal of the clip, particularly in view of the suspension of the Union-German Payments Agreement, which included provision for the purchase of South African wool to the value of £3,700,000. An arrangement was, however, effected between the British Government and the Union Government in connection with the disposal of wool, under which the former have made substantial purchases.

The 1939-40 clip is estimated at 830,000 bales.

During October, 1939, a provisional scheme designed to place wool production on a sounder basis was gazetted under the Marketing Act, 1937. It provided for the establishment of a Control Board with power to impose levies not exceeding 1s. and 1s. 6d. per bale in respect of grease wool and scoured wool, respectively.

Efforts to improve grading and packing are being continued and valuable research work in connection with production and marketing has been done by the Wool Council. An extensive campaign has been instituted and is directing increased attention to the naturally superior physical qualities of wool in comparison with artificial fibres. The production and quality of the latter have shown considerable improvement during recent years, but the cost of production is still the decisive factor, and it is considered that, so long as the cost of the natural product does not rise too far above that of the artificial fibre, the world demand for wool will be maintained.

MOHAIR

The production of mohair in the Union during the 1938-39 season amounted to 10,265 bales, as against 9,200 bales in the previous season.

The demand for mohair remained firm, and although the average quotation for the total quantity offered was about 16 per cent. lower than that during the 1937-38 season, the price for both the winter and summer clips was regarded as satisfactory.

HIDES AND SKINS

Exports of hides and skins from the Union totalled 64,742,678 lbs., valued at £1,720,145, as compared with 56,798,487 lbs., of the value of £1,420,220, in 1938.

For the first eight months of 1939 Union markets for hides and skins remained fairly steady, with a normal demand emanating principally from the United Kingdom and the Continent. Since

the outbreak of war, however, quotations have gradually increased to levels substantially in excess of pre-war values.

SUGAR

The 1939-40 sugar crop in the Union, which amounted to 595,556 short tons, constituted the fifth successive record for the industry.

Provided climatic conditions have been favourable for the 1940-41 crop there should be no material decrease in production figures.

FRUIT

The 1938-39 fruit crop in the Union was adversely affected by unfavourable climatic conditions, and exports for 1939, valued at £2,846,239, showed a decline of £322,327.

During the year under review a comprehensive research programme was evolved, and a scheme was introduced providing for the establishment of a Fruit Industry Control Board for the purpose of regulating the production and disposal of fruit.

Most of the exports for the 1939-40 season have been consigned to the United Kingdom, and prices generally, although irregular, have not been unsatisfactory.

WATTLE BARK AND EXTRACT

The value of the exports of wattle bark and extract from the Union rose from £907,952 to £1,307,052.

The Government grading and inspection of bark was again successfully pursued during the year, and experience has proved that the introduction of this service has been in the interests of the industry.

TOBACCO

Exports of tobacco leaf from Southern Rhodesia during the twelve months ended March 31, 1940, amounted to 19,023,866 lbs., valued at £1,025,201, as against 22,559,566 lbs., with a valuation of £1,267,106, for the preceding twelve months. Sales of flue-cured and fire-cured tobacco yielded an average price to growers of 10s. 11d. per lb. and 8s. 3d. per lb., respectively.

The tobacco exports from Nyasaland in 1939 were valued at £364,210, as compared with £392,683 in 1938.

DAIRYING

Local consumption of dairy products in the Union was well maintained during the year. Under a scheme which came into operation on August 1, 1939, virtual control of the industry was vested in the Dairy Industry Control Board, and it is expected that the wide powers conferred upon the Board will strengthen the position of the industry.

FRESH AND FROZEN MEAT

The quantity and value of fresh and frozen meat exported from the Union during 1939 showed an increase of over 100 per cent. as compared with the figures for 1938. The favourable development of the industry is attributable primarily to the National Mark Scheme and the improvement in the quality of slaughter stock as the result of the greater concentration on better feeding. Local consumption also increased, and, as prices have remained at a fairly remunerative level for some time, conditions in the industry are satisfactory.

SISAL

The value of the exports of sisal from Tanganyika fell from £1,425,192 to £1,223,477. The value of the Kenya exports at £472,543 was slightly higher than the relative figure for 1938.

The controlled price which came into force after the outbreak of war for the quotas for Great Britain and France revived the industry, which is now gradually recovering lost ground.

COFFEE

Exports of coffee from Kenya, Tanganyika and Uganda were valued at £801,468, £466,026 and £437,067, as compared with £767,785, £385,576 and £327,664, respectively, in 1938.

The crop last season was affected by lack of rain, and the results, on the whole, were disappointing both in regard to quality and quantity.

COTTON

Owing to unfavourable weather in some districts the cotton crop in Uganda for the 1939-40 season has not exceeded 300,000 bales. This compares with 330,600 bales in the 1938-39 season and the record crop of 424,000 bales in the 1937-38 season. Exports for 1939 were valued at £2,655,553, as against £3,427,948 in the previous year.

In Tanganyika the value of the exports rose from £380,304 to £557,358.

TEA

Exports of tea from Kenya were valued at £514,954, as against £508,066 in 1938. The acreage under this crop increased during the year.

CLOVES

There was a large increase in the production of cloves in Zanzibar, and the value of the exports rose from £514,964 to £857,596.

MANUFACTURING INDUSTRIES

General activity in secondary industries tended to decline during the earlier months of the war owing to uncertainty regarding supplies of raw materials and to fluctuations in price levels. Within a relatively short period, however, an upward trend became evident. While difficulty in obtaining raw materials from overseas countries is still being experienced, many industries have been able to increase their production of normal manufactures, and both old and new industries are participating in orders for articles hitherto made abroad. Apart from the favourable outlook that is implicit in the actual expansion that has already taken place, additional confidence in the industrial future of the Union has been generated by legislation for the financing of new enterprises and the extension of existing industries.

The value of building plans passed at the larger centres in the Union during 1939 declined by £3,317,000 to £16,883,000, largely owing to a fall of about £3,000,000 in the value of plans passed at Johannesburg; less activity has been evident since the turn of the year, but it is hoped that the expansion of private enterprise will be encouraged by the declared intention of the Government and other authorities to proceed with their building programmes wherever possible.

The iron and steel industry has made satisfactory progress.

TRUSTEES CORPORATION LIMITED

THE INVESTMENT POSITION

The fifty-second ordinary general meeting of this company was held, on the 24th instant, in London.

Mr W. Sandford Poole, chairman of the corporation, in the course of his speech, said:—Our valuation of investments, based, of course, on market quotations at May 31, 1940, where available (being over 90 per cent. of the whole), and on an estimate of the remainder, showed a depreciation of £410,206 (equivalent to about 12.7 per cent.) on the aggregate amount at which the investments stand in the balance sheet. Judging from available index figures of the levels of security prices, there is little doubt that any valuation made by us subsequent to May 31st would have indicated a depreciation in excess of 12.7 per cent. Against any depreciation that exists, however, we have, apart from the building reserve, free reserves amounting to £483,000.

The revenue from Winchester House is shown at the reduced figure of £12,971, compared with £17,465 for the previous year. Since the outbreak of war, demand for facilities in our safe deposit has continued to be brisk and revenue therefrom has been well maintained. On the other hand, hall lettings, both for company meetings and property sales, have shown a somewhat severe shrinkage. The decrease of £4,494 is largely accounted for by increased local rates and special A.R.P. expenditure.

The net revenue for the year amounted to £91,355. Adding the balance brought forward from last year of £72,808, there was a total of £164,163 to be dealt with. We have transferred a further £5,000 to building reserve, increasing the reserve to £50,000. We propose a final dividend of 7 per cent., less income tax, again making the dividend on the ordinary stock 10 per cent. for the year.

The resolutions with respect to the ordinary business were carried unanimously.

Thereafter a special resolution to adopt a fresh "objects clause" (substantially retaining the corporation's original powers but more specifically and comprehensively covering the business of an investment trust company) was also carried unanimously but is subject to confirmation by the High Court.

THE DISTILLERS COMPANY, LIMITED

The sixty-third annual general meeting of the Distillers Company Limited was held in the North British Station Hotel, Edinburgh, on the 19th instant, when the Right Hon. Lord Forteviot, O.B.E., M.C., chairman of the company, presided.

The chairman said:—

Before reviewing the activities of the company during the past year, may I be permitted to refer to the deep regret felt by the Board, and, I am sure, the general body of stockholders, at the death of Mr T. Horace Harvey. Mr Harvey had been a director since 1936, but his association with the Company had extended over a period of forty years through his connection with our subsidiary, the United Yeast Company, Limited, of which he was chairman.

The reports and accounts, copies of which have been in your hands for some time, I presume I may take as read.

The profit for the year, arrived at after providing for depreciation of fixed assets, reserve for investments, and allowing for taxation and contingencies, amounts to £2,428,841. The corresponding figure last year was £2,482,202. It will be appreciated that, as the charge for imperial taxation in the accounts of the parent and associated companies was of necessity much greater than for the previous year, although the net profit was lower, the actual trading results showed an increase. The profit figure for the year under review was materially affected in different ways by (1) an abnormal increase in export of whisky, and (2) the wartime restriction on the output of grain and malt distilleries, which resulted in these works being silent for part of the year. In these circumstances the Board considered it even more advisable than usual to be conservative in arriving at the balance available for distribution to stockholders. On several occasions in the past your attention has been drawn to the practice of the company in reserving the profit on sales of new spirit to subsidiary and associated companies until the spirit is used. This year, part of this reserve became free because the quantity of spirit used was in excess of the new spirit produced. The sum thus freed has been retained in suspense, so that it will be available to meet the future burden of rebuilding stocks of matured whisky which are at present depleted, due to the increase in export sales and the restrictions on distilling already referred to. Further, the appropriations to reserves for the year and the carry forward total £1,213,657, as against £1,086,899 last year.

When addressing you last year I declined to forecast the rate of dividend which the company would be able to pay in the future, and little did I realise then how subsequent events were to justify my decision. In recommending the dividend, which later on I shall propose, the Board have taken what might be termed a middle course—between excessive caution and liberality which overlooks the possibility of unexpected reverses. I am confident this policy will receive your full support.

In these days no one can foretell the course of events, but it is right I should tell you that the properties and stocks belonging to the parent and subsidiary companies are well spread throughout the country, that the stocks are covered by war risks and other insurances, and that substantial reserves have been built up within the group.

Turning to the balance sheet, it will be observed that the issued capital has increased by £4,276,385 as a result of the capitalisation of part of the reserve fund referred to in my remarks last year and since confirmed by the stockholders. The expenses of the new issue amounted to £29,374, and this has been written off against the year's profits.

The sums due to and by subsidiary and associated companies, as compared with the previous year, show a net increase in the parent company's indebtedness to them of a little over £4,500,000. Against this, however, the cash on hand has increased by £4,231,545. As the parent company acts as banker for the group, these figures vary from time to time. The increase in the cash held by the group has arisen mainly from the two causes I have already referred to: (a) the reduction in stocks caused by large export deliveries, and (b) the restriction in distilling. Sundry investments show an increase of £1,245,520, the greater part of which is due to our increased holding in Government securities.

The company, in March, 1940, invested £1,000,000 in 3 per cent. War Loan, 1955-59, and since the close of the financial year, £3,000,000 in 2½ per cent. War Bonds, 1945-47.

A holding in B.X. Plastics, Limited, has been purchased during the year. This company is engaged in the manufacture of plastics, which have been the subject of investigation for some time past by our research organisation. The use of plastics is rapidly developing, and every day new outlets are being found for this material.

The amount invested in subsidiary companies shows little change. Careful consideration has been given to the valuation of all our investments, and these are inserted at conservative figures.

None of the other items in the balance sheet calls for special reference.

As I have already indicated, operations at our potable distilleries were severely curtailed shortly after the outbreak of war, due to the necessity of diverting cereals for other and more urgent uses, principally stock feeding purposes.

Distilling can only now be carried on under licence issued by the Ministry of Food, and, by Government decree, we are not permitted to make more during the current year than one-third of the quantity produced during the twelve months to September 30, 1939.

If this restricted output should be continued for any length of time it will be readily appreciated that a gap will be created in our company's stocks which will become increasingly difficult to bridge.

In an attempt to minimise the effect of this restriction upon distilling, we were compelled to adopt a moderate rationing scheme for our home trade customers, which would have been applied to export markets also had not the Government stressed the importance in the national interest of maintaining and even increasing exports at all costs, particularly to the dollar markets. For this reason we have given exports free rein, but, unless we can induce the Government to release a larger quantity of cereals for the manufacture of new whisky, we may be obliged, for our own preservation, to restrict the quantity we have been sending overseas.

Sales of potable spirit in the home markets show an increase for the year ended March 31st last, which is the end of the financial year of the group companies dealing with this commodity. You are doubtless aware that, in the Finance Act (No. 2) last September the Chancellor of the Exchequer put on an extra duty of 10s. to the already exorbitant duty of 72s. 6d. per proof gallon, and, not satisfied with this, added a further 15s. in April of this year, making 97s. 6d. per proof gallon. It is too early yet to see the cumulative effect of these two increases, but so far it has caused a marked decrease in our home sales.

Our proprietary Scotch whisky trade in export markets has shown a steady increase throughout the year, and our blending companies experienced very little inconvenience in maintaining regular shipments, due to the magnificent work of the Royal Navy in keeping the trade routes open and the indomitable courage of the men of our mercantile marine. Increased shipments to the United States of America and Canada show that the demand for our products on that continent is still increasing. Improved gin sales in both home and export markets disclose that our brands more than retain their popularity.

The demand for industrial alcohol up to the outbreak of the war was well maintained, in fact there was a slight increase over the corresponding period of the preceding year. After the outbreak of war, the Industrial Alcohol Controller, under the Ministry of Supply, took over the control of the factories. It was of the greatest assistance to the Government that our factories were in full operation and that we, in collaboration with the United Molasses Company, Limited, had taken the precaution, before the outbreak of war, of laying down a large emergency stock of raw material.

The yeast factories have continued to operate successfully, and the quality of the output has been very satisfactory. Since war started the sales have increased, due mainly to the restriction of imports. Costs of our materials have gone up considerably, but the policy in co-operation with the Ministry of Food has been not to increase the sale price, as it was deemed desirable to prevent any rise in the price of bread. The greater output has enabled us to maintain this policy. We realise the supreme importance of maintaining this key industry in wartime in a state of constant efficiency.

On the chemical side of our business the research organisation has again been active in investigating and developing all possible methods for the manufacture of synthetic chemicals. They are also working on various problems connected with Government requirements.

The building materials section continues to develop, and is showing a reasonable profit. The loss of business caused by the slump in private building has been made up to a considerable extent by the use of the product for national purposes.

I am sure the stockholders will be glad to know that the board have granted allowances on a generous scale to all employees who have joined up for national service. This constitutes a large percentage of our staffs. These allowances come up for review from time to time.

While on this subject, I should like to refer to the invaluable services of the staff during the past year. In wartime as well as in peace they have given their usual loyal and efficient service.

The National Savings Movement has received sympathetic consideration by the board, and large blocks of War Savings Certificates have been purchased under arrangement that employees repay by weekly instalments. The response by all concerned has been very satisfactory.

You will observe from the annual report that Sir Alexander Walker, on his retiral from business, resigned from the board. Sir Alexander's distinguished career is too well known to you all to need repetition. His retiral is a great loss to us, and we appreciate most highly the services he rendered during his long connection with the company.

Following Sir Alexander's retiral, the board decided to appoint Mr Dargie and myself to the management committee, where Mr Dargie's personality and ability will continue to be of the greatest value to our organisation.

I have now much pleasure in moving the adoption of the report which recommends payment of a final dividend on the preference stock of 3 per cent., less tax, making, with the interim dividend of 3 per cent. already paid, a dividend of 6 per cent., less tax, for the year; also a final dividend on the ordinary stock of 8¾ per cent., less tax, making, with the interim dividend of 6¼ per cent. already paid, a dividend for the year of 15 per cent., less tax, also the payment of a cash bonus of 1¼ per cent., less tax, on the ordinary stock; and carrying forward to next year a sum of £537,272.

Sir James Calder seconded, and the motion was agreed to unanimously.

The re-election of Mr J. A. Dewar, Mr J. M. Connell, Mr C. G. Hayman, Mr R. H. Stein and Captain R. Macdonald-Buchanan was approved without dissent.

The re-appointment of Messrs Moores, Carson and Watson, C.A., the auditors, was agreed to.

Mr Andrew Wishart, W.S., in moving a vote of thanks to Lord Forteviot, paid tribute to him for the way in which he had presided over the meeting, and for his comprehensive survey of the company's operations during the past year. He expressed satisfaction, which he was sure was shared by all the stockholders, that Lord Forteviot had been appointed a member of the management committee.

Lord Forteviot, in reply, thanked Mr Wishart for his remarks, and ended by saying that he had the same quiet optimism about the future of the company as he had about the ability of the nation to surmount the troubles which are at present facing it.

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.

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ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

SATISFACTORY RESULTS

The thirtieth ordinary general meeting of the Anglo-Dutch Plantations of Java, Limited, was held, on the 23rd instant, in London, Mr W. H. Daukes (chairman and managing director) presiding.

The chairman, in moving the adoption of the report and accounts, said: A profit of £313,776 is carried to the balance sheet, compared with £198,622, in which there was a liability of £11,000 for National Defence Contribution. An interim dividend of 2 per cent., less tax, has already been paid, and out of the balance it is necessary to transfer £134,000 to income-tax reserve. We now propose the payment of a final dividend of 4 per cent., less tax.

TEA AND RUBBER POSITION

Our standard tea production for 1939 under the Regulation Scheme amounted to 19,087,759 lbs., including native leaf. Of this standard about 62½ per cent. was exportable. The actual production amounted to 13,366,190 lbs., of which 1,072,526 lbs. were exported against licences purchased and about 419,000 lbs. manufactured from leaf purchased from the population. The total tea area consists of 26,939 acres, all of which, with the exception of some 46 acres, are in production; the yield per acre in bearing was therefore approximately 480 lbs. In total the gross profit from tea fell from f.1,675,000 to f.1,509,000.

As regards the effect of the present tea position on our own results, even with some good forward sales with which we started the current year, we cannot look forward to this year with any optimism, but I feel that the really important thing is, in these abnormal times, to maintain by all means possible the position to which the tea industry has attained by eight years of co-operation.

Our standard production for 1939 was 18,984,562 lbs., and of this approximately 55½ per cent. was exportable. The year's production amounted to 11,934,358 lbs., export licences for 1,129,353 lbs. being purchased.

The total rubber area is 38,094 acres, of which 13,899 are not in production. The year's crop gives a yield of 493 lbs. per acre from the area in bearing. A better price ruled during the first eight months of last year compared with that of 1938, and the active demand that took place after the outbreak of war increased our selling price by 0.73d. to 7.95d. per lb., against 7.22d. Our cost price at 3.39d. per lb. showed a satisfactory decrease of 0.83d. per lb. The total gross profit of f.1,737,662 was substantially higher than the f.1,190,803 of the year before. Each year shows a steady improvement in the average condition of our rubber as the oldest gardens are uprooted and replanted with the most up-to-date material.

The prospects for rubber for the current year are satisfactory. A good price and a good quota are likely to form a combination which will show up well in the gross profit figure for 1940.

COFFEE, CINCHONA AND RICE

Encouraging features are by no means absent from our coffee position. Now that all the coffee has been uprooted from our West Java estates, the whole is centralised on the two estates in mid-Java, Soekaboemi and Kalimas, the area of coffee on the former amounting to 3,617 acres, and on the latter 1,410 acres. The condition of the coffee has in recent years shown great improvement, and gradually many weak areas which have been uprooted and replanted are now looking in much happier condition.

Our total crop of cinchona bark harvested in 1939 amounted to 1,350,985 lbs., compared with 889,021 lbs. in 1938. Owing to the larger crop harvested, costs showed a substantial drop from 25.07 cents to 17.27 cents per half-kilo bark. The selling price showed practically no change, but owing to the large amount sold and the reduction in the cost price, the gross profit shows an increase from f.153,619 to f.687,693.

Our rice interests fall under two categories; first, the rice mills themselves and, secondly, our irrigated areas on the eastern boundary where large quantities of paddy are grown. The importance of the latter in connection with our rice mills is each year becoming greater.

Altogether there were harvested last year 26,300 tons of paddy, and of this amount nearly 13,500 tons were delivered to our own mills. The estate has at last nearly reached the position of balancing its revenue expenditure and receipts.

The report and accounts were unanimously adopted.

VICTORIA FALLS AND TRANSVAAL POWER COMPANY, LIMITED

INCREASED NET PROFIT

DIVIDEND MAINTAINED

The annual meeting of the above company was held, on the 23rd instant, at Winchester House, Old Broad Street, London, E.C.2.

The chairman and managing director, Mr Arthur E. Hadley, C.B.E., presented the report and accounts for the year ended December 31, 1939. He said that after providing for all charges, including taxation in this country and South Africa, the net profit for the year amounted to £681,789, as compared with £652,035. This had enabled the full 10 per cent. to be paid on the preference shares and the dividend of 15 per cent. for the year to be maintained on the ordinary shares. A further £200,000 had been added to the reserve fund, and the amount carried forward to the current year had been increased.

The load had increased during the year by 12 per cent. and at the end of the year amounted to a demand of 651,500 kilowatts for electricity and compressed air. At the outbreak of war there were in hand large contracts for extensions to the generating and transmission plants required to meet the further development of the gold mining industry, and the progress of construction had been as good as could have been expected. During the year all plant had operated satisfactorily.

The chairman concluded by mentioning that arrangements had been made for the London administrative staff to occupy temporary offices in the country, and he asked the shareholders to join with the board in sending a message to the staff in South Africa and this country expressing appreciation of their work, both during the year under review and the present year.

The report and accounts were adopted unanimously and the retiring directors, Mr F. Astley Cooper and Mr R. E. Shott, were re-elected. The auditors, Messrs Cooper Brothers and Company, were re-appointed for the current year.

EASTWOODS CEMENT, LIMITED

WARTIME CONDITIONS

The fifteenth ordinary general meeting of Eastwoods Cement, Limited, was held, on the 25th instant, at River Plate House, London, E.C.2.

Mr Horace Boot, M.Inst.C.E., M.I.Mech.E., M.I.E.E. (the chairman), said that capital expenditure stood in the balance sheet, after allowing for depreciation reserves, at a net valuation of only 22s. 10d. per ton, which was a very low figure for a works of this kind. He was glad to say that the Humber Works was now in regular production. Production and sales from the Lewes works had also continued at a satisfactory level. With the three cement works of the Eastwoods Group functioning in the North, South and Midlands, they had a total productive capacity of 265,000 tons, and they were well placed to take their share in the building schemes which must inevitably be resumed without delay on the termination of hostilities, including road construction to the value of over £50,000,000, which was suspended on the outbreak of war.

The industry should now be able to reap a reasonable profit on the current production, and consistently with conditions, they were running to capacity, and they had been able to participate in satisfying the exceptional demand for cement during the past few weeks. On the outbreak of war the situation was considerably altered. Cement was given high priority, but the limitation of timber supplies reduced the immediate uses to which it could be put. Building operations throughout the country had also been seriously impeded by continuous snow and frost.

There had been some difficulty in maintaining the supply of essential skilled labour, and some shortage of transport and coal. Measures taken for production and distribution of cement up to the time of the evacuation of the B.E.F. from Dunkirk had to be entirely reframed. Since then this country had been literally digging itself in. So far as their company was concerned, they were leaving no stone unturned to facilitate the successful prosecution of the war, and they were in a very favourable position to resume their activities to the full immediately the situation became normal.

The report was unanimously adopted.

(*Continued from page* 128)

STANDARD STATISTICS INDICES
(1926 = 100)
WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	July 10, 1940	July 17, 1940	July 24, 1940
347 Ind'ls ...	80·9	111·4	87·0	88·1	87·0
32 Rails	20·7*a*	30·7	24·3	24·6	24·3
40 Utilities ..	71·2*a*	89·4	80·2	80·6	79·7
419 Stocks ...	69·9	94·8	76·0	76·8	75·8
Av. yield* ...	6·61% High	4·30% Low	6·11%	6·04%	6·15%

* 50 Common Stocks. *a* May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

July 18	July 19	July 20	July 22	July 23	July 24
95·9	94·9	94·8	95·0	95·1	94·1

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

Capital Issues

Week ending July 27, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	...	Nil
To Shareholders	190,000	...	300,000
By S.E. Introduction.	Nil	...	Nil
By Permission to Deal	65,000	...	65,000
Nat. Savings Certs.†	4,084,565	...	4,084,565
3% Defence Bonds‡..	6,354,685	...	6,354,685
2½% Nat. War Bonds‡	11,850,495	...	11,850,495

† Week to July 16, 1940. ‡ Week to July 23, making total since June 25th £121,506,665.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)	988,120,284	635,165,151
1939 (New Basis).....	*101,996,430*	*79,546,349*
1940 (Old Basis).....	973,145,877	620,390,744
1939 (Old Basis)	*69,752,041*	*48,321,962*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	634,402,139	763,012	Nil
1939 (New Basis)	*52,496,197*	*24,869,148*	*2,181,004*
1940 (Old Basis)	620,248,288	142,456	Nil
1939 (Old Basis)	*32,161,871*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	620,010,933	1,355,005	13,799,213
1939 (New Basis)	*43,157,145*	*5,362,999*	*31,026,205*
1940 (Old Basis)	618,991,112	77,500	1,209,132
1939 (Old Basis)	*36,243,921*	*2,088,459*	*9,989,582*

"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

Company Results of the Week.—THRELFALL'S BREWERY has maintained the 18 per cent. dividend from slightly higher net profit of £324,713 against £313,367. MCDOUGALL'S TRUST shows an increase in net earnings from £174,279 to £201,551 despite a slight fall of £864 in gross income to £204,344. The dividend has been raised from 10 to 12½ per cent. Gross income of AIRSCREW has risen by more than £50,000 to £87,040 and net profits to £22,342 against £17,689. The dividend is raised from 22½ to 25 per cent. MILLARS TIMBER have passed the dividend—7½ per cent. was paid in the previous year—owing to a decline in net income from £78,652 to £49,131, for which transport and other difficulties arising from the war are responsible. A decline of slightly over £1,000 in the gross earnings of WILLIAMS & WILLIAMS, the metal window manufacturers, is accompanied by a fall in net profits from £49,403 to £40,295. The 15 per cent. dividend has, however, been maintained. A very satisfactory improvement has taken place in the profits of LOW TEMPERATURE CARBONISATION which is distributing 3½ per cent. against nil. Gross profits are up by over £27,000 to £70,020 and net income has risen from £815 to £29,402.

Low Temperature Carbonisation.—Gross trading profit, year to March 31, 1940, £70,020 (£42,943). Depreciation, £6,228 (£11,504). Tax, £17,760 (£14,117). Net profit, £29,402 (£815). Carry forward, £27,640 (£33,265). Ordinary dividend 3½ per cent. (nil). A dividend of 4 per cent. was paid for year to March 31, 1938.

William Baird.—Trading profit, 11½ months to May 31, 1940, £338,689, against £411,748 for 13 months to June 30, 1939. Net profit, £200,806 (£362,149). Ordinary dividend 15 per cent. (16 per cent. plus 13 per cent. tax free).

Shell Union Oil Corporation.—Net income quarter to June 30, 1940, $4,135,800 ($1,684,100). Net income half year to June 30, 1940, $9,449,900 ($2,162,422). Depreciation, $11,033,500 ($9,865,500). Taxation, $849,800 ($298,800).

W. Barratt and Company, Ltd.—Profit, year to June 30, 1940, £180,033 (£159,898). Depreciation, £26,662 (£24,595). Taxation, £52,171 (£26,350). Ordinary dividend 12 per cent. as before. General reserve, £10,000 (£15,000). Pension fund, £5,000 (£5,000). Carry forward remains at £29,601.

Millars' Timber and Trading.—Trading profits 1939, £64,581 (£110,752). Depreciation and reserve, £10,800 (£20,000). N.D.C., £1,650. Net profit, £49,131 (£78,652). Preferred ordinary 3 per cent. (6 per cent.). Ordinary, nil (7½ per cent.).

Threlfall's Brewery.—Trading profit (year to June 30, 1940), £458,471 (£430,800). Depreciation, £58,363 (£45,558). Net profit, £324,713 (£313,367). Properties investment reserve, £50,000 (£50,000). Ordinary dividend again 18 per cent. Carry forward, £312,002.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to July 20, 1940, total ordinary revenue was £29,375,000, against ordinary expenditure of £66,336,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £642,450,000, against £173,613,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1940–41	Apr. 1, 1939, to July 22, 1939	Apr. 1, 1940, to July 20, 1940	Week ended July 22, 1939	Week ended July 20, 1940
	Receipts into the Exchequer (£ thousands)				
ORDINARY REVENUE					
Income Tax...	450,500	24,938	47,185	4,342	6,362
Sur-tax.....	75,000	7,490	7,710	190	550
Estate, etc., Duties	85,100	26,770	28,770	2,330	1,810
Stamps.....	19,000	5,110	4,030	200	250
N.D.C.....	70000	6640	6,510	400	1,090
E.P.T.		...	11,570	...	2,010
Other Inland Revenue ...	1,000	290	150	...	20
Total In. Rev.	700,600	71,238	105925	7,462	12,092
Customs	302,050	77,381	85,894	5,101	4,581
Excise	164,050	35,920	50,300	6,580	12,200
Total Customs and Excise...	466,100	113301	136194	11,681	16,781
Motor Duties	35,000	5,834	6,698	...	...
P.O. (Net Receipt) ...	13,291	4,114	4,350	1,150	500
Crown Lands	1,150	320	280	...	...
Receipts from Sundry Loans	5,000	1,512	476	...	...
Mis. Receipts	13,250	1,634	5,143	102	2
Total Ordinary Revenue ...	1234391	197953	259066	20,395	29,375
SELF-BAL.					
Post Office and Broadcasting	86,222	21,936	23,550	900	1,300
Total	1320613	219889	282616	21,295	30,675
	Issues out of the Exchequer to meet payments (£ thousands)				
Expenditure	Estimate, 1940–41	Apr. 1, 1939, to July 22, 1939	Apr. 1, 1940, to July 20, 1940	Week ended July 22, 1939	Week ended July 20, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	88,925	92,628	606	1,736
Payments to N. Ireland ...	9,400	1,913	1,928	3	...
Other Cons. Fund Serv.	7,600	3,186	3,195	...	...
Total	247,000	94,024	97,751	609	1,736
Supply Serv.	2419790	275495	801666	16,940	64,600
Total Ordinary Expenditure	2666790	369519	899417	17,549	66,336
SELF-BAL.					
Post Office and Broadcasting	86,222	21,936	23,550	900	1,300
Total	2753012	391455	922967	18,449	67,636

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £384,280 to £2,714,743, the other operations for the week (no longer shown separately) raised the gross National Debt by £37,089,700 to about £9,586 millions.

OTHER ISSUES (NET)
(£ thousands)

Overseas Trade Guarantees	313
P.O. and Teleg. (Money) Acts	200
	513

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to July 20, 1940, are :—

(£ thousands)

Ordinary Exp. ...	899,417	Ord. Revenue ...	259,066
Misc. Iss. (net)...	4,000	Gross. borr.	646,770
Inc. in balances...	320	*Less*— Sinking fds.	2,099
		Net borrowing ...	644,671
	903,737		903,737

FLOATING DEBT
(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt	Floating Assets
1939						
July 22	499·0	558·1	43·1	...	1100·2	601·2
1940						
Apr. 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
„ 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
„ 22	755·0	861·1	42·3	...	1658·4	903·4
„ 30	770·0	856·0	36·6	...	1662·6	892·6
July 6	785·0	Not available				
„ 13	800·0		„	„		
„ 20	815·0		„	„		

TREASURY BILLS
(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939				s. d.	
July 21	35·0	68·6	35·0	14 8·61	39
1940					
Apr. 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
„ 21	65·0	97·6	65·0	20 4·97	60
„ 28	65·0	110·3	65·0	20 5·22	51
July 5	65·0	105·4	65·0	20 5·10	55
„ 12	65·0	112·3	65·0	20 4·97	48
„ 19	65·0	118·8	61·0	20 4 45	37

On July 19th 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 37 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 July 26th.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS
(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
July 9	5,364	10,636	30,469
„ 16	13,139	6,355	18,187
„ 23	...	...	11,850
Totals to date	124,350*	126,334*	121,507†

* 34 weeks. † 5 weeks.

Interest free loans received by the Treasury up to July 23rd amounted to 6,408 of a total value of £12,874,583. The Revenue Returns no longer show the amount of principal of savings certificates and 3% defence bonds which has been repaid.

BANK OF ENGLAND RETURNS

JULY 24, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued :		Govt. Debt .	11,015,100
In Circultn.	607,592,422	Other Govt. Securities...	614,812,519
In Banking Dept.	22,644,336	Other Secs.	3,662,098
		Silver Coin .	510,283
		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

	£		£
Props.' capital	14,553,000	Govt. Secs. .	154,102,838
Rest	3,407,237	Other Secs. :	
Public Deps.*	30,266,509	*Discs., etc. .*	*3,143,811*
		Securities ..	*22,239,710*
Other Deps. :			
Bankers ...	*103,957,085*		*25,383,521*
Other Accts.	*50,967,584*	Notes	22,644,336
	154,924,669	Gold & Silver Coin	1,020,720
	203,151,415		203,151,415

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

THE WEEK'S CHANGES
(£ thousands)

Both Departments	Amt. July 24, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	607,592	− 1,325	+ 96,694
Deposits : Public	30,266	− 25,771	+ 4,256
Bankers'.....	103,957	+ 24,792	+ 12,579
Others	50,967	− 267	+ 14,225
Total outside liabilities..	792,782	− 2,571	+127754
Capital and rest	17,960	+ 17	− 95
COMBINED ASSETS			
Govt. debt and securities†	779,930	− 1,801	+374179
Discounts and advances	3,143	+ 118	− 4,908
Other securities	25,901	− 766	+ 4,374
Silver coin in issue dept.	510	+ 1	− 205
Gold coin and bullion	1,257	− 108	−245783
RESERVES			
Res. of notes and coin in banking department...	23,665	+ 1,217	− 12,478
"Proportion" (reserve to outside liabilities in Bankg. dept.)	12·7%	+ 0·7%	−10·7%

COMPARATIVE ANALYSIS*
(£ millions)

	1939 July 26,	1940 July 3	1940 July 10	1940 July 17	1940 July 24
Issue Dept. :					
Notes in circ..	510·9	608·2	610·4	608·9	607·6
Notes in banking dept.	35·5	22·1	19·9	21·3	22·6
Govt. debt and securities†....	299·3	626·7	626·6	625·9	625·8
Other secs. ...	0·0	2·8	2·8	3·6	3·7
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued*	246·4	0·2	0·2	0·2	0·2
at s. per f. oz.	*148·50*	*168·00*	*168·00*	*168·00*	*168·00*
Deposits :					
Public	26·0	16·6	22·2	56·0	30·3
Bankers'.....	91·4	140·1	107·0	79·2	104·0
Others	36·7	48·8	47·8	51·2	51·0
Total	154·1	205·5	177·0	186·4	185·3
Bkg. Dept. Secs.					
Government...	106·5	171·2	146·7	155·9	154·1
Discounts, etc.	8·0	5·4	3·9	3·0	3·1
Other	21·5	23·2	23·1	23·0	22·2
Total	136·0	199·8	173·7	181·9	179·4
Banking dept. reserve	36·1	23·6	21·2	22·4	23·7
	%	%	%	%	%
"Proportion"	23·4	11·4	11·9	12·0	12·7

* Government debt is £11,015,100; capital £14,553,000. † Fiduciary issue raised from £580 millions 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; Bulgaria, Prague and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Estonia, New Zealand, Mellie Iran, and Sweden, of June 22nd; Australia, Greece, Jugoslavia, Latvia and Lithuania, of June 29th; Canada and Federal Reserve Member Banks, of July 20th.

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. Banks	July 27, 1939	July 11, 1940	July 18, 1940	July 25, 1940
RESOURCES				
Gold certifs. on hand and due from Treas.	13,709	17,944	18,028	18,114
Total reserves	14,089	18,316	18,406	18,507
Total cash reserves	371	360	368	380
Total U.S. Govt. secs.	2,488	2,450	2,450	2,450
Total bills and secs.	2,506	2,461	2,461	2,462
Total resources	17,338	21,556	21,779	21,744
LIABILITIES				
F.R. notes in circn.	4,499	5,232	5,230	5,223
Excess mr. bank res.	4,490	6,830	6,880	6,570
Mr. bank reserve dep.	10,436	13,764	13,863	13,565
Govt. deposits	742	297	278	643
Total deposits	11,869	15,336	15,440	15,535
Total liabilities	17,338	21,556	21,779	21,744
Reserve ratio	86·1%	89%	89%	89·2%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	16,227	20,166	20,256	20,367
Treas. & bk. currency	2,893	3,015	3,016	3,020
LIABILITIES				
Money in circulation	7,002	7,884	7,872	7,854
Treas. cash and dep.	3,248	2,488	2,477	2,872

CENTRAL BANK OF ARGENTINA

Million paper pesos

Assets	May 31, 1939	Apr. 15, 1940	Apr. 30, 1940	May 31, 1940
Gold at home	1,224	1,224	1,224	1,224
Other gold & for. exch.	80	176	178	183
Non-int. Govt. bond	119	119	119	119
Treasury bonds	397	396	396	396
LIABILITIES				
Notes in circulation	1,140	1,173	1,176	1,185
Deposits: Government	169	127	107	150
Banks	391	457	434	423
Certs. of participation	121	153	198	197
Reserve ratio	76·6%	79·4%	81·3%	79·9%

SOUTH AFRICAN RESERVE BANK

Million £'s

Assets	June 30, 1939	June 14, 1940	June 21, 1940	June 28, 1940
Gold coin and bullion	26·64	37·30	38·42	36·66
Bills discounted	7·68	8·37	8·15	1·66
Invcs. & other assets	16·35	26·96	27·75	25·12
LIABILITIES				
Notes in circulation	19·16	19·89	19·99	22·76
Deposits: Government	1·96	6·15	7·42	1·89
Bankers'	22·34	36·89	35·25	38·28
Others	4·35	5·72	6·97	8·42
Reserve ratio	55·5%	54·2%	55·0%	52·5%

BANK OF PORTUGAL

Million escudos

Assets	May 31, 1939	May 15, 1940	May 22, 1940	May 29, 1940
Gold	919·9	920·6	920·6	920·6
Balances abroad	694·2	810·9	759·1	745·8
Discounts	426·8	416·0	412·6	413·2
Securities	117·9	106·7	104·6	102·8
LIABILITIES				
Notes in circulation	2104·3	2373·4	2378·2	2424·0
Deposits: Government	366·6	430·2	420·8	394·1
Bankers'	727·3	634·9	662·0	673·5
Other	100·0	86·6	97·0	88·1
Foreign commitments	195·9	249·5	249·6	249·4

BANK OF JAPAN.—Million yen

Assets	June 10, 1939	June 1, 1940	June 8, 1940	June 15, 1940
Coin & bullion: Gold	501·3	501·3	501·3	501·3
Other	38·8	34·6	35·7	36·8
Foreign exch. fund	300·0	300·0	300·0	300·0
Discounts and advances	461·4	549·3	544·0	550·3
Government bonds	1474·9	2769·1	2610·1	2482·6
Agencies' accounts	190·3	250·0	230·7	258·2
LIABILITIES				
Notes issued	2059·6	3373·2	3188·9	3220·7
Deposits: Government	506·9	678·9	673·0	581·1
Other	180·5	128·1	101·3	103·4

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between July 19th and July 25th. (Figures in brackets are par of exchange.)
U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers 4·43–47¼. Sw. fcs. (25·22½) 17·70–80. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent pm.-par. Canada, ½ 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 £	July 19, 1940	July 20, 1940	July 22, 1940	July 23, 1940	July 24, 1940	July 25, 1940
Tallinn, Ekr.	18·159	14½*	14¾‡	14¾‡	14¼‡	14¼‡	14½‡
Riga, Lats	25·22½	18¾*	19¼‡	19¼‡	18¾‡	18¾‡	19‡
Budapest, Pen.	27·82	18¼*	18¾*	18¾*	18¼*	18¼*	18½*
Kovno, Lit	48·66	21⅛*	21⅝‡	21⅝‡	21‡	21‡	21¼‡
Belgrade, Din.	276·32	150*	150*	150*	150*	150*	150*
		190*(g)	190*(g)	190*(g)	190*(g)	190*(g)	190*(g)
Sofia, Lev.	673·66	300*	305*	305*	300*	300*	305*
Helsingfors, Mk	193·23	190–210	190–210	190–210	190–210	190–210	180–200
Alexandria, Pst	97½	97⅝–⅝	97⅝–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Lisbon, Esc.	110	99½–101½	99–101	99–101	99–101	99–101	99–101
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520 (b)	520 (b)	520 (b)	520 (b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16
Kobe, Yen	†24·58d.	14 11/16–15 5/16	14 5/16–15 5/16	14 5/16–15 5/16	14⅝–15⅜	14⅝–15⅜	14 7/16–15 3/16
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95*	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (e)	17·38	23½–26½	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡
Montevideo, $	† 51d.	20½–23½	20½–23½	20½–23½	21½–24½	21½–24½	21–24
Singapore, $	‡ 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3 11/16–4 5/16	3⅝–4⅛	3⅝–4⅛	3⅝–4⅛	3⅝–4⅛	3 11/16–4 5/16
Bogota, Pes.	...	6⅛*	6⅛‡	6⅛‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † 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.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended July 22, '39	Week ended July 20, '40	Aggregate January 1 to July 22, '39	Aggregate January 1 to July 20, '40
Working days:—	6	6	171	171
Birmingham	1,878	2,593	69,764	67,257
Bradford	792	1,047	24,313	46,534
Bristol	1,305	2,057	38,364	50,131
Hull	759	644	23,232	23,216
Leicester	710	675	20,723	22,137
Liverpool	4,758	6,107	145162	169142
Manchester	8,469	11524	276264	333689
Newcastle	1,510	1,307	44,298	39,719
Nottingham	474	244	14,369	12,511
9 Towns	20655	26198	656489	764336
Dublin	...	...	...	...
Sheffield*	919	822	31,165	19,444
Southampton†	...	116	...	1,134

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between July 19th and July 25th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1 1/32%; 3 months, 1 1/32%; 4 months, 1 1/16–1⅛%; 6 months, 1⅛–1¼%. Treasury bills: 2 months, 1–1 1/32%; 3 months, 1 1/32%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. Discount deposits at 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.
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.
July 19	22⅜	22 1/16	July 24	22⅜	22 1/16
„ 22	22 5/16	22 1/16	„ 25	22 5/16	22
„ 23	22 17/16	22 1/16			

NEW YORK EXCHANGE RATES

New York on	July 18, 1940	July 19, 1940	July 20, 1940	July 22, 1940	July 23, 1940	July 24, 1940
London:—						
Cables	Cents 381	Cents 391	Cents 389¾	Cents 381	Cents 381¾	Cents 387½
Switzerland, Fr.	22·68	22·72	22·72	22·72	22·73	22·73
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·05	40·05	40·05	40·05	40·05	40·05
Stockholm, Kr.	23·89	23·88	23·89	23·88	23·88	23·88
Montreal, Can. $	88·250	88·625	88·750	88·500	88·625	88·500
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	6·25	6·25	6·25	6·23	6·25	6·30
B. Aires, Pso. (mkt. rate)	21·95‡	22·05‡	22·20‡	22·15‡	22·30‡	22·20‡
Brazil, Milreis	5·10	5·10	5·10	5·10	5·10	5·10

‡ Official buying rate 29·78. (c) Nominal.

AMERICAN WHOLESALE PRICES

	July 17, 1940	July 24, 1940
	Cents	Cents
GRAINS (per bushel)—		
Wheat, Chicago, Sept.	73⅞	74¼
„ Winnipeg, July	71⅜	71⅜
Maize, Chicago, Sept.	62⅝	62
Oats, Chicago, Sept.	31⅛	29
Rye, Chicago, Sept.	42¾	45⅛
Barley, Winnipeg, July	34⅜	34¼
METALS (per lb.)—		
Copper, Connecticut	11·50	11·50
Tin, N.Y., Straits, spot	51·00	51·37½
Lead, N.Y., spot	5·00	5·00

	July 17, 1940	July 24, 1940
	Cents	Cents
METALS (per lb.)—cont.		
Spelter, East St. Louis, spot	6·25	6·25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	4·37	4·15
Coffee, N.Y., cash—		
Rio, No. 7	5⅝	5⅝
Santos, No. 4	7⅛	7⅛
Cotton, N.Y., Am. mid., spot	10·63	10·53
Cotton, Am. mid., Aug.	9·58	9·58
Cotton Oil, N.Y., Sept.	6·08	6·04
Lard, Chicago, July	5·70	5·57½

	July 17, 1940	July 24, 1940
	Cents	Cents
MISCELLANEOUS (per lb.) —cont.		
Petroleum, Mid-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	21½	21½
Do. do. Aug.-Sept.	19½	19¼
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·65	2·66
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·94	0·94
Moody's Index of staple commodities, Dec. 31, 1931 = 100	155·7	152·9

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Associated Breweries	June 30	99,097	...	85,609	154,500	25,195	46,491	8	...	+ 13,923	117,346	106,266	10
Threlfall's Brewery	June 30	458,471	108,363	274,713	586,020	26,518	247,500	18	...	+ 695	430,800	263,367	18
Financial Land, etc													
Argus Press Holdings	Dec. 31	Dr. 647	...	Dr. 639	337	...	...	...	...	− 639	31,738	31,036	12½
Australian Estates, etc.	Dec. 31	293,764	...	74,428	84,590	25,000	18,000	3	20,000	+ 11,428	172,590	Dr. 8,410	Nil
Ceylon Estates Invst.	Mar. 31	7,376	...	1,948	3,871	...	1,805	15	...	+ 143	4,414	1,116	7½
Chaplin Holdings	June 30	28,794	...	20,282	41,590	5,000	12,500	5	...	+ 2,782	21,773	17,100	5
City of Aberdeen Land	Dec. 31	23,372	...	11,785	12,865	1,300	9,748	22	...	+ 737	22,049	12,415	22
Greefl-Chemicals Hldgs.	June 30	42,844	...	28,735	39,918	6,875	15,625	12½	5,000	+ 1,235	22,693	20,214	9
McDougalls Trust	June 30	204,344	...	201,551	240,188	50,000	149,867	10	...	+ 1,684	205,208	174,279	10
Read's Drift Land	Mar. 31	3,402	...	980	Dr. 1,160	...	...	...	...	+ 980	2,638	185	Nil
Scottish American Mtge.	May 31	117,016	...	59,654	170,695	32,995	11,603	6	13,000	+ 2,056	113,260	62,754	6
United City Prpty. Trust	June 30	113,320	...	33,100	48,630	11,137	...	...	25,000	− 3,037	120,970	41,131	6
Wool Exchange Invests.	Mar. 25	106,883	...	34,595	42,990	10,625	19,000	4	5,000	− 30	94,262	37,324	4
Rubber													
Biting	Mar. 31	14,626	1,057	7,341	9,224	...	7,291	10·416	...	+ 50	9,426	4,308	6¼
Burma	Mar. 31	27,045	2,000	17,642	23,999	...	16,776	7½	...	+ 866	16,430	12,364	5
Bukit Mertajam	Mar. 31	93,377	...	55,650	93,511	...	57,547	12	...	− 1,897	42,594	17,579	4
Lambak	Mar. 31	28,613	1,100	15,453	26,680	...	15,000	7½	...	+ 453	12,737	5,001	2½
Laras (Sumatra)	Mar. 31	89,724	5,961	6,675	18,599	...	6,573	2½	...	+ 102	36,226	Nil	Nil
Martapoera	Mar. 31	7,947	1,000	2,297	8,917	...	2,194	3	...	+ 103	1,414	238	Nil
Sungei-Timah (Perak)	Mar. 31	10,168	600	5,900	8,763	...	4,626	6	1,000	+ 274	6,223	4,869	5
Way-Halim (Sumatra)	Mar. 31	7,489	...	6,490	9,057	...	3,235	5	4,000	− 745	3,519	2,873	2½
Tea													
Attaree Khat	Dec 31	16,140	...	11,939	17,146	...	10,120	8	...	+ 1,819	12,803	10,503	8
Bargang	Dec. 31	13,591	...	6,151	8,656	600	2,280	4	2,000	+ 1,271	11,099	6,739	4
Borbheel	Dec. 31	11,812	...	9,512	16,713	...	8,880	40	...	+ 632	7,988	5,888	30
Bordubi	Dec. 31	32,823	...	16,373	29,209	...	13,500	15	...	+ 2,873	16,657	10,906	15
Borelli	Dec. 31	20,444	...	14,645	18,168	384	13,680	17½	...	+ 581	16,133	10,468	17½
Borjan	Dec. 31	6,301	...	3,611	7,018	560	3,095	12½	...	− 54	6,070	4,071	15
Boroi	Dec. 31	6,682	...	4,981	8,645	...	4,801	20	...	+ 180	5,081	3,881	15
Dhendai	Dec. 31	7,786	...	4,586	11,688	...	4,000	12½	...	+ 586	4,466	3,366	10
Itakhooli	Dec. 31	15,013	...	10,514	44,315	...	9,000	15	...	+ 1,514	8,579	3,779	12½
Kacharigaon	Dec. 31	2,261	...	1,911	3,341	192	1,684	4	...	+ 35	480	480	Nil
Koomsong	Dec. 31	22,325	...	12,925	18,129	...	11,250	15	1,000	+ 675	14,312	11,311	15
Majuli	Dec. 31	23,101	...	9,701	13,753	1,200	5,500	5	1,000	+ 2,001	14,887	6,238	5
Moabund	Dec. 31	29,731	...	16,216	21,513	2,500	13,000	10	...	+ 716	21,983	16,784	10
Poonmudi	Dec. 31	12,795	2,914	5,894	6,000	...	4,912	5	1,000	− 18	11,428	5,540	5
Rajmai	Dec. 31	28,616	...	17,116	24,154	1,960	14,000	25	...	+ 1,156	18,457	13,756	25
Romai	Dec. 31	9,163	...	6,862	15,839	...	6,402	40	...	+ 460	6,485	5,685	37½
Rupaiuli	Dec. 31	6,131	...	3,930	5,126	...	1,826	10	2,000	+ 104	5,214	3,914	10
Tingri	Dec. 31	28,404	...	17,945	22,906	...	13,437	10	2,000	+ 2,508	18,817	13,568	10
Trusts													
British Steamship	June 30	147,261	...	76,410	338,559	11,025	64,237	5½	...	+ 1,148	186,590	101,771	6½
Palmerston Investment	June 30	9,490	...	6,292	8,727	...	5,440	4	1,743	− 891	14,481	11,808	6
Other Companies													
Aircrew Co.	Mar. 31	87,040	...	22,342	42,112	3,900	11,906	25	5,000	+ 1,536	32,663	17,689	22½
Bennis Combustion	Apr. 30	35,195	1,211	19,371	22,716	6,000	7,500	10	6,000	− 129	33,804	19,468	10
Cleveland Water Co.	June 30*	9,263	...	4,406	10,972	...	3,400	10 & 7	...	+ 1,006	9,157	3,663	10 & 7
Crosses & Winkworth	Mar. 27	212,719	...	199,666	80,742	...	...	...	...	+ 199666	76,135	61,673	Nil
Evans (William) and Co.	Apr. 30	46,041	5,257	18,061	29,798	3,548	9,375	10	...	+ 5,138	22,645	13,312	7½
Gerrard Industries	Mar. 31	24,845	1,691	5,560	8,211	...	2,751	6	...	+ 2,809	21,606	5,310	5
Gloucester Rly. Carriage	May 31	215,793	26,046	56,227	60,566	...	33,469	10	13,558	+ 9,200	211,661	157,964	15
Low. Temp. Carbonisatn	Mar. 31	70,020	6,228	29,402	62,667	...	35,027	3½	...	− 5,625	42,944	815	Nil
Lyon and Lyon	June 30	12,860	...	11,503	13,721	3,630	7,012	10	1,000	+ 139	17,005	15,605	12½
Millars' Timber, etc.	Dec. 31	64,581	10,800	49,131	110,998	42,500	...	...	...	+ 6,631	110,752	78,652	7½
United Kingdom Tob.	Mar. 31	37,029	6,172	30,700	35,393	10,000	19,200	8	...	+ 1,500	36,383	30,170	8
Williams and Williams	Apr. 30	74,120	8,234	40,295	51,479	3,033	26,250	15	10,000	+ 1,012	75,696	49,403	15
		No. of Cos.											
Totals (£'000's): *Week to July 27, 1940*		*53*	*3,116*	*189*	*1,688*	*2,793*	*286*	*1,012*	...	*119*	*+ 271*	*2,581*	*1,510*	...
Jan. 1 to July 27, 1940		*1,466*	*296,916*	*23,807*	*163,405*	*231,982*	*35,872*	*101,117*	...	*18,955*	*+ 7,461*	*273,637*	*166,754*	...

* For half-year.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Pay-able	Prev. Year
	%	%		%
BANKS				
Bank of Montreal	2	...	...	2
TEA AND RUBBER				
Bukit Mertajam Rbr.	...	12	...	4
Eastern Assam Tea	10†	15	Aug. 16	15
Escot Rubber	3½*	...	...	Nil*
Timbang-Deli Rubber	...	4	...	2
MINING				
Filani (Nigeria) Tin	...	10	...	3
Petaling Tin	20*	...	Aug. 8	5*
INDUSTRIALS				
Ailsa Investment	...	3	...	3
Australian Estates	...	3	...	Nil
Barton and Sons	5*	...	...	4*
Beira Works	...	8d. ps.	...	8d. ps.
Bradleys (Chester)	2¼*	...	Sept. 1	2¾*
Bridgewater (G. & T.)	10†	14	...	14
Brit. Burmah Pet.	...	6¼	...	Nil
British Wagon	5*	...	Aug. 1	8½*
City Prpty. Inv. (Def.)	3*	...	...	5*
Commercial Gas	1½*	...	Aug. 15	2*
Dictograph Telephns.	5*	...	July 27	Nil*
Elec. Dist. Yorkshire	4½*	...	Aug. 4	4½*
Enfield Cable	6¼*	...	...	6¼*
Gaskell & Chambers	3*	...	Aug. 1	5*
Gen. Cons. Invest.	2*	...	July 31	2*
Gerrard Industries	...	6	Aug. 8	5
Heath (G. H.) & Co.	5*	...	...	5*
Imp. Tob. (G.B. & I.)	‡7½*	...	...	‡7½*
Ingersoll, Ltd.	10*	...	...	Nil*
Jackson Bros.	7½*	...	July 22	5*
Linley Engineering	...	5	...	10
Lotus, Ltd.	2½*	...	...	2*
Low Temp. Carbon.	...	3½	...	Nil
Met. Elec. Supply	3*	...	...	3*
Milners Safe	...	7½	...	7½
Newcastle Gas	2½*	...	...	2½*
Nuttall's Breweries	3½†	6	...	6
Pye Radio	...	25	...	25
Sanders Bros.	10†	12½	...	10
South Met. Gas	2*	...	...	2½*
South Suburban Gas	2*	...	...	3*
Tamplin's Brewery	5†	8	...	10
Threlfall's Brewery	10†	18	...	18
Tilling and B.A.T.	‡3½*	...	Sept. 2	‡4*
Tilling (Thomas)	5*	...	...	5*
Yorkshire Elec. Power	3*	...	Aug. 14	3*

‡ Free of income tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	Gross Receipts for Week + or −	Aggregate Gross Receipts 1940	Aggregate Gross Receipts + or −
B.A. and Pacific	2	July 13	‡1,078,000	− 217,000	2,101,000	− 719,000
B.A. Gt. Southern	2	13	‡1,816,000	− 128,000	3,796,000	− 479,000
B.A. Western	2	13	‡644,000	− 38,000	1,205,000	− 270,000
Canadian Pacific	28	14	$3,310,000	+ 781,000	81,927,000	+ 15235000
Central Argentine	3	20	‡1,488,500	− 652,650	4,167,800	− 2,713,650

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	July 24, 1940	Name	July 24, 1940	Name	July 24, 1940
For. Bond.	Unquoted	National D.	9/—10/–	Key. Gold	6/6xd bid
Limited Inv.	9/9–11/3	Century	9/9–11/3	Br. Ind. 4th	8/6–10/3xd
New British	6/3–7/3	Scottish	8/9–10/3	Elec. Inds.	10/4½–11/10½xd
Invest. Tr.	8/9–10/9*	Univ. 2nd	11/—12/6	Met. & Min.	8/4½–9/10½
Bk. & Insur.	11/9–14/–*	Inv. Flex.	7/6–8/9	Rub. & Tin	Unquoted
Insurance	10/9–13/3xd	Inv. Gen.	10/4½–11/4½	Producers	4/6–5/6
Bank	13/—15/–*	Key. Flex.	7/- bid	Dom. 2nd	3/9–4/9
Sct. B.I.I.T.	9/6–11/6xd	Key. Cons.	6/9 bid	Orthodox	5/3–6/3

* Free of commission and stamp duty.

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 High	Prices, Year 1939 Low	Prices, Jan. 1 to July 24, 1940 High	Prices, Jan. 1 to July 24, 1940 Low	Name of Security	Price, July 24, 1940	Ch'ge since July 17	Yield July 24, 1940 £ s. d.
				British Funds			
71⅛	61	76¾	68⅛	Consols 2½%	72½	+¼	3 9 1
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	107	−½	3 14 9f
...	...	98¾	98½	Conv. 2% 1943–45	98⅝	...	2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	98½	...	2 15 0
99⅛	92⅞	103	97¾	Do. 3% 1948–53	101	...	2 19 4
99½	87	102¼	94	Do. 3½% after 1961	100	+¼	3 10 6f
112⅛	103¾	112	107½	Do. 5% 1944–64	108½	...	2 18 3
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	90	...	3 4 0
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	95½	...	3 2 2
95⅛	87½	99½	95	Fund. 3% 1959–69	96½	−¼	3 4 3
109½	100½	113¾	105⅜	Fund. 4% 1960–90	110¼	−¼	3 6 6
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	100¼	...	2 11 3k
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	99½	...	3 0 9
...	...	100½	100	War Bds. 2½% 1945–47	100¼	...	...
108⅜	102	111½	105 15/16	Victory Bonds 4%	109	−¼	3 8 8j
...	...	100⅜	98	War L. 3% 1955–59	100	−¼	3 0 0
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	99¼	...	3 10 11f
83⅞	73	89⅛	80¼	Local Loans 3%	85¼	...	3 10 6
99	91	100	97½	Austria 3% 1933–53	98	...	3 4 6
64	55½	71¼	59¾	India 2½%	67½	−½	3 14 4
90	78	97¼	82¼	Do. 3½%	91¾	−¾	3 16 6
115¼	104½	115	105¼	Do. 4½% 1958–68	109½	−½	3 15 9
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austrla. 5% 1945–75	102	...	4 11 4
112½	103	110⅞	106	Nigeria 5% 1950–60	107	...	4 3 0
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4 14 6
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4 0 1
				Corporation Stocks			
111½	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4 2 9
81⅝	72	85	78	L.C.C. 3%	79	...	3 16 5
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3 12 2
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3 13 2
				Foreign Governments			
91½	73¾	92¾	77¼	Argen. 4½% Stg. Bds.	79½	...	5 13 2
65½	34	58½	22	Austria 4½% 1934–59	25	...	13 10 0l
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23⅛	6½	35½	20	Brazil 5% Fd. 1914	24	+1	10 8 4p
19	9	23	9	Chile 6% (1929)	10½	...	14 5 8n
55½	23½	45¼	12	China 5% (1913)	18	...	...
72	30	63	25	Czecho-Slovakia 8%	*	...	...
86¼	58	79¾	52½	Egypt Unified 4%	53	−1	7 10 11
12⅛	9	10½	8	French 4% (British)	*	...	...
44	4	7⅝	5	German Dawes 5%	5½	...	...
*33⅛	3	6½	3¾	Do. Young Ln. 4½%	5½	...	...
30	15	24½	12½	Greek 6% Stab. Ln.	*	...	...
35½	15	25	17	Hungary 7½%	17	...	26 9 4h
61½	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to July 24, 1940 High	Low	Last two Dividends (a) (b) (c) %	%	Name of Security	Price, July 24, 1940	Ch'ge since July 17	Yield July 24, 1940 £ s. d.
				Railways			
10	3⅝	Nil	Nil	B.A. Gt. Sthn. Ord.	4	−½	Nil
9½	4⅞	Nil	Nil	Can. Pac. Com. $25	*	...	...
52	22	½ c	3½ c	Gt. Western Ord.	31½	+5	11 2 3
80	34½	Nil c	5 c	LNER 5% Pref. 1955	45	+5	11 2 2
60	20	Nil c	4 c	Do. 4% 1st Pf.	32	+5	12 10 0
24	9	Nil c	1½ c	L.M.S. Ord.	13½	+2½	11 2 2
60½	21½	Nil c	4 c	4% Pf. 1923	37	+8	10 16 2
70½	35	2 a	2 b	4% Pf.	48	+6	8 6 8
65¼	24	Nil b	1½ a	Lon. Trans. "C"	30	...	5 0 0
22	7	Nil c	1¼ c	Southern Def.	10½	+1½	11 18 1
79	35½	1 a	4 b	Do. 5% Pf. Ord.	48	+6	10 8 4
104	58½	2½ a	2½ b	Do. 5% Pf.	76	+3	6 11 6
				Banks and Discount			
67/9	51/–	10 b	7½ a	Alexanders £2, £1 pd.	54/–	−1/–	6 9 6
342½	316½	6 a	6 b	Bank of England	325	...	3 13 10
£51	£43½	8 c	8 c	Bk of Montreal $100	*	...	...
30/9	21/9	5 a	5 b	Bk. of N. Zealand £1	22/6	...	7 2 5e
73/3	46/6	7 b	7 a	Barclays Bank £1	63/6	+1/–	4 8 0
9½	5¼	5 a	5 b	Chtd. of India £5	6¼	...	8 0 0
52/–	45/–	5 b	5 a	District B. £1 fy. pd.	47/6	−1/3	4 4 0
£95	£52	£2½ b	£2½ a	Hongkong and S. $125	£67	+£2	7 8 0
54/6	30/–	6 b	6 a	Lloyds £5, £1 pd.	41/3	...	5 16 3
8¾	5 17/32	7½ b	7½ a	Martins £20, £2½ pd.	6⅜	−⅜	5 16 6
85/–	68/–	8 b	8 a	Midland £1, fy. pd.	75/–	...	4 5 0
5⅝	4	5 b	5 a	Nat. Dis. £2½ fy. pd.	4¾	+¼	5 4 0
32½	23¼	8 a	8 b	N. of Ind. £25, £12½pd	24½	...	4 1 3
69/9	39/–	7½ b	7½ a	Nat. Prov. £5, £1 pd.	48/–	−1/–	6 5 0
444	385	8½ b	8½ a	Royal Bk. of Scotland	395	+5	4 6 0
48/6	29/–	6¼ b	3¾ a	Union Discount £1	35/–	−1/3	5 14 0
85/–	46/–	9 b	9 a	Westmtr. £4, £1 pd.	60/6	−1/–	6 0 0
				Insurance			
24⅜	15¾	40 a	50 b	Alliance £1, fully pd.	18	...	5 0 0
13⅛	8⅜	4/6 a	6/– b	Atlas £5, £1¼ pd.	8¾	...	6 0 0
16⅝	8 25/32	†25 b	†22½ a	Pearl (£1), fy. pd.	10½	+¼	4 10 0†
15 5/16	9 5/16	6/– a	6/– b	Phœnix £1, fy. pd.	10	...	6 0 0
28⅜	16¼†	†84·075c		Prudential £1 A	19	−½	4 8 6†
8¼	5	11 a	19 b	Royal Exchange £1	6¼	...	4 16 0
7	4¼	†10 b	13¾ a	Sun Lf. Ass. £1 fy. pd.	4¾	...	5 12 0
				Investment Trusts			
498	476½	11 a	14 b	Alliance Trust	490	...	5 2 0
187½	180	3½ a	8½ b	Anglo-Amer. Deb.	180	...	6 13 4
188	154	6 b	4 a	Debenture Corp. Stk.	154½	−3	6 9 3
187	168	5 a	8 b	Invest. Trust Def.	170	...	7 13 6
165½	139	3 a	7 b	Trustees Corp. Ord.	147½	...	6 15 0
175	140½	6 b	4 a	United States Deb.	154½	...	6 9 0
				Breweries, &c.			
125/6	96/3	†20 b	†5 a	Bass Ratcliff Ord. £1	101/6	−1/6	4 18 6†
57/6	36/3	6 a	11 b	Courage Ord. £1	41/3	−3/9	8 4 0
70/3	46/–	6¼ a	10 b	Distillers Ord. £1	56/–	−2/9	5 16 0
83/–	45/–	14 b	11 a	Guinness Ord. £1	57/6	+2/6	8 14 0
76/6	47/–	16 b	7½ a	Ind, Coope & Allp. £1	58/–	−9d	8 2 0
52/9	30/6	12 b	6 a	Watney Combe Def. £1	40/–	−2/–	9 0 0
				Iron, Coal and Steel			
6/6	3/–	10 c	10 c	Baldwins 4/–	3/9	...	10 13 3
34/7½	13/1½	†5 a	†10 b	Brown (J.) Ord. 10/–	17/6	...	8 11 6†
8/9	3/6	4 a	6 b	Cammell Laird 5/–	4/9	...	10 11 3
24/7½	11/3	3 a	5 b	Colvilles Ord. £1	15/–	...	10 13 3
28/1½	12/6	10 c	10 c	Dorman Long Ord. £1	15/–	...	13 6 9
26/11¼	13/6	†2½ a	†4 b	Guest Keen &c. Ord. £1	18/9	...	6 19 0†
27/9	13/1½	7½ a	15 b	Hadfields 10/–	17/6	...	12 17 6
22/7½	11/3	2 a	5½ b	Powell Duffryn £1	12/6	−1/3	12 0 0
				Iron, Coal, &c.—cont.			
34/6	20/–	10 c	12 c	S. Durham Ord. £1	21/3	...	11 5 9
54/9	33/9	†7½ b	†2½ a	Staveley Coal, etc. £1	40/–	...	5 0 0†
47/6	26/–	12½ c	12½ c	Stewarts & Lloyds £1	33/9	7½d	7 8 0
39/–	17/6	10½ b	4 a	Swan, Hunter £1	20/–	...	14 10 0
24/3	11/6	5½ b	2½ a	Un. Steel Cos. Ord. £1	15/–	...	8 0 0
21/10½	9/6	4 a	6 b	Vickers 10/–	12/6	3d	8 0 0
				Textiles			
8/10½	2/6	Nil	Nil	Brit. Celanese 10/–	3/–	3d	Nil
38/6	21/3	5 a	5 b	Coats, J. & P. £1	25/7½	1/3	7 16 0
39/10½	20/3	2 a	5 b	Courtaulds £1	25/6	6d	5 9 3
35/9	23/1½	2½ a	5 b	English Swg. Ctn. £1	24/4½	1/3	6 2 0
24/4½	11/9	Nil c	7½ c	Lancs. Cotton Corp £1	13/9	7½d	10 18 0
61/3	42/6	†10 c	†8½ c	Patons & Baldwins £1	43/9	7½d	3 18 0†
				Electrical Manufactg.			
43/11½	26/3	10 c	10 c	Associated Elec. £1	33/9	9d	5 19 9
92/6	66/3	5 a	15 b	British Insulated £1	72/6	...	5 10 0
69/–	46/3	5 a	10 b	Callenders £1	50/–	...	6 0 0
20/–	11/6	12½ b	7½ a	Crompton Park. A 5/–	12/6	...	8 0 0
33/9	16/3	10 c	10 c	English Electric £1	22/6	3/1½	8 18 0
83/–	52/6	20 c	20 c	General Electric £1	66/3	...	6 0 0
				Gas and Electricity			
38/3	23/6	3 a	5 b	Clyde Valley Elec. £1	28/9	...	5 11 9
42/6	20/6	10½ c	10½ c	County of London £1	25/–	...	8 8 0
27/–	18/–	2½ a	3½ b	Edmundsons £1	20/6	...	5 17 0
18/3	11/6	2 4/5 a	1 7/10 b	Gas Light & C. £1	13/–	+3d	6 19 9
83½	29	2 a	4 b	Imp. Cont. Gas Stk.	33	...	18 4 0
32/6	23/6	2½ a	5 b	Lancashire Elec. £1	25/–	...	6 0 0
21/–	12/–	2½ b	Nil a	London Ass. Elec. £1	13/1½	...	3 16 0
31/4½	17/6	2½ a	4½ b	North-East Elec. £1	20/–	...	7 0 0
42/3	22/–	4 a	6 b	Northmet Power £1	25/–	...	8 0 0
38/7½	24/–	2½ a	5½ b	Scottish Power £1	27/6	...	5 17 6
39/6	24/–	5 b	3 a	Yorkshire Electric £1	27/6	...	5 17 0
				Motor, Cycle and Aircraft			
17/6	7/6	30 c	15 c	Austin 5/–	12/6	...	6 0 0
16/4½	6/–	7½ b	4 a	Bristol Aero. 10/–	8/6	+9d	13 10 0
36/3	17/3	12½ c	12½ c	De Havilland Air. £1	18/9	...	13 6 0
16/9	7/–	†15 c	†12½ c	Fairey Aviation 10/–	9/6	+6d	13 14 0†
18/7½	12/4½	5 c	6 c	Ford Motors £1	15/–	3d	8 0 0
15/7½	6/–	17½ b	15 a	Hawker Siddeley (5/–)	8/–	...	20 6 0
60/7½	39/4½	12½ b	2½ a	Lucas, J. (£1)	42/6	...	9 8 0
88/3	28/9	25 c	20 c	Leyland Motors £1	48/9	...	8 4 0
27/7½	16/9	45 c	40 c	Morris Motors 5/– Ord.	17/6	+1/3	11 8 0
4 21/32	2⅛	17½ b	5 a	Rolls-Royce £1	2¾	...	8 4 0
12/3¾	6/–	22½ c	25 c	Standard Motor 5/–	8/9	...	14 4 0
				Shipping			
22/7½	12/3	5 c	4 c	Furness, Withy £1	13/–	...	6 3 0
23/9	13/6	4½ b	2 a	P. & O. Def. £1	15/–	+6d	8 13 3
20/–	14/–	5 c	5 c	Royal Mail Lines £1	14/6	...	6 19 0
10/9	4/–	Nil c	Nil c	Union Castle Ord. £1	5/–	...	Nil
				Tea and Rubber			
16/7½	5/9	6 c	4 c	Allied Sumatra £1	7/6	...	10 13 0
27/3	14/–	2 a	4 b	Anglo-Dutch £1	15/–	...	8 0 3
32/10½	20/–	2½ a	7½ b	Jokai (Assam) £1	22/6	1/3	8 17 9
3/11¼	2/3	4 a	6 b	London Asiatic 2/–	2/9	...	7 5 6
34/9	20/–	4 a	6 b	Rubber Trust £1	22/6	...	8 17 0
3/3	1/7½	9 c	5 c	United Serdang 2/–	1/10½	...	5 6 0
				Oil			
60/3¾	23/1½	15 b	5 a	Anglo-Iranian £1	30/–	−2/6	13 6 9
27/7½	14/6	17½ b	12½ a	Apex (Trinidad) 5/–	17/6	...	8 11 9
73/6	35/–	5 a	16 b	Burmah Oil £1	45/–	+1/3	9 6 6
81/10½	28/9	†20 c	†5 c	Shell Transport £1	33/1½	...	3 0 0†
80/–	45/6	7½ b	7½ a	Trinidad Leaseholds £1	55/–	−7½d	5 14 0
				Miscellaneous			
62/6	38/9	7½ a	7½ b	Assoc. P. Cement £1	46/3	+1/10½	6 9 9
44/3	23/9	5 a	5 b	Barker (John) £1	26/3	...	7 12 3
44/6	27/6	m29 c	30·9 c	Boots Pure Drug 5/–	34/4½	7½d	4 9 6
56/–	28/9	4 a	8½ b	Brit. Aluminium £1	31/3	+1/3	8 0 0
107/6	53/1½	†20 c	†19 1/6 c	Brit.-Amer. Tob. £1	65/–	...	5 18 6†
60/–	42/6	7 a	10 b	British Oxygen £1	50/–	...	6 16 0
52/6	32/6	12½ b	7½ a	Brockhouse (J.) £1	32/6	5/–	12 6 0
65½	27	4 c	4 c	Cable & Wir. Hdg.	36	...	11 12 0
6 3/16	3⅛	15 b	11⅔ a	Carreras 'A' Ord. £1	3¾	...	7 2 0
38/9	19/9	9 c	12 c	Dunlop £1	25/6	+9d	7 1 0d
10/1½	4/–	5 c	Nil c	Elec. & Mus. Ind. 10/–	5/6	3d	Nil
28/3	16/3	15 a	25 b	Ever Ready Co. 5/–	20/6	...	9 15 0
6 3/16	3¼	7½ a	20 b	Gallaher Ltd. Ord. £1	3[illegible]	⅛	8 0 0
28/6	17/–	25 b	15 a	Gestetner (D.) 5/–	17/6	...	11 8 9
93/9	65/–	20 b	5 a	Harrison & Cros. Df. £1	65/–	2/6	7 14 0
40/6	26/–	5 a	5 b	Harrods £1	27/6	...	7 5 6
33/9¾	17/6	3 a	5 b	Imp. Chem. Ord. £1	23/3	3d	6 16 0
13/9	5/–	5 c	Nil c	Imp. Smelting £1	6/3	...	Nil
6 11/32	3 5/16	†15½ b	†7½ a	Imp. Tobacco £1	4[illegible]	3/16	5 6 0†
$49 9/16	$30¼	$2·25 c	$2·00 c	Inter. Nickel n.p.	*	...	...
12/3	9/–	5 b	5 a	International Tea 5/–	10/–	...	5 0 0
34/3	15/–	4¾ a	5¼ b	Lever & Unilever £1	18/9	7½d	10 13 3
32/9	24/6	20 c	10 c	London Brick £1	30/–	+7½d	6 13 3
87/6	67/6	5 a	15 b	Lyons (J.) Ord. £1	67/6	2/6	5 19 9
54/4½	25/–	15 a	23⅓ b	Marks & Spen. 'A' 5/–	31/3	...	5 18 0
4 1/32	2¾	5 a	12½ b	Metal Box £1	3⅛	...	5 12 0
87/6	45/–	12½ b	7½ a	Murex £1 Ord.	65/–	...	6 2 0
23/7½	13/9	4 a	6 b	Pinchin Johnson 10/–	15/–	1/–	6 13 3
17/6	12/6	15 b	3 a	Ranks Ord. 5/–	14/–	...	6 6 9
61/6	36/3	2½ a	12½ b	Spillers Ord. £1	43/9	...	6 16 0
57/9	35/–	10 b	3½ a	Tate and Lyle £1	43/9	...	6 3 0
45/6	29/6	5 b	5 a	Tilling, Thos. £1	31/3	...	6 8 0
26/3	16/–	25 c	20 c	Triplex Safety G. 10/–	17/6	...	11 8 0
96/9	59/9	13¾ b	10 a	Tube Investments £1	71/3	...	6 12 6
68/–	41/3	11¼ b	3¾ a	Turner & Newall £1	50/–	...	6 0 0
52/6	38/9	7½ b	5 a	United Dairies £1	41/3	+7½d	6 0 0
28/3	15/–	22½ c	28⅛ o	United Molasses 6/8	17/6	...	8 11 6g
66/3	38/9	50 b	20 a	Woolworth Ord. 5/–	49/4½	+7½d	6 12 0g
				Mines			
65/7½	26/3	95 c	95 c	Ashanti Goldfields 4/–	34/4½	+1/10½	11 0 0
11/9	6/3	i5 b	i3½ a	Burma Corp. Rs. 9	7/3	−3d	10 16 6†
51/3	22/6	10 b	3¾ a	Cons. Glds. of S. Af. £1	27/6	+2/6	10 0 0
15	11½	95 b	95 a	Crown Mines 10/–	12½	+½	7 12 0
8¼	2 17/32	Nil c	Nil c	De Beers (Def.) £2½	3	...	Nil
41/6¾	25/3	11¼ b	11¼ a	Randfontein £1	30/–	+3/9	15 0 0
11 5/16	5⅝	25 b	25 a	Rhokana Corp. £1	6¼	+½	8 0 0
16/–	7/–	5 b	10 a	Roan Antelope Cpr. 5/–	10/6	+1/6	7 2 0
10⅛	6⅞	75 b	75 a	Sub Nigel 10/–	7½	+¼	10 0 0
7 11/16	5	2/6 a	5/6 b	Union Cp. 12/6 fy. pd.	5½	...	7 5 0
88/9	30/–	Nil	Nil	W. Witwatersrand 10/–	42/6	+7/6	Nil

(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 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	July 16, 1940	July 23, 1940
CEREALS AND MEAT		
GRAIN, etc.— Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Mt.	29 9	29 9
Eng. Gaz. av., per cwt.	7 2	7 1
Flour, per 280 lb.— Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	16 8	16 1
Oats " " " "	11 6	11 8
Maize, La Plata, 480 lb., f.o.b.	14 3	14 1½
Rice, Burma, No. 2, per cwt. f.o.b.	9 6	9 6
MEAT—Beef, per 8 lb.— English long sides	4 8 – 6 0	4 8 – 6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4 – 8 0	4 4 – 8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)— Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)— Accra, g.f.	34 6 – 35 6	34 6 – 35 6
Grenada	55 0 – 59 0	55 0 – 59 0
COFFEE (per cwt.)— Santos supr. c. & f.	44 0	44 0
Costa Rica, medium to good	65 0 – 95 0	65 0 – 95 0
EGGS (per 120)—English (Std.)	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)— English, New	12 0 – 16 0	9 0 – 11 6
SUGAR (per cwt.)— Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
Refined London— Granulated, 2 cwt. bags	36 10	36 10
West India Crystallised	36 9 – 37 9	36 9 – 37 9
TOBACCO (per lb.)— Indian stemmed and unstemmed	0 7 – 2 4	0 7 – 2 4
Rhodesian, stemmed and unstemmed	1 0 – 2 6	1 0 – 2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	8·07	7·72
" Giza, F.G.F.	11·37	10·64
Yarns, 32's Twist	14·75	14·40
" 40's Weft	16·00	15·65
" 60's Twist (Egyptian)	26·35	26·15
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 3	s. d. 24 0

	July 16, 1940	July 23, 1940
COTTON—*continued.*	s. d.	s. d.
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	35 3	35 0
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 3	13 2
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 3	12 2
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26/0/0	26/0/0
JUTE (per ton)— Native 1st mks., c.i.f. London	Nom.	Nom.
Daisee 2/3, c.i.f. Dundee, Sept.-Oct. (new)	27/10/0	27/5/0
SISAL (per ton)—African, July-Sept —No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	15 0 – 15 6	14 3 – 15 0
China fil	16 6	16 0
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops— 64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3 – 28 9	28 3 – 28 9
Durham, best gas, f.o.b. Tyne	23 6	24 0
IRON AND STEEL (per ton)— Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14×20)	26 0	26 0
NON-FERROUS METALS (per ton)— Copper (d)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	265/0/0 – 265/5/0	267/0/0 – 267/5/0
Three months	264/0/0 – 264/5/0	266/0/0 – 266/5/0
Lead (e)—Soft foreign, cash	25/0/0	25/0/0
Spelter (e)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0 – 195/0/0	190/0/0 – 195/0/0
Antimony, Chinese	98/0/0 – 99/0/0	98/0/0 – 99/0/0
Wolfram, Chinese ......per unit	...	...
Platinum, refined ......per oz.	9/10/0	9/10/0
Quicksilver ...... per 76 lb.	57/0/0 – 60/0/0	58/0/0 – 60/0/0
	s. d.	s. d.
GOLD, per fine ounce	168 0	168 0
SILVER (per ounce)— Cash	1 10 3/16	1 10 7/16

	July 16, 1940	July 23, 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	44 6	44 6
CHEMICALS— Acid, Oxalic, net ......per ton	60/0/0	60/0/0
" Tartaric, English, less 5%	s. d. 1 6½	s. d. 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 – 11/0/0	10/15/0 – 11/0/0
Crystals ...... per ton	5/5/0 – 5/10/0	5/5/0 – 5/10/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland 40/50 lb.	0 4¾	0 4½
Cape, Jo'burg Ord.	0 5¼	0 5
Dry Capes, 18/20 lb.	0 6¼	0 6
English & Welsh Market Hides— Best heavy ox and heifer	0 7 – 0 8⅜	0 7 – 0 8⅜
LEATHER (per lb.)— Sole Bends, 8/14 lb.	1 10 – 3 0	1 9 – 3 0
Shoulders	1 0 – 1 10	1 0 – 1 10
Insole Bellies	0 10 – 1 4	0 9 – 1 3
Dressing Hides	1 11 – 2 3	1 11 – 2 3
PETROLEUM PRODUCTS (per gal.) 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
Fuel oil, in bulk, ex instal. Thames— Furnace	0 7¼	0 7¼
Diesel	0 8	0 8
ROSIN (per ton)—American	25/0/0 – 30/0/0	25/0/0 – 30/0/0
RUBBER (per lb.)— St. ribbed smoked sheet	s. d. 0 11⅞	s. d. 1 0¼
SHELLAC (per cwt.)—TN Orange	80 0	80 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)— Linseed, raw	44/0/0	44/0/0
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	7/5/0	7/5/0
Oil Seeds, Linseed— La Plata	...	...
Calcutta	16/12/6	16/12/6

(b) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (c) Higher Pool prices in some zones. (d) Price is at buyers' premises. (e) Including import duty and delivery charges.

American Wholesale Prices will be found at foot of page 140.

OVERSEAS TRADE RETURNS

Total Imports (Value C.I.F.)	Month ended June 30 1939	Month ended June 30 1940	Six Months ended June 30 1939	Six Months ended June 30 1940
I.—*Food, Drink and Tobacco*—	£	£	£	£
Grain and Flour	5,781,094	10,326,477	29,518,566	53,513,802
Feeding-stuffs for Animals	822,332	1,049,285	5,435,182	5,401,244
Animals and Meat	8,749,329	8,287,820	49,933,268	57,657,473
Dairy Produce	7,570,504	3,416,670	38,375,313	39,762,234
Fresh Fruit and Vegetables	4,786,404	3,718,956	21,892,867	20,993,912
Beverages	2,942,630	2,374,430	19,182,716	22,596,191
Other Food	4,904,009	5,267,805	28,584,290	39,928,033
Tobacco	571,361	1,054,736	6,658,118	3,779,573
Total, Class I	36,077,663	35,496,179	199,580,320	243,632,462
II.—*Raw Materials and Articles Mainly Unmanufactured*—				
Iron Ore and Scrap	1,268,162	1,674,557	4,105,352	8,596,391
Non-Ferr. Ores and Scrap	1,347,823	1,666,404	8,103,820	12,608,347
Wood and Timber	4,753,178	3,263,808	15,990,090	14,603,327
Raw Cotton and Waste	1,960,275	4,905,580	12,962,099	35,933,715
Wool, Raw, Waste and Rags	4,194,376	5,494,194	28,279,098	43,209,493
Other Textile Materials	1,260,890	1,796,255	8,586,095	16,461,509
Seeds and Nuts	2,701,093	4,432,964	16,642,819	29,265,856
Hides & Skins, Undressed	1,293,438	1,509,213	9,050,855	10,898,628
Paper-making Materials	1,374,664	1,352,721	7,258,945	8,138,071
Rubber	810,064	1,197,423	4,254,147	7,292,013
Miscellaneous Materials	1,159,905	1,821,807	7,035,711	11,814,422
Total, Class II	22,123,868	29,114,926	122,269,031	198,821,772
III.—*Articles Wholly or Mainly Manufactured*—				
Iron and Steel and Mfrs.	1,821,141	2,008,289	7,223,842	12,561,517
Non-Ferr. Metals and Mfrs.	3,470,345	4,868,165	19,260,084	27,102,743
Machinery	2,481,482	2,694,038	12,721,833	16,611,988
Chemicals, Drugs, etc.	1,489,803	1,298,100	8,094,874	10,101,362
Oils and Fats, Mftd.	4,997,182	6,583,891	23,242,576	44,758,211
Paper, Cardboard, etc.	1,463,360	1,376,146	7,338,222	9,713,034
Vehicles	363,663	2,655,428	2,488,785	6,921,392
Miscellaneous Articles	7,220,137	4,289,066	41,653,005	39,025,631
Total, Class III	23,307,113	25,773,123	122,023,221	166,795,878
IV.—*Animals, not for Food*	337,780	136,336	1,550,060	1,109,561
V.—*Parcel Post*	326,438	258,577	2,365,103	2,167,683
Total	**82,172,862**	**90,779,141**	**447,787,735**	**612,527,356**

U.K. Exports (Value F.O.B.)	Month ended June 30 1939	Month ended June 30 1940	Six Months ended June 30 1939	Six Months ended June 30 1940
I.—*Food, Drink and Tobacco*—	£	£	£	£
Beverages	1,454,679	1,562,329	7,125,191	11,475,559
Foods	1,496,898	764,051	8,191,166	14,079,326
Tobacco	429,570	454,069	2,431,068	2,603,767
Total, Class I	3,381,147	2,780,449	17,747,425	19,802,985
II.—*Raw Materials and Articles Mainly Unmanufactured*—				
Coal	3,693,674	2,859,950	18,682,451	18,517,219
Other Raw Materials	1,488,622	940,219	9,748,524	7,493,177
Total, Class II	5,182,296	3,800,169	28,430,975	26,010,396
III.—*Articles Wholly or Mainly Manufactured*—				
Coke and Manfd. Fuel	326,812	194,548	1,809,054	1,911,962
Pottery, Glass, Abrasives	886,665	1,060,514	4,706,765	6,366,641
Iron and Steel and Mfrs.	3,238,642	3,076,066	18,141,295	18,480,753
Non-Ferr. Metals and Mfrs.	1,225,495	1,176,355	7,435,443	7,808,248
Cutlery and Hardware	832,670	773,354	4,597,462	5,347,943
Elec. Goods and Apparatus	1,076,376	1,043,846	6,321,858	7,459,032
Machinery	4,442,354	3,165,146	27,685,857	22,095,602
Wood and Timber Mfrs.	87,353	81,468	571,865	483,246
Cotton Yarns and Mfrs.	3,953,587	4,170,005	24,554,975	28,760,404
Woollen Yarns and Mfrs.	2,014,730	2,150,266	13,869,670	17,024,429
Silk Yarns and Mfrs.	518,912	797,822	2,806,918	4,560,315
Other Textile Mfrs.	1,054,431	1,118,096	5,896,714	7,366,193
Apparel	568,882	544,964	4,306,098	4,417,236
Footwear	129,499	132,788	851,055	1,244,271
Chemicals, Drugs, etc.	2,240,180	2,479,590	11,977,257	16,731,833
Oils and Fats, Mftd.	460,253	236,715	2,602,090	1,733,480
Leather and Manufactures	349,872	292,180	2,151,584	2,471,748
Paper, Cardboard, etc.	671,588	882,309	3,538,741	5,424,508
Vehicles	3,878,886	2,826,619	24,540,739	19,573,209
Rubber Manufactures	123,152	134,920	752,886	1,257,031
Miscellaneous Articles	2,385,638	2,638,487	14,950,370	18,852,371
Total, Class III	30,465,977	28,976,058	184,068,696	199,378,640
IV.—*Animals, not for Food*	35,136	72,428	302,643	499,581
V.—*Parcel Post*	830,700	582,354	5,768,985	4,054,059
Total	**39,895,256**	**36,211,488**	**236,318,724**	**249,737,461**

LLOYDS BANK
LIMITED

1677

WILLS IN WAR TIME

In critical times, when no individual life can be relied upon, an added responsibility rests upon all who wish to ensure that expert and immediate attention should be available for the strict compliance with the terms of their Wills at their death. The appointment of Lloyds Bank as Executor secures these advantages, and a booklet explaining this section of the work of the Bank may be obtained, free of charge, from any Branch.

Head Office: 71 Lombard Street, London, E.C. 3

NATIONAL BANK OF EGYPT

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Dynamic Democracy

THE case was made in these columns two weeks ago for an immediate return, as an urgent part of the national war effort, to the native English tradition of progressive reform. Dictators are not the only ones who cannot stand still; any social structure, in a dynamic world, must move either forwards or backwards. The merit of our tradition, which has given us to-day not merely our wealth and strength but our magnificent national unity, is that it has solved the problem of securing steady social and economic progress, as rapid on the average as in any other country, without the brutality and bitterness of revolution. From generation to generation Great Britain has been in the van of progress, until to-day we have more freedom, more welfare, more unity than any other country in the world, save only those who have inherited the same tradition. If we are to hold our lead and rally the peoples of the world to our standard, we must show that the English way can still achieve as much as any revolution.

It is not enough, however, to issue a call, however stirring, for a return to the native tradition. The principles must be given embodiment, the abstractions must be given a concrete form. What, in fact, can we do? What actions, at this critical moment in our history, would the English tradition dictate? We can be sure that it would not bid us wait until we have reached agreement on some grand œcumenical ideology of universal application or bid us postpone action on any partial plan until we can evolve something really revolutionary. We can also be sure that the English tradition would not tell us that it is impossible to do anything in wartime. Time was found in all the preoccupations of the years 1917 and 1918 for such things as Fisher's Education Act, the Representation of the People Act, the Sex Disqualification (Removal) Act and for considerable extensions of unemployment insurance and the health services. As in those years, we shall be compelled by the exigencies of the war itself to do a number of radical things. It is surely better to do them with our eyes open to the future, to do them logically and consistently, than to do them haphazard and provisionally. Under the tremendous pressure of the war, the social and economic life of the country is, in any case, going to be forced into new shapes. Let us take a hand in the moulding.

To draw up anything in the nature of a complete programme would stultify every word that has been written above. But it is possible—and necessary—to mention, by way of example, the sort of practical progress that we might now be undertaking. There is no need to go in search of subjects for reforming. All that is necessary is to see what is under our noses, to take some temporary expedient that is forced upon us by the war and, with such adjustments as are necessary, build it into the permanent structure of our growing democracy. We have, for instance, been compelled to realise since the outbreak of the war that the community has greater obligations to the citizen, and the citizen greater obligations to the community, than either has hitherto been prepared to admit. When the needs of war make it necessary to enforce a general lowering of the standard of living, the idea of a national minimum standard of living, hitherto no more than a notion, begins to take on the semblance of a concrete fact. Public money is devoted to the cheapening of food and the increase in various social insurance payments. Faced with a challenge to the whole idea of democracy, we are compelled to think out afresh, and defend with fresh vigilance, the basic liberties of the citizen. On the other hand, when the community is under a direct threat, the citizen discovers in himself an unsuspected anxiety to serve.

There are here the makings of a new Social Contract between the citizen and the State. By the gradual addition of one temporary expedient to another, we are, in actual

practice (though we may not realise it) drawing up a modern Bill of Rights, whereby the citizen is guaranteed not only his personal liberties but the minimum of economic welfare and security that will enable him to enjoy those liberties. Let us make a list of the minimum requirements for decent living. It will include the familiar basic guarantees of the dignity of the individual—freedom of speech, writing and religion, the right to a fair trial, the subordination of all government to the rule of law. But it will also go much further; it will establish minimum standards of housing, food, education and medical care. It will provide security against the various undeserved misfortunes, such as unemployment, accident, widowhood and old age, that can reduce an individual's sufficiency to destitution. It will relieve the material poverty that too often accompanies the spiritual wealth of the large family. If we were to do this, we should find that a remarkably high proportion of the whole list was already secured in this country by the unrelated provisions of a score of enactments, that many of the gaps (family allowances, for example) will probably have to be filled before the war is over and that the cost of establishing the remainder is not impossibly high to contemplate. If, in fact, we approach so closely to such a real Bill of Human Rights, a double purpose would be served by embodying it in a formal Declaration. We should be nailing our democratic colours to the mast and reinforcing our own faith in the principles to which we adhere. And we should be issuing a challenge which speaks straight to the heart of the ordinary man—a challenge which Hitler could neither ignore nor accept. "This," we could say, "is what Democracy promises and performs. What have you to offer one-half as good?"

The counterpart should be a Bill of Duties that the citizen owes to the community of which he is a member. At the moment, we inevitably think of duties chiefly in terms of military service, and though we may hope that a measure of compulsory training will permanently survive the war, it would be disastrous if the idea of service came to be bound up entirely with the bearing of arms. In a modern community there are a thousand ways in which the citizen can give his personal service to the State, and the minimum of Rights will be the more cherished if it is paid for by a minimum of Duties. For too long we have thought and talked of the State, an impersonal dispenser of free doles; we must now think of the community, the commonwealth, to which we give, from which we receive, of which we are all members. This is the democratic answer to one of the great problems of the age, the proper relations between the citizen and the State. We are fighting Hitler because we detest the solution that he has imposed. Here is a means by which, while the war is still in progress, we can establish our own solution and proclaim the faith by which we live and die.

A second field in which the war has revealed the need for drastic action is in the search for personal ability. It has been one of our boasts in the past that our social system, with all its peculiarities, was a matchless breeder of ability, and in past generations we have certainly had less incompetence in high places than other nations. But the picture is different to-day. We realise now to our horror that in every walk of life there is nothing but mediocrity at the top—or else (what is often worse) so little ability that it is overburdened and forms itself into a bottleneck. This is true of politics, of industry, of finance, of art, of journalism. It is most peculiarly and disastrously true of the Civil Service. But no one who knows the British people can doubt for a minute that the raw material of leadership is still as abundant as ever. The trouble is that we have forgotten how to select it. And that, in its turn, can be traced to our educational system. The existence of privileged and exclusive schools and universities is no new thing; but the convention that these privileged institutions are the only channels of entry —or at least the only channels of unhandicapped entry— into *all* the dominant forms of professional activity is a very new thing indeed. The result is that, in spite of the great extension of the public schools, in spite of the great growth in university scholarships, the field of selection for the important posts of State and society has been narrowed. Two generations ago, as now, it was an advantage to any young man to be able to put Eton and Christ Church after his name; but it was not then a handicap to be without these magic claims. We are unconsciously excluding a whole race of able young men and women from positions of responsibility; we are preventing them from taking full advantage of the scholarship ladder by giving them a subtle sense of inferiority (this is the only country where variations in accent are economically important), and we are depriving the State of the services of men of ability by a form of nepotism that is the more deadly for not being confined to ties of blood.

To draw from this state of affairs the moral that all education should be reduced to one dead level would be the wrong conclusion. To have special schools for leadership and to clear obstacles from the career of their graduates is a source of enormous strength to any State—provided the raw material is carefully selected. Let us keep the Public Schools and the Universities as special channels of advancement—but let us see that only those who show proof of ability enter upon them. As in many other respects, the need is not to throw overboard the old liberal principles, but to supplement them. *La carrière ouverte aux talents* needs to be modified into *la carrière fermée à la manque de talents*. This is, of course, a tall order. It embraces far more than educational reform. It involves, for example, a disappearance of the rigid line between the director-caste and the employee-caste—a distinction having nothing to do with ability—that hampers the whole of British industry and can be seen at its clearest and most damaging in the City of London. But an opportunity for a first beginning is provided—or, rather, is thrust upon us—by the wartime coincidence of the evacuation of some schools and the financial embarrassment of others. Let us not patch and temporise, but lay the foundations of a system that can blend what is best in both our present disparate and unconnected educational systems.

A third example can be taken from a field which is familiar to readers of *The Economist*. Within the last generation, the British national economy has been converted from one based on competitive free enterprise into one whose strategic centres are controlled. But the occupying forces are not those of the State, still less do they fly the flag of the public interest; they are the feudal levies of private monopolies. The effect of combining a policy of Protection with a deliberate encouragement to monopoly has been to put the country in thrall to the ring, the combine and the cartel. Even before the outbreak of the war there was hardly an important price in the whole country that was not rigged by those who charged it. The irony of the matter is that this system was frequently referred to as control by the producers; but the emergency of war has shown that to produce is the one thing that our costive neo-feudalism finds the utmost difficulty in doing. We must at all costs end it, if the lead in standards of welfare that we inherited from our competitive past is not to be lost to other more agile and less petrified economies. Here, again, the war not so much offers an opportunity as imposes a categorical imperative. The State is compelled to exert a dynamic control in the interests of the community and with the supreme object of increased production. The aims of a peacetime economy are different; but we may learn the methods by which a controlled economy can be worked, and we may begin to create a race of men as competent to administer British industry in the general interest as their grandfathers were to administer the other functions of the State.

These examples are summary; but enough has been said to show that there is no lack of possibilities of real progress in democratic construction lying immediately to hand. We are, in fact, faced with a golden opportunity if only we can have the vision to realise that we are neither likely nor anxious to see the world of the 1930's again, but rather that we must bend our energies to the wise construction of the new. The bricks and mortar are there—not, indeed, for a grandiose new building designed with all the tyrannous symmetry of a Versailles or a *Reichskanzlei*—but for a new wing to be built on to the less pretentious English structure so as to combine the beauty and the solidity of the traditional with all the efficiencies and conveniences of the modern age.

Monroe Doctrines

THE Pan-American Conference at Havana has closed with some concrete achievements to its credit. The Act of Havana covers the problem of providing a provisional administration for any foreign colony in the Western Hemisphere which might come to be threatened with transference to the sovereignty of another foreign Power. An Administrative Committee representing the signatories (14 out of the 21 Republics must ratify the Act) will be set up; but if the threat is sudden any one Power or group of Powers "shall have the right to act in the manner required for its defence or the defence of the continent." Thus the Act of Havana begins the transformation of the Monroe Doctrine from a unilateral decision on the part of the United States to the agreed basis of a continental system.

In the sphere of economics, the decisions reached are not so well defined; yet the desire for inter-American co-operation in defence of the political and economic independence of the continent is the underlying principle upon which a number of resolutions have been based. Commodity marketing agreements will be concluded with the help of loans in order to lessen the burden of unsaleable surpluses, and appropriate machinery is under consideration in the shape of an inter-American economic and financial Advisory Committee in Washington and a new inter-American Bank, while full use will be made of existing institutions such as the United States Export-Import Bank. In this context, the Conference was able to appraise the importance of President Roosevelt's application to Congress to sanction a $500 million increase in the capital of the Export-Import Bank for the specific purpose of buying American supplies.

Yet the methods employed at the Conference were perhaps even more important than the results achieved. The States meeting together were various enough in strength and influence and, measured by any power-political yardstick, the outcome at Havana should have been a *Diktat* imposed by the United States Government. The final resolutions were, on the contrary, the result of patient negotiation and compromise and, on the economic side at least, represented a far less ambitious scheme than the American cartel which Washington had been prepared at first to sponsor. The core of opposition centred in the Argentine delegation, whose country has a strong tradition of independence in face of any encroachments, supposed or otherwise, on the part of the United States and had, in this instance, a strong desire to fight any scheme which might have encouraged pan-American regionalism at the expense of Argentina's treasured links with Europe. In the event, a less ambitious but possibly more flexible system has been evolved, and the United States has taken full advantage of its opportunity to demonstrate that even in the interests of regional solidarity a State of 130 million inhabitants is prepared to sacrifice neither the interests nor even the prejudices of a neighbour a tenth its size.

Another principle clearly demonstrated at Havana was the comparatively disinterested nature of the United States' lead—though no nation can ever take a complete leave of its own self-interest. Neither the original scheme of a cartel nor the proposed appropriation for the Export-Import Bank covered some sinister scheme for cornering the South American market. Most of the staple products of South America are produced in large quantities by their great neighbour. If the United States were to buy up South America's surplus maize, it would merely be adding to its surplus at home. The same applies to every kind of cereal, to meat, cotton and oil. Both the earlier cartel and the present marketing schemes have a larger purpose—the economic stability of the Western Hemisphere as a whole; to that end, the United States is prepared to make financial sacrifices. In the transaction the immediate gain goes to the producer, not the purchaser, however much the United States may, ultimately and indirectly, gain by a steady Latin-American market and by prosperity below the Equator.

Finally, the deliberations at Havana made it clear that the United States was not seeking to create a closed continental system. There was no suggestion that the Latin-American States should "insulate" themselves against the hazards of a world economy by revising the direction of their imports and exports. Argentina, whose exports to Great Britain were 159.4 million pesos in the first quarter of this year (an increase of 10 millions on the corresponding period in 1939) would be the last to sacrifice solid economic advantages for the doubtful benefits of a closed economic system, and no attempt has been made to persuade either Argentina or any of the other Republics whose trading with the British Empire has been similarly increased by war conditions, to alter their policy. The feeling of the Conference was so far removed from any spirit of rigid exclusion that the participation of Canada and Australia in wheat marketing schemes came up for discussion.

If this is a true picture of the Monroe Doctrine in action, it follows that a number of recent applications of the term are exceedingly loose. There is only one other system which can be reasonably held to uphold and apply the principles and methods of Havana. In the British Commonwealth, the Dominions have a political and economic freedom fully as great as that of the Latin-American States. Inter-imperial economic co-operation does not go further than the interests of the Dominions allow. If Great Britain's importance in the markets of certain of her Dominions and Colonies has increased since the war began, it is the result not solely of an attempt to transform them into adjuncts of the British war machine, but at least in part of the British Government's desire to stabilise their markets and to help the local producer to meet the maladjustments of war. Thus, Great Britain has bought up all Australia's and New Zealand's wool clips until one year after the end of the war. The South African wool market is also receiving help. The cocoa supplies of Nigeria and the Gold Coast are being absorbed, and large purchases of vegetable oils and fats have been made in West Africa. Canada and New Zealand have co-operated with Great Britain in buying up the Empire's entire sugar crop for 1940-41. Nor does the British Government seek to sacrifice the Dominions' or the Colonies' possibilities of profitable trade in the interests of imperial solidarity. Our concern not to jeopardise Australia's relations with Japan is one example; our recognition of the importance of the American market for all the Dominions, particularly Canada, is another.

Japan's Monroe Doctrine presents a very different picture. It covers an unspecified area. Manchukuo and China proper are certainly a part, but more ambitious politicians would have it include Indo-China, the Netherlands Indies, the Pacific Islands and even Australia. But, however broadly or narrowly it is interpreted in the geographical sense, its political and economic aspects are in flat contradiction to the principles of Havana. Japan's will has been imposed on Manchuria by force. China is to be subdued by force. It begins to look as though all foreign interests are to be driven out by force. Any promising results achieved by negotiation—for example, the Tientsin settlement—are immediately nullified by some new acts of banditry. Japan's plans for China or the Netherlands Indies or any other part of "East Asia" are based on nothing but a pure calculation of self-interest. In the long run, world economy would have benefited as much as the Chinese people by the development in China of a more highly developed and industrialised economy. But Japan, fearing the competition of Chinese industry, intervened to stunt the nascent industrialisation by subordinating it strictly to the Japanese system. Her intervention, far from

assisting the Chinese producer, was destined to ruin him, or at the most condemn him to the poverty of servitude under a grasping and impoverished master.

The Japanese system is also a closed system. Over 90 per cent. of her colonies' trade is with the mother country, and Japan's attitude towards foreign interests in China is a clear indication that in China, too, the subject peoples' possibility of finding markets outside East Asia will be severely limited.

With even less justification can the Nazis claim the *Monroe Doctrine* for their European system. In place of co-operation and agreement, they offer dictation and bad faith. Although actual resort to military force has so far been avoided in some cases—Sweden or the Balkans, for example—the methods employed to subordinate their economic systems to the demands of Germany's *Wehrwirtschaft* have been those of economic blackmail and political pressure. In the West, even the pretence of agreement must be dropped. The economies of Norway, of the Low Countries, and to some degree of France were orientated to a great extent overseas. Their incorporation in a rigid Continental system could only have been achieved by the destruction of their political liberty. An analogy with the practice of the United States would be possible only if the great American Power were to invade the States of South America, murder their citizens, destroy their Governments, strip their farms, cut off all foreign supplies and transfer large sections of their territory to the sovereignty of the United States. There is a gulf fixed between the methods of Havana and those of Munich. The Nazi leaders' talk of a Europe "united after a thousand years' division" or of a "strong stabilised planned European economy" covers a dark reality of political enslavement and economic ruin.

It could hardly be otherwise, for the Nazis' "Monroe Doctrine" is not designed to safeguard European interests. Hitler claims that 200 million people are "at the disposal of" the German war machine. From Norway down to Epirus, the Nazi advance has brought with it the stability of organised destitution. Norway's metal industries, the dairy farms of Holland and Denmark, the textile industries of Belgium and France are faced with ruin. The Balkan countries must reduce their own consumption so that their harvests can be shipped up the Danube. Food lorries thunder through hungry Madrid. Far from seeking to bolster up the strength of the countries within its *Lebensraum*, Germany is deliberately planning to reduce their economic vitality. Primary producers such as the Balkan States must not industrialise; industrial States must become Reich protectorates, or else, as in the case of France, return to agriculture. Germany's aim is quite transparent. Without industry there can be no political powers of resistance. The mobilisation of a continent of colonial peoples round the vast industrial machine of the Reich is the "order and stability" which Hitler has to offer.

Finally, the German system is based on exclusion. The Nazis themselves will buy overseas—they are already offering South America the "great centralised" market of Europe—but the trading of the subject peoples will be restricted and strictly subordinated to Germany's needs. It is possible that their buying and selling will finally be carried on solely through the agency of the Reich. In the meantime, the exclusion of foreign interests and foreign capital—of which the fate of the British-owned oil companies in Roumania is the latest example—will certainly continue.

There can be no doubt which of the two systems—co-operation on the Pan-American model or political and economic servitude within a *Lebensraum*—holds the seeds of future progress. The United States has already tried the policy of exploitation, and rejected it in favour of that of the Good Neighbour. Great Britain lost her first Empire by exploitation and gained and held another by co-operation and consent. As in their political regimes, Germany and Japan are turning in their imperial policies to "the oldest and most discredited form of government." Havana is not an ideal solution. Nor is the Imperial Conference; but in each there is sufficient elasticity and sufficient freedom to allow for future growth.

Government by Exhortation

THE Budget has had a poor Press, mainly because of its failure to guarantee directly a sufficient curtailment of civilian consumption. The extent to which the nation's resources will be released for war work is still left too largely to individual abstinence and mere accident, and it seems not unlikely that it will be done, inequitably and inefficiently, by inflation. There is some danger, however, that this criticism, well based as it is, may be allowed to hide graver issues. The curtailment of civilian consumption is not an end in itself; it is a negative virtue. The end in wartime is to increase war output to the maximum, and the withholding of labour and materials from the use of civilians, by restricting either their purchasing power or their purchases, is only one step towards that goal. It frees resources; the real task in hand is the positive one of making use of those resources, of converting them into shot and shell and machines.

At present, we are at a half-way stage in this process of mobilisation. During the Churchill regime the need to take drastic measures to apply the nation's labour and material wealth to the business of fighting has been seen afresh. "Work like hell." "Go to it." "Bring in your aluminium." "Any old iron?" The appeals of Ministers have been catholic and regular, and in the departments themselves new men have been brought in and their whole routine has been speeded-up. The organisation of even the War Office is now to be overhauled by business men.

The evidence of achievement so far, whether it is measured by the output of aircraft and munitions or the rate of equipment of the growing Army, is far from discouraging. Measured against this country's potential capacity to produce the weapons of war, it is still not good; and it is not hard to see why. What has been done since May has simply been done, almost exclusively, by the old pre-May methods speeded-up. It has been done by the same men and women working harder in factories and Government departments. All round, people have been begged to do more, and output has been pushed up by overtime.

It is true that a fault of the previous Government was that it planned to carry through an over-small programme too late; the tempo was all wrong. But this was not its chief fault. That went deeper and rested on the belief that the mobilisation of resources for war could only be done by the normal processes of industry. What industry could do, working under ordinary conditions, was the limiting factor in its planning. So the programme was too small and too slow.

The new Government has a bigger programme, but it is an open question whether it has a new plan of action. "At the double" is not a policy in itself, and already the effects of speeding-up on welfare and efficiency suggest that it is a slogan of only temporary validity. New methods, not the old ones done faster, are really what is wanted. The truth is, in fact, that the normal processes of industry still limit the work in progress. Both Mr Morrison and Mr Bevin, for instance, have taken every opportunity of proclaiming their dislike for giving orders, and they appeal to the democratic tradition to justify their reluctance. The result is a curious process of government by exhortation, in which a real and earnest desire is shown by Ministers and industry alike to screw up war output

to a reasonable height, but in which also all the impediments and delays that result from employers, trade unions and individual citizens being left to do things in their own way are still evident.

There is no lack of goodwill or good faith involved. It is not the fault of individuals that the attempts they are, in effect, called upon to make to work out the nation's salvation by their own initiative are not successful. It is not their job. The individual employer is bounded by his balance sheet. He cannot work at, or risk, a loss. He cannot extend his works or take on new labour for training in anticipation of a demand that is not guaranteed. If he is not on war work, he will not put himself out of business to release resources for other uses; he will struggle to keep his non-essential work going, quite naturally. It is similarly reasonable for separate trade unions, in default of any national plan for wages, to strike the best bargain they can for their members; and for individual workmen to hire their labour at the highest price they can get without reference to broader considerations. So long as wages and prices are not fitted into an official frame, and so long as workers are free to move and employers free to place their business where they think best, so long will the distribution of labour and plant between essential and non-essential work be haphazard. The state of the market will decide, not national need. The employer has his profit to make, the worker his livelihood.

There is no special virtue in compulsion. The only virtue lies in getting the job in hand done; and planning and direction are imperative for the simple reason that only the Government can organise the country's manpower and equipment, as it will have to be organised if the job is to be done. As a group of well-known economists have urged in the *Times* this week, only the Government can order and carry through the transfer of millions of workers from civil to war work, their training and re-employment to make munitions, aircraft and goods for export or to produce food. Individuals in the market place cannot do it, taxed or not, any more than they could recruit an army or an air force. The cost and the risk are too great; there is no profit or livelihood in it except as the Government ordains; and, in the recruitment of an Industrial Army, the individual employer is unaware of the Government's long-term requirements of labour and capacity. He only knows of the contracts he has in hand. He is a cog and cannot be a driving wheel, and the same is true of financiers.

The task is really very simple: to free resources for war use by taxation, rationing and prohibitions; and to press those resources into service by active mobilisation. The evidence that this is not being fully done is provided by the labour and capacity that, by wartime standards, are still running to waste. *The Economist* has already pointed out on several occasions that 3,000,000 men and women could, and should, be recruited from the distributive trades, commerce and finance for war work. It is a standing cause for amazement among students of the last war that it has still not been found possible this time to use the thousands of small firms, workshops and garages—or, for that matter, the hundreds of middle-sized firms—for making munitions. It cannot be said that existing industrial capacity has been fully tapped for war work, or even that the whole range of capacity actually employed in war work is continuously engaged. Many people, again, are justifiably disquieted to see how much land in open spaces and, especially, in private gardens is not yet being used to grow food. The application of the rationing principle to certain essential raw materials has not been ruthless enough to exclude their employment for non-essential work. It is reported in the Industry and Trade Section of *The Economist* this week that the value of the turnover of the members of the Textile Wholesalers' Association in June was still above the level of a year ago—in spite of the restriction of civilian purchase.

The new Government knows better than its predecessor what has to be done. Its recent advice to firms on war work about technical reorganisation, up-grading and labour training was excellent. In a few scattered instances it has taken the initiative. Workpeople in certain industries are forbidden to change their employment. Government training schemes are to reach the rate of 400,000 persons a year. But the deliberate organisation and remodelling of industry is still avoided. The duty of deciding what industries shall continue and what shall be closed down to release labour and plant for more essential employment has been refused, and with it the duty of compensating traders, merchants and workpeople deprived of their livelihood by war changes. The German plan of levying upon all industry to maintain closed-down equipment has not been followed. Nor has the pooling of industrial reserves and resources which has served Germany so well in the drastic change-over from peace to war.

As it is, half-measures are doing harm. The new Budget's taxes will not cut down civilian consumption as much as it will have to be cut in order to free a sufficient proportion of the nation's resources for war use. But a just system of taxation is necessarily blind; it inevitably cuts off all forms of expenditure, and unless it is combined with a readiness to reabsorb all forms of labour and capital, a severe Budget may merely curtail civilian consumption enough to throw men and plant out of employment with no immediate prospect of work or, apart from insured workpeople, maintenance. The remedy, of course, is not to cut consumption less in order to cause less unemployment, but to increase war output more in order to create more employment. The Government's responsibility is to provide this remedy.

It is not a revolutionary idea. We have got beyond the stage where the Government can regard industry as something external to itself, from which it purchases what it wants and takes no responsibility for the rest. We have reached the stage where the Government must assume responsibility for the total organisation of industry. Manufacturers and merchants would be, in effect, the Government's agents, guaranteed a restricted profit, insured against loss by Government aid and mutual arrangements, and prevented by the rigid rationing of materials from diverting their resources to needless work. Workers would be the Government's servants, and they would be prevented from withholding their labour or wasting it in unnecessary employment. Every life and every piece of property are now at the Government's disposal; the counterpart is that the Government should find a useful task for every machine and every pair of hands.

The first need is a programme in detail, showing the goods and materials, labour and capacity required. Such a programme should be based on the assumption that the whole wealth of the community is to be mobilised for war or subsistence. The phrase "it may never be needed" should never be heard. What can be called "interim-mindedness" is a weakness as fatal in Ministers of Supply and the heads of Service departments as it is in Chancellors of the Exchequer.

The second need is a positive approach to the problem of organisation. It is not enough merely to prevent the civil population from buying or to prohibit industry from supplying the civilian market and then to wait in the hope that the displaced resources will somehow, sometime, find their way into the munitions industry. They must be enlisted, trained, adapted, exploited to the full.

The third need, the most important of all, is faith, belief that the job can be done. The proper procedure in wartime is not to criticise and list the objections to projects as soon as they are stated, but rather to find men who believe the projects can be carried out and give them their head. The critics can do their work later. A few weeks ago *The Economist* put forward the maxim "If Hitler can do it, we can"; to this might be added the further precept "If it is necessary to win the war, it can be done."

The fourth requirement is ruthlessness, the determination to let nothing override national need. It is a quality that Churchills have never lacked, but it is one to which many Ministers have still to stake a claim. Nor is it a quality out of tune with democratic methods. To suppose that democracy is incompatible with strong government is a gross error. There is no limit to the powers of ruling which can and should be taken by a Government which is based upon the people's free choice and can be fully and openly criticised by any opposition; and if ever the assumption of such powers was demanded, it is now, when the mobilisation of all the nation's resources for war will tip the scales between defeat and victory.

NOTES OF THE WEEK

Real Blockade

Mr Dalton has taken steps to make the British blockade effective. Since midnight on Wednesday no ships have been allowed to proceed to any port in Europe, to certain islands in the Atlantic or to French and neutral ports in North Africa without navicerts issued by British consuls certifying that their cargoes are not contraband intended for the enemy. No exports are to be allowed out of the same regions without similar certificates of origin stating that they are not German. Every ship without such a passport is liable to seizure and capture in the Atlantic; and the British Navy's control over shipping movements through this Atlantic cordon is reinforced by the requirement that every vessel trading with the blockaded area must carry a ship's warrant, giving the owners' specific guarantee that no cargoes will be carried without navicerts or certificates of origin from British authorities. Ships caught running the blockade will lose their warrants; and ships without warrants will not be allowed to obtain repairs, coal, oil or even water at any British bunkering station all over the world. These and other measures announced on Tuesday by the Ministers of Economic Warfare and Shipping, and brought into force on Wednesday by Order-in-Council, are a convincing reply to the German claim that the conquest by the Reich of all Europe's western seaboard north of the Pyrenees had made blockade impracticable, and a vindication of the critics here who for eleven months have said that the blockade could readily be drawn tighter. The days have gone when blockade meant keeping a close cordon in the narrow seas round particular ports. The British blockade is a long-distance blockade, of ocean routes and not of harbours. The Navy's grip upon the high seas has never slackened, and it is in no danger at all from the enemy's air and sea raiders.

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Moreover, though neutral countries will get passports for the goods they need, their simple promise not to pass imports on to Germany will no longer be accepted as the sole criterion. Gentlemen's agreements are outmoded. There are no gentlemen in total war. As *The Economist* has advocated ever since war started, the neutrals will henceforward be rationed. That is to say, neutral countries will not only have to agree, as in the past, not to re-export to the enemy; they will only be allowed to import enough for their own consumption (on the basis of recent statistics), so that, if the allotted consumption is not fixed too generously, a danger which must be rigorously avoided, they will have no margin for re-export; and they will not receive enough through the blockade to build up abnormal stocks to tempt invasion and capture. In the case of France and French North Africa, not even the navicert system and guarantees, combined with rationing, will be regarded as sufficient earnest. These territories will be treated as enemy-controlled countries and fully blockaded. All this means that the blockade weapon is being fully used for the first time. The task is now admittedly easier when most European countries are blatantly annexes to the Reich. Europe is obviously German. There is no longer any excuse for the Foreign Office to concern itself far too anxiously, as it did, about the susceptibilities of a host of neutral and ostensibly independent States—including Italy then—to our own detriment. Now, the neutrals will get a fair deal. Their interests will be fully respected, but the interests of Britain, as a belligerent, can now be properly safeguarded, too, for the first time. There is no reason why the blockade should not have been made a real blockade many months ago.

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The War of Oil

The test case for the new model blockade will be Spain. Spain is Europe's non-belligerent No. 1, like Italy in the bad old days. Goods can now pass direct through Spain into German territory, and the presence of German troops on the Spanish frontier is not likely to be without its influence on Spanish policy. The tightening of the blockade on Spain has been softened a little at the outset by the recent agreement between the Spanish, Portuguese and British Governments, by which Spain can buy Portuguese colonial produce under credits of £600,000 provided by the Anglo-Spanish Clearing. Now a British expert has been sent to Spain to discuss measures to prevent that country from importing more oil than is needed for home use, and no navicerts will be given in any case for imports of lubricating oils. Oil, especially lubricating oil, is Germany's greatest need. No precise estimate of total Spanish oil imports in recent months is available, but details of United States' exports of oil to Spain in the first eight months of the war tell a significant story:—

U.S. EXPORTS TO SPAIN, SEPTEMBER TO MAY
(Barrels)

	1938–39	1939–40
Motor spirit	1,222,217	1,414,374
Kerosene	...	92,053
Gas oil and distillate fuel oil	345,550	758,069
Residual fuel oil	465,778	1,135,653
Lubricating oils	99,544	462,666
Total	2,133,089	3,862,815

The growth shown is out of all proportion to any possible expansion of Spanish consumption. Imports of lubricating oils, of which America is by far the most important exporter, have risen fivefold; imports of gas oil and the various fuel oils have much more than doubled; and reports of increased refining activity in Spain suggest that imports of crude oil (not shown above) have gone up as well. In eight months of the war Spain has imported as much oil from the United States alone as she imported before the Civil War, in eight months of 1935, from all sources. Stocks must be very high, to say the least; and there must be no weakening, on any ground, on the part of the British blockade authorities.

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Meanwhile, the United States has struck a blow in the oil war on her own account. First of all, petroleum (like steel scrap) was put on the list of goods needing export licences—and, at the same time, American ships were banned from Spain under the neutrality laws. Then, the export of aviation spirit to countries outside the western hemisphere was forbidden, to conserve America's own war supplies. This embargo appears to be pointed mainly against Japan (whose oil supplies are discussed on page 165), though it will not be helpful, to say the least, to Britain. Japan has recently been trying to buy large quantities of aviation spirit in the United States, but, unlike Britain, Japan possesses a considerable modern refining industry of her own. Britain's stocks of aviation spirit are very big; and there is a large alternative source of supply in the Dutch West Indies, where an extensive refining industry, based chiefly on crude oil from Venezuela, is situated. Even so, President Roosevelt's latest action, though it should have little or no effect for some time to come, is not calculated to aid us very much in our fight for the world's freedom, for the provision that aviation spirit may cross the border into Canada is accompanied by the rider that none must be re-exported.

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Japan Plays With Fire

After the recent arrests of British citizens and the tragic and sinister end of Mr Melville Cox, who lost his life in a manner all too reminiscent of the Gestapo, it can only be concluded that Japan is definitely seeking a quarrel with Great Britain, whose military preoccupation elsewhere offers so tempting an opportunity for provocative conduct. The allegations of espionage and of illicit propaganda come strangely from the Japanese authorities who tolerate the existence of a highly organised Nazi party and the presence of a German Gestapo official in their Home Office. But the allegations are, of course, a simple cloak for illegality. The new provocation is Japan's gratitude for our compliance over the Burma Road. Our concession coincided with the formation of the Konoe Cabinet in which the pro-Axis extremists have increased influence. Talks of Axis co-operation, that is, of Japanese co-operation with the enemies of Britain, became serious enough for the British Ambassador to ask on July 27th for a clarification of Japan's future policy and for a definite statement on the possibility or desirability of further Anglo-Japanese consultation for the removal of points of friction. The Japanese Foreign Minister spoke vaguely of a "reorientation of foreign policy" still under review and deferred an immediate reply. Next day, the reply came, in the shape of a wave of arrests and a fresh outburst of anti-British feeling. All the British subjects arrested are men of good standing and repute, against whom no charge of illegal activity could possibly stand. The British Government has very rightly protested.

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Behind the immediate problem of securing the release of the arrested men and a full inquiry into the circumstances connected with Mr Cox's death, lies the larger question of our relations with Japan. We do not want war. We do not wish to embarrass Australia, whose best troops are guarding the Mother Country and whose Government has exchanged friendly messages with the Konoe Cabinet. We do not wish to "force" Japan into close collaboration with the Axis, particularly at a time when the loss of the French fleet has seriously upset our naval calculations. Japan knows all this, and her reaction is not to welcome our pacific and conciliatory outlook (of which the closing of the Burma Road is the latest instance), but to calculate on the basis of our embarrassment the amount of provocation she can practise with impunity. This, however, is a calculation which two can make. If we are vulnerable strategically, Japan is doubly so economically. Our powers of retaliation are limited to the extent of United States co-operation, but in this instance America is showing the way. The President's licensing system for oil and scrap has already aroused Japan's painful interest. The British Empire, if not so important a source of supply, accounts for some of Japan's most important imports, notably wool. And if Japan were to seek compensation by a forceful annexation of the Netherlands Indies, the risk of war with the Western democracies might well become a certainty. Meanwhile, China is obstinately unliquidated. The Burma Road can be reopened with the utmost ease and the flow of supplies greatly increased. We have our military embarrassments. So have the Japanese. If they obstinately insist on increasing ours, we should show equal determination in adding to theirs.

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Balkan Deadlock

First reports do not suggest that the Salzburg conferences have contributed to the clarification of the Balkan situation. The Prime Ministers and Foreign Ministers of Roumania, Bulgaria and Slovakia have seen the Fuehrer and returned to their homes, if not with their marching orders, at least with maxims for good conduct backed by the German big stick. But it is at least likely that these maxims do not go beyond the general principle of keeping the peace. The need for peace while the Balkan harvests are brought in and the deliveries of Roumanian oil increased is obviously Berlin's preoccupation; but how the peace is to be kept is not so straightforward. Russia is moving restlessly about in Bessarabia. Boats and pontoons are said to be in position on the River Pruth. Repeated protests have been lodged with the Roumanian Government about the treatment of Bessarabians migrating to occupied territory and about the removal of railway stock and industrial equipment from the lost provinces. At the same time, Communist propaganda is reported to have taken on new vigour in the Black Sea ports and a number of country districts. It is not certain that Russia has further expansive plans in mind, but the possibility of securing the Dobrudja, either for herself or for a "friendly" Bulgaria, is too obvious a move to have escaped the Kremlin's notice; and there is some evidence that the Russian and Bulgarian Governments have been in contact with one another. Any such move would not only cut Germany off from the mouth of the "German" Danube. It would almost certainly entail the dissolution of the Roumanian State, and with it Germany's hopes of smooth deliveries of oil and grain. Yet it must not be supposed that Germany would oppose a Russian advance by force. The avoidance of a war on two fronts is axiomatic. Thus, Germany is left with the alternative of the Salzburg conferences—to try to persuade the Balkan States to settle their differences before Russia exploits them for her own expansion.

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Here, however, the divisions, rivalries and hostilities which the Nazis have done so much in the past to foster and ferment return to foil Germany's efforts of unification, just as they have in the past foiled other and far more disinterested efforts. Slovakia demands the return of Carpatho-Ruthenia, annexed by Hungary in March, 1939. Its return would give Germany a direct link, through her puppet State, with Roumania. Hungary is less anxious to keep the province now that it marches with Russia, not Poland. Nevertheless, national pride forbids surrender without compensation. This Germany may have suggested in the form of territorial concessions from Roumania. The transfer of Transylvania is the Hungarian claim. Roumania could, without destroying all economic and political cohesion, cede the frontier districts of Crisana and Maramures, where half a million Magyars are in a large majority; but any concession to Hungary would cause Bulgaria to claim, if necessary by force, the South Dobrudja. Roumania has always been immobilised by the impossibility of offering a territorial settlement to one of her neighbours without risking a violent outbreak of disappointed appetite on the part of the others. The transfer of Bessarabia roused the expectations of Hungary and Bulgaria. Another unilateral concession is inconceivable without hostilities. At the same time, it is doubtful whether Roumania's shaken unity would survive further transfers of territory accomplished without resistance. Transylvania is vocally against the policy of compromise, and the Iron Guardists, who recently repledged their loyalty to King Carol, would not, in their present mood, tolerate a further dissipation of the national patrimony. The deadlock therefore appears complete. Hitler cannot secure Balkan co-operation without a territorial readjustment, which can hardly be accomplished without resort to war. And Hitler's only reason for wanting Balkan co-operation is to prevent a Balkan war.

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Solution by Transfer?

M. Manoilescu, the Roumanian Foreign Minister, has suggested that a satisfactory solution of the claims on Roumania might be reached on the basis of an exchange of populations. Unless something as drastic as Hitler's way with his Baltic Germans and Polish subjects can be attempted, in other words, the wholesale uprooting and transference of men who are wedded by generations of family life and centuries of history to their own soil or their own cities, the solution is unlikely to be effective. And only a very great and very ruthless Power has the will and the resources for the task. Roumania's minorities are on the whole scattered, and they do not tally with corresponding Roumanian minorities across the frontier. On the Hungarian frontier there are 400,000 Magyars, but Hungary has only 20,000 Roumanians to exchange and, in a country as over-populated in

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the rural regions as Hungary, the acquisition of 380,000 new citizens without extra land would be a stark economic impossibility. With all the more reason, the 500,000 Magyar Szeklars settled in Transylvania could not be transferred without a cession of territory. The same difficulty exists to the East. About 500,000 Bulgars live in the Eastern provinces of Roumania, while only 70,000 Roumanians live in the west of Bulgaria. Only in the Banat is there really the framework for a useful policy of exchange; 60,000 Serbs could cross into the Jugoslav Banat in exchange for the 70,000 Roumanians who live there now. By an irony of fortune, Jugoslavia has virtually no grievance against her Roumanian neighbour, and there would therefore be no political point in this transfer, which is the only one remotely practicable.

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The Richard Thomas Affair

The annual meeting of Richard Thomas and Company, Ltd., as might have been expected, proved to be a turbulent affair. The chairman, Lord Dudley, who is the nominee of the Control Committee, not of the shareholders, attempted, under the plea of "national emergency," to avoid discussion of the circumstances in which Sir William Firth was removed from the chairmanship, but Sir William was permitted to make a long statement which received the approval of the majority of the shareholders present in person, though not a majority of the votes cast in a poll—where the Control Committee, in any case, hold an overriding majority of votes. There is a grave risk of the whole controversy being diverted on to the issue of whether or not Sir William Firth was justly treated. This is an issue that is certainly important for him and possibly important for the shareholders. But it concerns the public interest to an infinitely smaller degree than many of the other issues raised by the affair. The Control Committee was set up and took control of the company's affairs because of a pessimistic estimate of its financial prospects, made in all good faith by the company's bankers, against which Sir William Firth protested at the time and which subsequent events have proved to be false. Is it right that financial interests should take, and retain, control of an industrial concern in this way? The doubtful character of the procedure is increased by the fact that Richard Thomas was a technically progressive and commercially independent firm, looked at askance by the semi-monopolistic steel cartel, and that the managers placed in charge by the Control Committee are, in effect, representatives of the Steel Federation and closely connected with the firm's competitors. In short, the charge has been made that an exaggerated account of the firm's financial embarrassments was used to whip into line a firm which was showing itself inconveniently anxious to produce steel cheaply. This charge has nothing whatever to do with the question whether Sir William Firth is an impossible person to work with; and it is hardly a comprehensive answer to it to declare, as Lord Dudley did on Tuesday, that the Governor of the Bank of England, Chairman of the Control Committee, is "the most straightforward, high-minded and fair-minded man who lives to-day." It is imperative that the charges should be investigated by a public inquiry if there is to be any confidence that the affairs of the most important of our industries are being run in the public interest. If there is nothing to hide, there should be no reason for objection from any quarter.

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Courts for War Zones

Last week, Sir John Anderson failed to persuade the Commons to give him a blank cheque to establish emergency courts in war areas at home. Members insisted upon defendants being allowed some sort of legal aid, a safeguard too often dispensed with in wartime, and compelled the Home Secretary to promise that, in the case of serious offences entailing heavy penalties, provision would be made for appeal or judicial review. This week in the Lords the Government slid back. In the amended War Courts Bill which came before the Upper House, appeal is only authorised in the case of death sentences. The case of other offences is to be dealt with in the Regulations made by the Minister under the Bill when it becomes law. This is the crux of the whole controversy between Sir John Anderson and Parliament. Originally, the Minister's intention apparently was to leave the entire definition of the scope, powers and procedure of the courts to departmental legislation. Any Regulations could, it is true, be vetoed by Parliament after they had been put in force, but it would not be easy; and it is a sound instinct that has impelled Members and peers to struggle for the inclusion of all the vital substance of the proposed courts in the Bill itself, to be debated and decided by them. They have not had an easy or completely successful time with either Sir John Anderson or Lord Simon, who shepherded the Bill in the Lords; but they have at any rate removed much of the facility with which the words *Bastille* and *guillotine* could have been translated into English under the Bill as it originally stood.

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Secret Debates

This week's debate in the Commons on foreign policy was held in secret session after all, despite thunderbolts both within and outside the House against the abdication of its duty to speak on behalf of the people in the people's hearing. It is, of course, true that needless secrecy in the proceedings of Parliament is most undesirable; and it is true, too, that earlier in the war when the first demands were made by the Opposition for debates *in camera* the Government of the day was by no means convinced of their wisdom or usefulness. Indeed, as Mr Churchill suggested on Tuesday, the fact that there have been five secret sessions since this war started against only seven in the four years 1914-18 is due to the Government's desire to defer to Members' wishes; and it was the Government's belief that Members desired Tuesday's debate to be in secret which was responsible for arrangements being made to clear the galleries. It was left to the House to decide—which is, indeed, whenever possible, the present Government's practice in most matters of this sort—and, by 200 votes to 109, it was decided to exclude strangers. Actually, it was the Prime Minister's speech that probably tipped the scales. Much of it was the light-hearted badinage with which Mr Churchill refreshes himself on his brief visits to the House from his tremendous tasks elsewhere, but it left the impression that there were things to be said on foreign relations from the Front Bench which could not be said in public. That, after all, is the acid test, and only the Government can surely say when this is the case. To say that all secret sessions are undemocratic is as stupid as to say that, in wartime, all debates on important matters should be held in secret.

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The Commons' Wishes

The question whether the Commons wanted to debate in secret on Tuesday was settled in the obvious way—by a free vote. Before it became a matter for controversy, the question had been tentatively settled in the way that has now become familiar, namely, by consulting representative Members and so obtaining what might be called "the sense of the meeting." It is a method of sampling opinion that has some kinship with the Ministry of Information's much-abused social survey, though it lacks the same scientific grounds, and the need for it arises from the blurring of party procedure in wartime. In ordinary times these matters are arranged between the Government and the leaders of the Opposition, quite formally. The purpose of such arrangements is not simply to ensure that the wishes of the majority are respected—in the last resort, the majority must always do what the Government tells it—but rather to make certain that the wishes of no considerable minority are ignored. Now there is no Leader of the Opposition. Mr Maxton's minority is hardly discernible and the Labour Members for whom Mr Lees-Smith speaks, when he undertakes a number of the purely formal duties normally carried out by the Leader of the Opposition, can scarcely be called an Opposition with Messrs Greenwood, Attlee, Bevin, Morrison and Alexander in the Government. Indeed, the nearest approach to an Opposition is to be found among the more obdurate followers of Mr Chamberlain, who is also in the Government; and the customary machinery for finding and meeting the wishes of the House is hardly applicable. So the practice has grown of consulting representative Members. It has even been used, as in the case of the early Defence Regulations last year and, more recently, the Emergency Courts Bill, to thrash out points of difference between Ministers and groups of Members. It is too little realised that this atmosphere of constant consultation and the interchange of views between Front and Back Benches is always present in a healthy House of Commons, and it is merely common sense to make use of it to overcome wartime difficulties in procedure. Mr Churchill himself is a very accessible Prime Minister and a good "House of Commons man." It will happen sometimes that the "sense of the meeting" is uncertain, and in this case the only way out is that taken on Tuesday—a free vote, though it should always be remembered that the aim is usually to protect minority wishes, not to override them.

Trouble in France

The closing of all means of communication between occupied and unoccupied France over the week-end led to a crop of sensational rumours on the imminence of an invasion of Britain via the Channel ports. Some reports—apparently coming from Berlin—went to fantastic lengths of precise detail on the dispositions and nationality of the massing troops. The snow-booted Russians of 1914 were heavily outclassed by the sealed troop trains of "eager" Italians speeding between Genoa and Calais. Once the first wave of rumour had broken, more sober accounts from other quarters suggested that the sealing and "zoning" of occupied France was concerned with economic and administrative difficulties rather than with grandiose schemes of conquest. The food situation is dangerous. The refugees already far exceed the number which the various provinces, ruined by war, could hope to feed. Added to the food costs are those of the army of occupation which the Germans are attempting to reclaim from the Vichy Government. Many water supplies have been destroyed and the whole organisation of civil life is shattered. The Germans have to face the likelihood of famine and the possibility of anarchy. Their new administrative measures are undoubtedly connected with the growing problem of preserving order among the bitter and despairing civil population. The task of the Vichy Government is quite as uneasy. The Pétain regime is too heterogeneous and in part too suspect to command general support. It was accepted in the apathy of defeat in the vague hope that the cessation of hostilities would do something to mitigate France's agony. The last month has done little to fulfil the earlier hope. Food is scarce; Germany is reported to be adding to the problem by sending back thousands of French soldiers to unoccupied territory. Refugees are still in complete ignorance of the whereabouts of their families and of their chances of restoring anything resembling a bearable way of life.

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Germany watches the embarrassment of the Pétain Government with sardonic amusement and fans the latent revolt against Vichy among the more discontented elements in occupied France. At the same time, the Nazis have so far refused Pétain permission to move the centre of government to Paris. The Parisian press and broadcasts are noticeably hostile to the men of Vichy, and Germany is unimpressed by their frantic attempts to pin responsibility to a small group of statesmen who include such an eminent patriot as M. Mandel and are said to number M. Reynaud among them. The Germans take the line that all French politicians are equally guilty and that the crime lies not in failing to prepare adequately for war, but in refusing Germany's "outstretched hand of friendship," an indictment which covers the men of Vichy almost as fully as it does the politicians they are determined to prosecute. The callous sinking of the *Meknes* while repatriating French soldiers to unoccupied France is another instance of the contempt with which Germany regards her creation. It is becoming more and more difficult to imagine what purpose Germany has in mind in the preservation of an impotent and ruined French buffer state between German-occupied territory and the Mediterranean. The only purpose it serves—and it is an important one—is to split the loyalty, and therefore the powers of resistance, of the French people. Germany may purpose to establish a rival administration in Paris, and by ringing the changes on Paris, Vichy and General de Gaulle, keep the simple French citizen in a state of complete political bewilderment. The results achieved so far—with the "Latin bloc," "traditional France" and "the liquidation of the Revolution"—must seem promising. And the unoccupied French concession commits Germany to nothing. Should the men of Vichy show any sign of emerging from the fog of delusion and prejudice in which they are wrapped, Germany can immediately decide that the armistice terms have been violated and march to Marseilles.

* * *

White Paper on Aliens

The first step towards releasing some of the interned Class "C" enemy aliens has been taken with the publication of a White Paper which sets out 18 categories of persons, whose release will be considered, and the procedure to be followed when an application is made. The categories include the young and the very old, the invalid or infirm, those with special qualifications for whom work of national importance is available, and those who occupied key positions in industries engaged in such work. The claims of humanity and expediency have, therefore, been largely met, and public feeling has been roused about the conditions in some of the internment camps and about the separation of families to a pitch that must make the Home Office, which is now responsible, take rapid steps to improve matters. But there will still be many genuine anti-Nazis—Generals de Gaulle—who are anxious to work for us but will fall outside the present categories, because they had not previously been lucky enough to obtain nationally important work or have no special qualifications. Fortunately, this is only a first list, and more categories will probably be added as a result of recommendations by the Advisory Committee, which is to keep under review the general principles of internment, and advise upon their modification, and also to examine, and make recommendations upon, individual cases or groups of cases. The Home Secretary has made a happy choice in appointing Mr Justice Asquith as chairman, and the other members, Sir Herbert Emerson and Sir Neill Malcolm, have both had much experience in refugee work. It is a Committee which can be relied upon to do justice to individuals whose genuineness has been proved beyond all doubt.

* * *

The New Workmen's Compensation Bill

The Royal Commission on Workmen's Compensation, which has only sat intermittently in recent months, has now suspended its sittings indefinitely, and in any case the impossibility of passing in wartime any big legislation, such as the Royal Commission would presumably have recommended, had led the Government to produce an interim measure last April. This was to introduce a scheme of family allowances for married men, but it was so bitterly attacked by the Labour leaders, then in Opposition, that the Government had only a narrow majority on the second reading. After the Labour leaders had joined the Government, it was, therefore, decided to withdraw the Bill altogether and substitute a new one which would meet their main claim—an all-round increase in compensation payments. The new Bill, called the Workmen's Compensation (Supplementary Allowances) (No. 2) Bill, which passed its third reading last week, is a compromise, for it provides both for an all-round increase—though not to the extent which Labour wanted—and for children's allowances. Thus, every worker, male or female, is to have a flat rate increase of 5s. in compensation payments for total disability; and children's allowances, which under the April Bill were to be 3s. for every child under 15, are to be 4s. for the first two children and 3s. for all other children under 15. This has brought the children's allowances into line with the new scales provided under unemployment insurance and under the scheme for temporary disability payments made for civilian war injuries. But children's allowances in cases of partial incapacity are scaled down in proportion to the reduction in ordinary compensation payments; and there are still other anomalies. For instance, under unemployment insurance children's allowances continue up to the age of 16 if the child is still receiving full-time instruction or through infirmity is incapable of self-support; and under the Royal Warrant for War Pensions, which also covers total disability pensions for civilians, children's allowances, besides being on a higher scale, continue, if the family circumstances justify it, so long as the child is apprenticed, being educated, or is incapable of self-support. The new Workmen's Compensation Bill, therefore, is by comparison a rather niggardly measure in spite of the concession over the all-round increase.

* * *

The Tax on Knowledge

The Purchase Tax is an undeniable nuisance, and there can be few industries on which it falls with more inconvenience than the Press and the book trade. (It will, inciden-

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tally, pose a difficult problem for *The Economist*, which is much more dependent on its circulation revenue—which is to be subject to the tax—and less on its advertisement revenue—which is not to be subject—than the great majority of publications.) That the tax is unpopular with the newspapers is not, therefore, surprising. But there is, nevertheless, something very amusing about the solemn smugness with which some newspapers are attacking this "tax on knowledge." The casual reader might almost be forgiven for supposing that the tax was levied exclusively, and with deliberate malice, on newspapers. If the Purchase Tax is a tax on knowledge, then so are the income tax and the E.P.T. The Purchase Tax is not a good tax; but it would be worse if it started making exceptions on the score of special pleading.

* * *

Public Opinion

In recent weeks, the concern shown by Parliament for the liberties of the subject has been very gratifying. On occasion, however, the watchdog has tended, rather blunderingly, to go too far. Some months ago, the Ministry of Information decided to set up a Wartime Social Survey to find out what ordinary people are thinking about current events, and its methods of canvass and house-to-house inquiry differ in no important essential, except perhaps by their greater objectivity, from the technique of social investigation by sample already well developed by commercial advertisers, newspapers and academic institutions. Nor is the information which is passed on to the Ministry in the form of statistical data misused in any way. The names of no individuals enter into it, and it is merely used by the Ministry or by other Government departments as a guide to public opinion as it affects their work. It is all the more surprising, therefore, that this very sensible and practical application of an established method of social research should have infuriated a group of Members of Parliament and roused the anger of a section of the Press. It may, of course, be explicable on the ground that, for certain Members and newspapers, any stick is good enough to beat the Ministry of Information with. The most likely explanation for this week's furore is simple ignorance. The incredibly ill-informed mutterings about spying and the Gestapo that have accompanied parliamentary passages on the subject are oddly reminiscent of the obscurantism and wilful misunderstanding that crippled the Population Statistics Bill some years ago and robbed statisticians and actuaries of a great deal of much-needed and quite harmless information. They also seem to reveal an inability to distinguish between commonplace social inquiry and the espionage devices of Nazi terrorism that is disturbing, to say the least.

* * *

Work in Wartime

The first aim in wartime is to produce more, and the way to achieve it is not to work workers to death. That is realised. The men in aircraft and engineering shops who have been doing 70 to 80 hours a week since the retreat from Flanders are to be brought back to 55 to 56 hours a week. Mr Bevin has sent out a circular to request this, suggesting that, until sufficient new labour can be brought in to make this reduction in hours possible without slowing down production, relief workers might be enlisted for two day and two night shifts a week, which would make it possible to cut down the hours of the regulars to 60 a week, as an interim measure, almost at once. The relief workers could also serve as a training squad for the new recruits, without whom any scheme for reducing hours and keeping up output would be just nonsense. As Mr Bevin's circular says, it is his business as Minister of Labour to make sufficient men and women available for war work from non-essential or non-industrial occupations—and if war output is to be lifted to a war-winning level, the number transferred will have to be very much bigger than any yet contemplated officially. Meanwhile, conditions of work for overdriven men and women are all-important. Shorter hours are imperative. The need for reasonable lighting conditions for overtime and nightwork in blacked-out rooms has been emphasised by a departmental committee under the chairmanship of the Chief Inspector of Factories; and, in the field of lighting, it is even said that new devices will enable work to go on on the outside of ships under construction in the hours of darkness. At all work places, doctors, nurses and welfare officers are to be on hand. These are not simply sentimental or humanitarian steps. They are part of the war effort. Tired men in bad light do not produce more in overtime. They produce less. Higher total output is the aim, but it is increased productivity per head that is wanted to achieve it.

Shorter Notes

The new Finance Bill, which records Sir Kingsley Wood's disappointing Budget proposals, has at least one merit—it is appreciably shorter than its two predecessors. It includes the detailed provisions of the Purchase Tax, and a schedule specifying the classes of goods subject to tax in detail, which range from toys and games (including coin or disc operated machines) which attract full tax, to insulin and the Active Principles of liver, which are tax free. Labour members will examine the clause providing for modified Excess Profits Tax standards for mines and oil companies with care, for it appears to differ but little from the similar clause which was withdrawn after their protests in the Finance Committee last June.

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The occupier of any named factory will, under an Order of the Minister of Labour, be required to make arrangements for part- or whole-time doctors, nurses and officers to supervise the health and welfare of the persons employed. A welcome step in peacetime, such a medical service is almost a necessity in war, when long hours tend to produce ill-health and accidents become frequent with the introduction of large numbers of unskilled workers.

*

The number of detention orders made under Regulation 18B, which gives the Home Secretary power to detain persons, believed to be dangerous to the State, without having to answer to a writ of *habeas corpus*, was 1,465 up to last week, of which 23 were in respect of aliens and 1,442 in respect of British subjects. Advisory Committees have taken up 875 cases, and of the 74 reports so far submitted to the Home Secretary, 17 have recommended release and the remainder continued detention. These recommendations have been accepted. The Home Secretary has power to suspend the operation of an order for detention, and the number of persons actually detained under the Regulation is 1,226.

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The total number of members of the British Union of Fascists at the beginning of the war, based on the number of the last annual subscriptions, was about 9,000. The number of detention orders made against members or former members is over 500.

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With the registration of the 1906 age-group last Saturday, the total number of registrations for military service has reached over 4,100,000. But the weekly registrations have now stopped, and the dates for further age-groups have not yet been fixed.

*

Up to the time of Mr Churchill's announcement that the Home Secretary was to review convictions under the "alarm and despondency" Regulation, there had been 74 prosecutions, of which about 40 have been dealt with. Of those cases which were convicted, 12 were sentenced to imprisonment and 20 had fines imposed. Six of the imprisonment sentences had already expired before the Home Secretary reviewed them, and of the remainder 4 sentences are to stand, one is under appeal and one is to be remitted on the Home Secretary's advice. He also recommended substantial reductions in the fines imposed in 11 out of the 20 cases.

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Once again forces from all over British Africa are fighting side by side. It has recently been announced that the defence of Kenya has been strengthened by the arrival of the Gold Coast Regiment, troops from Nigeria, and a contingent from the Union of South Africa.

*

Under the Personal Injuries (Emergency Provisions) Act, allowances and pensions are paid to gainfully occupied persons who sustain war injuries and to civil defence volunteers who sustain injuries while on duty. In order to meet the increased cost of living, both the temporary injury allowance (where the period of incapacity does not exceed seven days) and the pension have been raised. The former has been raised from 30s. to 33s. a week in the case of a married man and from 18s. to 20s. for a single man. Pensions will be at the same rates as those approved for members of the fighting forces.

THE WORLD OVERSEAS

Non-Belligerent Spain—II

(By a Spanish Correspondent)

SPAIN has recently taken the step from neutrality to non-belligerency. At the beginning of the war, although the Press was certainly influenced by German propaganda, particularly in the matter of news and comments, Spain was officially neutral. The British Government took up a reciprocal attitude, and even went further with its constant advances to win Spain's friendship.

Hence all the patient negotiations that went on from November last year to March 18th, when the Anglo-Spanish Trade Agreement was signed. When it was ratified in Parliament on April 24th, Mr R. A. Butler, Under-Secretary for Foreign Affairs, stated that the policy of Great Britain was "to respect the neutrality of Spain so long as it was respected by others." It was a timely declaration, since just then the Spanish Under-Secretary for Air, General Barron, and his staff were flying to Rome and Berlin and visiting the Norwegian battlefields as Marshal Goering's guests, and reports were continually arriving that there were some 60,000 to 80,000 Germans in Spain. As it was found that the Germans were trying to create mischief by spreading a rumour in Spain that the Allies had designs on the Spanish colonies, the Foreign Office on May 15th issued an official statement repeating the declaration made in Parliament.

When the new Cabinet under Mr Churchill took office, Sir Samuel Hoare was sent as Ambassador Extraordinary and Plenipotentiary to Madrid. He presented his credentials to El Caudillo on June 8th, the Falangists choosing that moment for street demonstrations, in which "Gibraltar is Spanish!" was shouted with renewed vigour. The entry of Italy into the war two days later was followed in three days by the Spanish declaration of non-belligerency. Spain, therefore, seems to follow only one step behind Italy, whose neutrality became non-belligerency, then pre-belligerency, and finally almost belligerency on some fronts. Great Britain, however, has not so far announced any change in her policy of respecting Spanish neutrality, in spite of the fact that the Spanish Government themselves have put an end to it.

Spain was not slow to give practical expression to her declaration of non-belligerency. On June 14th, Tangier was occupied by the Spanish land, sea and air forces.

Tangier in History

Tangier has frequently cropped up in the history of British diplomacy in the Mediterranean. When M. Delcassé, the French Foreign Minister, visited London in 1903, Lord Lansdowne, then Foreign Secretary, wrote: "I said that we could not be indifferent to the fate of Morocco. We were in the first place largely interested in the Mediterranean seaboard, and particularly in Tangier and the neighbouring coast. It would be impossible for us to agree to any settlement which might have an injurious effect on British commerce or British enterprises in that part of Africa." In Article VII of the Declaration on Egypt and Morocco in 1904, England and France agreed to certain measures regarding fortifications on the Moroccan coast in order to ensure the freedom of the Straits. However, next year the German Emperor made a landing at Tangier and stated that he did not recognise any agreement. Thus, the special significance of Tangier as the rival of Gibraltar came into prominence. A few years later, Sir Arthur Nicholson, Permanent Under-Secretary for Foreign Affairs, gave a more definite expression to British policy. Writing to Sir Charles Hardinge in 1911 he summarised its minimum aims in this set of conditions: (1) the internationalisation of Tangier and its neighbourhood; (2) a treaty pledge that no ports on the Moroccan coast should be fortified; (3) that Germany should not endeavour to acquire a port on the Mediterranean coast; (4) the maintenance of the *status quo*.

After the German coup at Agadir in 1911, and in order to check further intrigues, Spain and France made a treaty in 1912 defining their respective spheres of influence and an international zone at Tangier. In 1925 General Primo de Rivera brought into force the Convention of 1923, to which Great Britain was a party. Mussolini repeated the Kaiser's coup by sending a cruiser to Tangier, and by the Protocol of 1928 Italy became a partner in the Administration. The zone is demilitarised; the Consuls of the Powers concerned form a Control Committee; and legislative power is exerted by an International Assembly of 27 members.

The international zone has an area of about 225 square miles and a population of 60,000—40,000 native Mohammedans, 8,000 native Jews and 12,000 Europeans, of whom less than half are Spaniards. Similarly, Spain has far from a predominant share in Tangier's international trade. While imports increased from 62.4 million francs in 1935 to 94.7 million francs in 1938, those from Spain decreased from 7.7 millions to 1.7 millions, and all of the decline cannot be explained by the Civil War. Imports from other countries showed an increase—the United Kingdom from 6.6 millions to 7.8 millions, the U.S.A. from 4.6 millions to 7.4 millions, and France and Algeria from 12.8 millions to 29 millions. Total exports decreased from 18.7 million francs in 1935 to 11.3 millions in 1938. Exports to Spain decreased from 5.2 millions to 0.1 millions, and to the United Kingdom from 3.9 millions to 2.6 millions, but those to British possessions in the Mediterranean mounted from 2.7 millions to 4.3 millions, and to France and Algeria from 0.7 millions to 1.9 millions.

But, notwithstanding the small extent of her economic interests and the international agreements to which she was a party, Spain recently included Tangier in the list of her imperial claims. The Spanish High Commissioner at Tetuan on June 14th notified the French Consul that in agreement with the French Government the Spanish Government intended to occupy Tangier at once. On the same day the British Consul at Tangier received a note from the Spanish Consul stating that the military occupation of Tangier and its zone had been carried out, with the exclusive object of securing the strict neutrality of Tangier. It is interesting to note that this agreement with the French Government was reached just before the French Cabinet decided to surrender; and, as was apparent from Mr Butler's statement in the House of Commons, the British Government had no part in the agreement, since it was only notified after the occupation by Spain had taken place. How a non-belligerent country could secure the neutrality of Tangier against some unspecified threat is very far from clear.

The real reason for the Spanish claim to Tangier must be considered in conjunction with the claim to Gibraltar: Spain's object, in fact, is control of the Straits. The occupation of Tangier is the first step towards that Spanish Empire which is the dream of the Falangists and which many people have thought fantastic.

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It is not surprising, therefore, that the coup has stimulated the imagination and ambitions of the Falangists, who, on their posters at least, proclaim, "So that Spain may be great—Gibraltar, Tangier, Casablanca, Fez, Oran, Algiers!"

Germany on the Threshold

Besides giving France a feeling of insecurity regarding her Pyrenean frontier and her communications with North Africa, the Spanish rulers played another important rôle in the French Government's surrender. The Falangist Ambassador in France, Sr. Lequerica, had before the fall of Paris made several visits, together with the Papal Nuncio, to President Lebrun, advising him to prevent further bloodshed. And when the moment came he hastened to offer the services of his Government as intermediary between Hitler and Marshal Pétain's Government, which contains men well known for their pro-Franco activities in France during the Spanish war—such as M. Ybarnegaray, General Weygand and Marshal Pétain himself. When he was Ambassador in Madrid the latter was in contact with the French defeatists and, indirectly, with Nazi agents. His plan was to "appease" the Falangist Government, and he sent requests to the French Government to take measures against the Catalan and Basque refugees in France, against their cultural activities and their publications, which were so useful in spreading pro-Allied propaganda in influential Catalan and Basque circles in South America.

In Spain, it is these democratic elements, the Basques and the Catalans, who are the only people consciously pro-Ally. Thus, a spontaneous demonstration took place in Barcelona under the embarrassed eyes of the Spanish authorities, when hundreds of Catalans cheered the Duke and Duchess of Windsor on their arrival from France.

Now the north and west of France have been occupied by German troops. They are installed in the French part of the Basque Country, as far as Saint Jean Pied de Port. German and Spanish officers have been fraternising at the frontier. German soldiers and material have even crossed it, although a projected parade at San Sebastian was cancelled—presumably as being too blatant a gesture.

Moreover, a large percentage of the 60,000 to 80,000 Germans said to be in Spain are reported to be concentrating in Galicia, the north-west corner of the Peninsula, with sufficient war material to suggest the formation of an expeditionary force. German submarines are busy in that quarter, indicating that they may have bases in the Galician *rias* (small fiords). A very powerful broadcasting station has just been established at Corunna. Galicia, in fact, looks like becoming a German stronghold. On the other hand, the new measures taken by the British Ministry of Economic Warfare will greatly help to frustrate Germany's hopes to use non-belligerent Spain, like non-belligerent Italy, as a leak in the blockade.

The Unity of Spain

More light is thrown on Falangist ambitions by a lecture given in Madrid on April 29th by General Fuentes Cervera, Under-Secretary of the Spanish War Ministry. He applied to Spain the geo-political doctrines which inspire the German General Staff and Foreign Office, emphasising that Spain is a bridge linking Europe with Africa. The policy of Spain must be to control the two bridgeheads, one in Septimania (the region in the South of France embracing the seven towns—Carcassonne, Narbonne, Nîmes, Beziers, Agde, Magalone and Elne, up to the Rhone) and the other in Mauretania or North Africa.

An official endorsement of some of the imperial claims of the Falangists was given by General Franco in his speech to the Army, Navy and Air chiefs on July 17th, the fourth anniversary of his rising. "We are only pausing in the battle now," he said. "We have not finished our task. We have shed the blood of our dead to build a nation and create an empire. For that we must force Spain to be united." He referred to Ferdinand and Isabella, the King of Aragon and Queen of Castile, who, according to Spanish official textbooks, brought about the unity of Spain by their marriage, and to the Queen's will—a commonplace of all Spanish nationalist propaganda—with its statement of the destiny of Spain in Africa. "It is the duty and mission of Spain to command Gibraltar," said General Franco, "and expand in Africa. Spain has 2,000,000 soldiers ready to defend her rights."

"Spain, united, great and free," is the Falangist motto. By unity they often mean the abolition of parties and of Catalan and Basque nationalism, but they also include now the reduction of Gibraltar and Portugal under a common rule.

Expansion in Africa can only be in Algeria or in the part of Morocco belonging to France—the very country the Falangists helped to surrender to Hitler. As for Portugal, while General Franco's brother, the Ambassador in Lisbon, said that the two countries would march in peace and complete agreement, posters put up in Madrid by the Propaganda Department of the Falange Party were advising Portugal to turn the geographical unity of the Peninsula into a political unity, and "to break the shackles of British control." But these probably represent the ideas of the extremists only, and a considerable improvement in the relations between the two Peninsular countries has been achieved with the signing on July 29th of an additional Protocol to the Treaty of Amity and Non-Aggression of March last year. This will undoubtedly be a very useful instrument in preserving peace in the Peninsula, the desire of all parties concerned—with the natural exception of the Germans.

Unity with Hispano-America, in spirit, economic interests and power, is Point No. 3 of the Falangist Programme. The *Confederacion Fascista Ibero-Americana*, whose headquarters in Spain work in close co-operation with the *Falange Exterior*, is the instrument for penetration in South America, where contact is maintained with the Nazis and the Italian Fascists.

The breaking-off of diplomatic relations between Spain and Chile, just before the meeting at Havana of the Pan-American Union, is an interesting move in connection with recent activities in South America. It has, however, prompted Mr Sumner Welles to reply sharply that, although the Chilean Government is amply capable of dealing with the situation, "any attempt on the part of a foreign government to interfere by direction or indirection in the domestic concerns of any American Republic will unanimously be resented by all the American peoples."

July 30th.

Norway under German "Protection"

[BY A CORRESPONDENT]

ALL news indicates that Norway will face the most difficult winter for a century. The situation with regard to food may become as desperate as during the Napoleonic Wars, when the Norwegians were forced to take such steps as blending their flour with bark. It has been announced by German-controlled radio stations that mass slaughtering of livestock is already in full swing, that the harvest prospects are bad owing to lack of rain, and that the production of milk, butter and cheese has decreased considerably in the last few months. The daily butter ration is down to 45 grammes (about 1½ ounces), or, instead of butter, 45 grammes of margarine or 35 grammes of artificial dripping, fat or oil can be obtained. Only invalids can obtain wheat flour; and the shortage of fats is illustrated by the decline of 35 per cent. in the production of soap.

After the food shortage comes the scarcity of fuel. Petrol consumption in Oslo has been reduced to about 15 per cent. of normal. Taxis can only get petrol for conveying invalids and doctors and for bringing luggage to and from public conveyances which other persons must use. Fishing boats are allowed 30 per cent. of their normal petrol consumption, and private motoring is restricted to doctors and a few civil servants. Coal is reserved for industry and shipping; private consumers must depend on wood, and it has been stressed by the authorities that the fuel situation will be very difficult.

German Robbery

In view of this scarcity of food and fuel, it is worth pointing out that before the invasion Norway was well stocked against an emergency. According to authoritative sources in London, Norway then possessed grain for two years' normal consumption and reserves of petrol, about 90,000 tons, for six months. Information has reached London that the petrol and oil, as well as stocks of food, have been taken from Norway to Germany. Norway had stocks of sugar for six months, but it was announced the other day that, in order to meet Norway's urgent need, Sweden was releasing 5,000 tons out of her own stocks.

An agreement has been reached whereby Sweden will send goods worth Kr.30 millions to Norway and import Norwegian goods to the value of Kr.25 millions. This is so far the only trade agreement arranged with any country other than German-occupied territory. Germany is taking from Norway 100,000 tons of wood pulp and cellulose, and tinned food, mainly from the fisheries, valued at Kr.50 millions. In normal times the export of wood and wood products represents one-third of total exports, while the fishing industries represent one-fourth.

Free from "Protection"

Norway's two main assets, however, have been deprived of German "protection." These are the merchant fleet and the whaling fleet, which escaped and are now managed from London by the Norwegian Trading and Shipping Mission, representing the legal Norwegian Government. The total amount of shipping tonnage involved is about 4 millions out of a total tonnage at the beginning of the war of 4.8 millions. These fleets, now serving British or neutral interests, consist of more than 1,000 ships, employing 25,000 to 30,000 officers and men. In London the Norwegian Mission co-operates with the Ministry of Shipping; the head office is in Montreal, and there is an office in New York which is mainly concerned with ships not chartered by Great Britain.

The gold reserve of the Bank of Norway is also safe outside Norway, and the financial position of the legal Norwegian Government in London is strong. The Minister of Finance has established an office in the City. It is worth pointing out that the legal Government has to date paid all interest on foreign loans.

July 29th.

American Gold Phenomena

[FROM OUR NEW YORK CORRESPONDENT]

THE movement of gold to the United States scored a new record in June, when $1,164 millions was imported, with only a negligible export. Net imports of the metal during the first half of this year amounted to $2,746 millions, and for the past eighteen months to $6,320 millions. Of the eighteen-month total, $5,451 millions was added to the monetary gold stock and $869 millions was earmarked. The total American monetary stock has now passed $20,000 millions, and there is, in addition, $1,700 millions earmarked here. Our monetary holdings are now equal to about 80 per cent. of the reported total holdings of 52 countries, compared with 56 per cent. only eighteen months ago. This eighteen-month import very nearly equals the country's total monetary gold stock immediately after revaluation in early 1934.

Large as is the excess of merchandise exports, it accounts for but a fraction of this gold movement. For the seventeen months ended May, the balance in our favour on this account was $1,495 millions, so that, with an allowance for June, only about a quarter of the eighteen-month gold total is thus covered. The reported total capital movement for the fifteen months ended March was about $1,200 millions. Thus the available figures leave a large gap to be filled when accounting for the inflow of gold.

As has been the case for so long, the visible effects of the gold movement on the domestic economy are small. Only the long-term interest rate and the banking figures show some evidence. Not the least strange aspect of this never, never land is that of an economy increasing its gold stock in eighteen months by more than a third from an already swollen total and yet at the end of the period having a stock market lower than at the beginning, a commodity price level approximately unchanged, and a business index only slightly higher.

The banking figures, of course, have been greatly altered. Excess reserves of $6,810 millions on July 3rd were more than double the total eighteen months ago, and banking resources and liabilities have risen enormously, the most marked increase occurring in New York. From the average of January, 1940, for example, the New York banks have experienced an increase in loans and investments of $500 millions and an increase in demand deposits adjusted, i.e. demand deposits other than interbank, United States Government and minor items, of $1,048 millions.

Lower Interest Rates

During the eighteen months' gold rush, the yield on long-term Treasury bonds has fallen from about 2½ per cent. to almost 2¼ per cent., though experiencing substantial fluctuations during the period. The Treasury has just sold an issue of $650 millions 2¼ per cent. bonds, due in sixteen years and callable in fourteen years, which went to a two-point premium. This issue was two years longer both as to option and maturity date than the 2¼'s sold last December, and compares with an issue of slightly shorter term (12-14 years) sold in September, 1938, and bearing interest at 2½ per cent. In the first half of 1936 issues of comparable term bore 2¾ per cent., and, in 1934, 3 and 3⅛ per cent. interest.

Whether such rates can prevail to finance the rapidly mounting armament appropriations, only time will tell. So far, while appropriations reach an arithmetical total of over $10,000 millions, there is no data as to how fast the outlays can be made or how much non-government financing may result from efforts to increase production facilities. However, the financing on both accounts seems certain to exceed by a large margin during the next year or two that of past comparable periods. The presence of the gold does not make the financing appear more difficult. It may accentuate the tendency to use bank credit for the purpose.

Despite the levels which the gold movement has now reached, discussion of the "gold problem" is less intense than was the case a few months ago. Other developments have pre-empted attention.

Higher Production

The June statistics show the expected substantial rise in the production index and evidence that consumption is being well maintained:—

BUSINESS INDICES (UNADJUSTED)
(1923–25 = 100)

	June, 1939	May, 1940	June, 1940
Industrial production, total	**98**	**109**	**114**
Manufactures, total	97	107	113
Durable	85	107	119
Non-Durable	108	108	107
Minerals	105	120	124
Construction contracts, value total	73	78	79
Residential	64	75	74
All Other	80	79	83
Factory employment, total	93·4	99·0	*
Durable goods	84·6	96·4	*
Non-durable goods	101·8	101·4	*
Factory payrolls, total	86·5	96·2	*
Durable goods	80·7	97·5	*
Non-durable goods	93·0	94·9	*
Freight car loadings, total	67	71	75
Miscellaneous	74	80	85
Department store sales	83	89	89
Department store stocks	64	70	*

* Not available.

A further substantial increase in the production index will be recorded in July, and consumption continues to be well maintained. The movement of the production index is, of course, largely accounted for by iron and steel, which in the last year has undergone the most violent fluctuations. Seasonally unadjusted, the index of production of iron and steel rose from 79 per cent. of 1923-25 in May, 1939, to 155 in November, fell to 102 in April, 1940, and reached 143 in June. A seasonal adjustment only increases the fluctuations, the extremes on that basis being 73 and 174. The five-point rise from May to June in the overall index was almost wholly accounted for by this one factor.

July 19th.

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Argentina's Depressed Outlook

[FROM OUR BUENOS AIRES CORRESPONDENT]

AT the beginning of the present war it was generally expected in Argentina that history would repeat itself and that Argentine products would sell abroad at higher prices and in increased quantities just as they had done in the war of 1914-1918. There has now been a rude awakening. The German invasion of Scandinavia and the Low Countries, the entry of Italy into the war, and the collapse of France have shut Argentina off from all her European markets, except Great Britain, Spain and Portugal. The trade lost represents about 40 per cent. of Argentine exports and a slightly higher percentage of Argentine imports. There has been a very heavy fall in the price of Argentine export products, especially cereals and linseed, and the fall would have been heavier if the Government had not intervened in the grain market and fixed minimum prices. Prospective purchasers are not willing to buy at the minimum prices and business in grains is consequently almost at a standstill.

Argentina is now faced with the double problem of finding markets for her exports and seeking fresh sources of supply for her essential imports. It appears that while the war lasts Argentine exports and imports will be much lower than in recent times. The fall in exports impoverishes the country generally, while a decline in imports seriously affects the national finances since customs duties form an important part of the State revenue. Argentina this year has a huge maize crop, a large part of which would normally have gone to the European continent. Maize prices are so low, and the outlook for export so hopeless, that maize is now being sold to local industrial firms to burn as fuel. A former resort to this desperate measure was made a decade ago during the Great Depression. At the same time serious difficulties are being met in obtaining ordinary fuel products—coal and oil. To remedy this the Argentine Government has decided to introduce Summer Time on July 1st, which in Argentina is almost mid-winter, and early risers, including most of the working population, will have to get up in the dark.

Decline in Railway Revenue

The railway companies, which in Argentina invariably have their full share in the national misfortunes, have again been obliged to reduce their services drastically to save fuel. During the current financial year from July 1, 1939, the receipts of the four big British-owned railways are lower by over 13 million pesos compared with last year, or not far short of the equivalent of £1 million. The fall in receipts is all the more serious when account is taken of the increased cost of fuel and materials. A Bill has been presented to the Senate by Doctor Sánchez Sorondo, Senator for the Province of Buenos Aires and an admirer of totalitarian states, providing for the nationalisation of all foreign-owned public utility companies by means of a National Redemption Loan of 1,500 million pesos. The Argentine Government is contemplating the expenditure of about 1,000 million pesos (equivalent to about £70 millions) on an armaments programme owing to the present international situation.

June 22nd.

The War and Eire's Economy

[FROM OUR DUBLIN CORRESPONDENT]

THE report of the Electricity Supply Board for the year ended March 31, 1940, indicates that this well-managed undertaking continues to make progress in spite of the difficulties of the times. Although the profit, after full allowance had been made for interest on capital, depreciation and repayment of advances, declined to £54,231, compared with £226,810 in the previous year, this result must be regarded as very satisfactory in the circumstances. The year was unusually dry, with the result that expenditure on coal was increased by £79,909; the extension of summer time and the lighting restrictions reduced the demand for current for public lighting; and the replacement of the Dublin electric trams by buses caused a serious shrinkage in the amount used for traction. In every other branch of its activities the Board's turnover showed a marked expansion. The construction of the Liffey hydro-electric scheme is proceeding rapidly, and the erection of a peat fuel generating station is under consideration.

The Exchequer Return for the first quarter of the current financial year is reasonably satisfactory in view of the abnormal conditions. Revenue was £7,434,960, an increase of £1,363,894 over last year, and expenditure £8,559,975, an increase of £499,728. Receipts from customs increased by £818,000, excise by £270,000 and income tax by £350,000, while decreases took place in motor tax and stamps. The balance in the Exchequer at the end of June was £2,408,328, and there was no floating debt. The great increase in defence measures will doubtless cause a serious deficit in the present quarter, and, in spite of the apparent ease of the Exchequer's position, further borrowing will probably be necessary before long. The yield of taxes, and in particular of direct taxes, has almost certainly reached its limit of elasticity.

Jump in Imports

The statistics of external trade for June show that imports amounted to £4,827,607, compared with £3,770,988 in June, 1939, and exports to £2,653,918, compared with £2,026,242. The value of live animals exported during the month was £884,835, compared with £839,689 last year, and, when allowance is made for the rise in agricultural prices, it must be concluded that the volume of exports showed no increase. The rise in the total exports is explained by the jump in the food, drink and tobacco group from £960,916 to £1,517,377. The increase in imports was the result partly of a rise in prices and partly of the efforts made to lay in stocks. The passive balance for the twelve months ended June was £18,430,977, which, when taken together with the shrinkage of several invisible exports, suggests that the balance of payments is growing more passive. The terms of trade are also moving against Eire; in the last twelve months the price of imports has risen by 46 per cent. and the price of exports by 34 per cent.

Hitherto equilibrium in the balance of payments has been secured mainly by the large investment income drawn from abroad. As by far the greatest part of these external investments are British securities, British financial conditions are vitally important for Irish prosperity. Any substantial decline in the value of British Government stocks or of sterling would have the most undesirable results for institutional and private investors in Ireland. For this reason, if for no other, the progress of the war cannot be regarded with indifference in Eire in spite of the strict neutrality which it is determined to preserve.

July 24th

Portugal's Wheat Supplies

[FROM OUR LISBON CORRESPONDENT]

As this year's crop of wheat is the worst for the past three years, producing only enough for six months' ordinary consumption, the Ministry of Agriculture has issued the following decree dated July 10th. The percentage of maize to be mixed with wheat in "standard" flour is raised from 15 per cent. up to 18 per cent. A larger proportion of offals is also to be left in the flour. "Standard" bread prices remain unchanged at 2 escudos per kilo, while first quality bread, made from pure wheat flour, is to be raised to 3 escudos 60 reis per kilo, an increase of 20 per cent. Of the total bread consumption, "standard" bread accounts for 80 per cent. Special efforts are being made to assure a big crop in 1941. A bonus for fertilisers, an increase in the guaranteed price of wheat payable to farmers, these are the schemes devised to limit as much as possible the expenditure of currency on imported wheat. Two years of bad crops explain why the combined system of wheat growing, milling and baking has temporarily broken down.

July 15th.

Books Received

The Problem of Japanese Trade Expansion in the Post-War Situation. By M. S. Farley. (London) Allen and Unwin. 93 pages. 5s. net.

British Relations With China: 1931-1939. By I. S. Friedman. (London) Allen and Unwin. 255 pages. 10s. net.

Building Societies' Year Book, 1940. Compiled and Edited by G. E. Franey. (London) Franey and Co., Ltd., Tudor Street, E.C.4. 493 pages. 10s. 6d.

THE BUSINESS WORLD

Can We Export?

WHILE Germany is unable, for geographical reasons, effectively to employ the whole weight of her military strength against this country, Britain, too, is not yet in a position to force a decision in her favour. Our task is twofold: we must improve our defences against immediate attack, and we must prepare for offensive action to break the military power of Germany. Our overseas trade policy must be related to this double task. In order to bring our defences to the highest pitch as quickly as possible, we must import essential materials to the limit of our shipping capacity and we must curtail the export of commodities which are both vital for military purposes and in short supply, even if by so doing we make it necessary to draw substantially on our foreign exchange resources. But as our preparations for offensive action at a later date require the continuance of heavy imports, and as our foreign exchange resources are not unlimited, we must maintain our exports at the highest possible level. This necessity was recognised afresh by Sir Kingsley Wood in his Budget speech on Tuesday last week.

So far, it is true, the inroad into our foreign exchange resources has been comparatively small. Thus, during the first ten months of the war the excess of imports (valued c.i.f.) over exports (valued f.o.b.) was only £185 millions larger than in the corresponding period a year earlier. But as the delivery of munitions ordered abroad is expected to show a steady expansion, the gap between imports and exports is bound to become considerably wider, unless the latter can also be appreciably increased. Whether this can, in fact, be done depends, among other things, on our ability (*a*) to devote more of our resources to the export trade, (*b*) to secure additional markets, and (*c*) to provide the necessary transport facilities. The prospects may be examined under these three heads.

First, can we find the additional raw materials, labour and plant necessary to an expansion of exports? So far as raw materials are concerned, the position is not unsatisfactory at the moment; thanks to the high level of imports in recent months, the Government has found it possible to increase the allocation of many of them for export purposes. Moreover, supplies of most raw materials in exporting countries are likely to be ample in the future, especially as the extension of the British blockade to Italy, Scandinavia and the Low Countries, France and French North Africa and the rationing of the remaining neutrals in Europe will diminish the outlets for the world's raw materials. In metals, we shall be able to buy all the copper, lead, spelter and tin we are likely to require, for there is no shortage of ore or refining capacity. We shall have at our disposal ample supplies of manganese, nickel and of most of the other steel alloy metals. True, we may be inconvenienced by the loss of Continental iron ore and by the lack of sufficient aluminium producing capacity. But the Continental iron ore can be replaced by domestic ore, scrap and American steel; and the Empire's aluminium producing capacity is being rapidly enlarged. Again, apart from flax, there is a plethora of textile materials in the exporting countries. The rubber producing countries are anxious to increase their exports. And there is already a buyers' market in oil. In sum, if transport facilities are available we shall have no difficulty in securing additional raw materials. The question is how large a proportion of them will be available for manufacture into finished goods for export.

Nor is the fact that only 5.2 per cent. of the insured population were unemployed on June 17th an indication of inability to spare more labour for the export industries. It is true that hundreds of thousands of additional workers will have to be drafted into munition factories and that equally large numbers are needed by the Armed Forces. But literally millions of persons of working age are still neither in the Services, nor in the munition factories and export industries, nor engaged in the provision of goods and services essential to the maintenance of the health and efficiency of the civil population. These millions are to be found in the consumption goods industries, in the distributive trades, in banking and finance and commerce, and in the home. Provided the labour engaged in the services of the population is reduced to the minimum compatible with the maintenance of its health and efficiency, it should be possible very appreciably to increase the number making goods for export, besides meeting the needs of the Armed Forces and of the munition factories.

The additional plant and machinery that can be devoted to the manufacture of goods for export is more limited. So far as the extension of manufacturing capacity is concerned, our efforts must be concentrated on the construction of munition factories. But, as was pointed out in *The Economist* of July 20th (pages 92-3) our existing manufacturing capacity is far from being utilised to the full. Even the metal industries, on which armament expenditure is largely concentrated, are still far from being fully and efficiently utilised. In the consumption goods trades existing machinery is not only not fully occupied, but it is still turning out goods for home consumption, either in excess of the needs of the population or of a kind we can do without during the war. Indeed, if all the existing capacity were fully utilised and if production for domestic civil consumption were confined to essentials, a good deal of additional machinery would be made available for the manufacture of goods for export, though in certain industries—especially in the metal trades—the export capacity will of course tend to decline with the expansion in the output of munitions. While much will depend on the extent of the damage that can be inflicted by air raids, a survey of existing capacity and of the degree of its utilisation suggests that production for export could certainly be increased in many industries.

Secondly, can we find additional markets for our goods, especially for the type of goods that we can export in larger quantities? In view of the virtual cessation of trade with Continental Europe, which took 30 per cent. of our total exports in 1938, the difficulties in the way of an expansion in total trade appear formidable at first sight, for it would involve an increase in our sales to the rest of the world by an amount which is greater than the loss of trade with the Continent. But by transferring our custom from Europe to the countries of the outer world we are also providing them with the means of purchasing more goods from us. And, owing to the elimination of our Continental competitors, it should be all the easier for us to canalise orders to this country. The chief categories of goods exported by us in 1938, together with the proportion of each sold to Continental Europe, the British Empire and the rest of the world, are shown on the next page.

With the important exception of coal, the majority of the goods hitherto sent to the Continent are likely to find buyers elsewhere, though it may be necessary to adapt the types and specifications of some of them to the requirements of the rest of the world. But while we may be able to establish a seller's market in some commodities, in others, including cotton textiles, rayon and motor vehicles, for example, we shall continue to be faced with strong competition from the United States and Japan. Much will therefore depend on the prices at which we can offer our goods. These, unfortunately, have shown an upward trend, due to the advance in domestic conversion costs and in shipping charges. This difficulty can scarcely be met by direct subsidies, save in exceptional cases, for these might easily lead to agitation for the

imposition of higher import duties. But the tightening of exchange control, coupled with the conclusion of payments agreements with individual countries, should facilitate an expansion of trade on a bilateral basis. The difficulties of

DISTRIBUTION OF U.K. EXPORTS, 1938

	Total Value Thous. £	Per Cent. to			
		European Countries	British Countries	Foreign Countries outside Europe	Countries not separately specified
Machinery	57,907	24·3	55·8	14·1	5·8
Iron and steel manufactures	41,599	13·0	63·7	17·7	5·6
Vehicles	44,640	20·2	55·4	14·8	9·6
Coal	37,411	71·7	14·9	12·5	0·9
Cotton piece-goods	31,967	15·8	58·7	23·0	2·5
Woollen and worsted yarn and manufactures	26,816	38·3	37·6	18·5	5·6
Chemicals, drugs, dyes and colours	22,049	17·6	60·4	14·1	7·9
Textiles other than cotton, wool and silk	14,883	15·9	49·3	22·5	12·3
Electrical goods and apparatus	13,434	10·1	69·1	6·5	14·3
Non-ferrous metal manufactures	12,326	40·2	38·1	11·9	9·8
Home-produced spirits	11,365	3·1	33·2	53·6	10·1
Cutlery, hardware, implements and instruments	9,032	15·2	61·6	6·9	16·2
Apparel	8,519	14·9	70·9	7·1	7·1
Paper	6,932	7·3	77·5	5·8	9·4
Total exports (including other goods)	**470,883**	**29·7**	**49·9**	**20·4**	...

securing markets for additional exports, though considerable, are certainly not insuperable. But they can only be overcome by a determined effort on the part of the Government and the industries concerned.

Thirdly, shall we be able to provide the shipping and port facilities necessary to an expansion in exports? So far as shipping is concerned, everything will depend on the rate at which we can replace the vessels lost through enemy action. But, on the basis of recent losses, the outlook is not unfavourable. At the present time we have sufficient shipping space for the import of large quantities of raw materials for conversion into finished goods for export, besides that required for the intake of munition materials, finished munitions and essential foods. And since the volume of imports is always considerably greater than that of exports, there is no reason why we should not be able to increase the latter, unless shipping losses increase substantially above the present level. There is, however, the danger of a scarcity of port facilities. So far, German air raids have not prevented our shipping from using the eastern and south-eastern ports. But the possibility that some of them may become unusable must be taken into account. While this may cause congestion in the remaining ports, much can be done to increase their handling capacity by timely preparations.

Under the first two heads, therefore, we are unlikely to encounter insuperable difficulties in the way of an expansion in exports. Provided we are using our resources more efficiently and are cutting production for civil consumption to the minimum necessary for the maintenance of the population's health and morale, we *can* find additional materials, labour and plant for export unless German air raids become much more destructive. And, given drive and imagination, we *can* secure additional markets outside Europe. But we must "go to it" much more energetically than hitherto. The difficulties have admittedly increased since the beginning of May; but so has the need for exports. The moral is not to abandon the export drive, but rather to redouble its energies.

The Railways' Half-Year

NO section of the Stock Exchange has been more sensitive during the past seven months than the home rail market. The Government's financial agreement with the four main lines and London Transport brought much speculative support for the junior stocks last February, though dealings never displayed the conviction which was apparently justified by the terms of the White Paper. When enemy raids on this country became intensified, home rail stocks were the first to suffer. Within a fortnight of the invasion of the Low Countries on May 10th, the market value of the stocks had fallen by about £100 millions—about the same sum as the cost of waging war in the period. The logic of this flight from home rails—which alone are guaranteed a minimum revenue and a definite annual sum in compensation for air-raid damage—was hard to discern. Fortunately, the entire market, led by the high-grade debentures, has recently recovered to a more rational basis of values.

That recovery appears well merited by the half-year's dividends, which fulfil the best expectations. Full interim payments are to be made on L.M.S. 1923 preference, L.N.E.R. redeemable preference, and Southern preferred, while Great Western ordinary receives 1½ per cent. The following table shows that these distributions are substantially better than the corresponding dividends a year ago:—

DIVIDEND COMPARISONS

	1st half 1939		Full year 1939		1st half 1940	
	Marg. Stk.	Div. %	Marg. Stk.	Div. %	Marg. Stk.	Div. %
L.M.S.	4% pref.	2	Ord.	1½	4% 1923 pref.	2
L.N.E.R.	4% 2nd Guar.	2	2nd pref.	¾	5% Red. pref.	2½
G.W.R.	5% Red. pref.	2½	Ord.	3½	Ord.	1½
Southern	Pref. ord.	1	Def. ord.	1¼	Pref. ord.	2½

Although the main line companies have followed tradition in their dividend statements by comparing the latest half-year's Pool figures with the results under independent operation for the first half-year of 1939 (despite such new factors as the financing of the private wagon pool), the more interesting study for stockholders lies in a comparison of the latest Pool results with those of the first four months of war. With the exception of non-controlled revenues (which amount to £598,000 for the four main lines during the past six months), the railways' net revenues are wholly derived from the Pool, after taking account of the contributions and participation of London Transport. It is the trend of the Pool results which primarily determines the fate of the railway stockholder.

At first sight, the Pool account for the past six months is less encouraging than the dividend statements. It discloses a net revenue of £20,867,000, compared with £13,835,000 for the first four months of the war. To show the figures for these two periods on a comparable basis, they are set out in the following table, together with their annual equivalents:—

MAIN LINES AND LONDON TRANSPORT POOL

	4 months Sept. 1–Dec. 31, 1939	6 months Jan. 1–June 30, 1940	Annual Equivalents	
			Sept.–Dec., 1939	Jan.–June, 1940
Receipts:—	£'000's	£'000's	£'000's	£'000's
Passenger	30,265	49,188	90,795	98,376
Freight	40,222	66,133	120,666	132,266
Miscellaneous	574	1,137	1,722	2,274
Total	**71,061**	**116,458**	**213,183**	**232,916**
Expenditure	**58,146**	**94,904**	**174,438**	**189,808**
Net receipts	12,915	21,554	38,745	43,108
Exchequer contribution re London Transport	1,250	...	3,750	...
Other items (net)	*Dr. 330*	*Dr. 687*	*Dr. 990*	*Dr. 1,374*
Net Revenue of Pool	**13,835**	**20,867**	**41,505**	**41,734**

For the first six months of 1940, the Pool's net revenues were running at an annual rate of £41,734,000—a figure which lies between the guaranteed minimum of £39,700,000 at Stage 1 and the approximate Stage 2 level of £43½ millions (excluding non-controlled revenue). Such potential earnings exceed those achieved last year, but they are not as exciting as seemed possible when the terms of the agreement were first announced.

The reasons for this fact emerge clearly from a study of the Pool figures on a common annual basis. During the past six months the annual rate of revenue has increased by nearly £20 millions. Of this increase, over £7½ millions is attributable to passengers and £11½ millions to freight. The passenger increase is more apparent than real, for travel was severely reduced in the early stages of the war, and the first Pool account masks a serious loss of receipts by London Transport last winter. But there is a net increase of £435,000 in passenger takings, comparing the latest half-year with the first half-year of 1939. The increase in freight traffic, however, is spectacular, despite weather difficulties for many weeks early this year. Owing to a rise of nearly £15½ millions in expenditure by the four main lines and London Transport, however, only 22 per cent. of the increase in receipts has been retained "net," and the operating ratio, despite the substantial growth of traffic, has declined only slightly from 81.8 to

81.5. But a minor part of this increase would probably be due to the direct costs of handling additional traffic. Increased expenditure, for the most part, has arisen from increased wages and prices. The late Minister of Transport, when he granted a 10 per cent. increase in charges to operate as from May 1st, declared that the railways had succeeded in proving cost increases of £22¼ millions for the period from September, 1939, to March, 1940. Increased wages alone are estimated to cost between £8½ and £9 millions this year.

The corresponding increase in railway charges, however, has been operative for only two months of the half-year, while London Transport's contribution from the raising of the penny fare to 1½d. had virtually no effect in the first half of the year. The railways, indeed, have had an object lesson in the working of the vicious spiral during the past six months. It will be their turn to share in its inflationary benefits during the current half-year, if other conditions of wages and expenses remain equal, with the knowledge that expenditure is protected against war damage up to £10 millions under the Government's guarantee. Such damage during the past half-year must have been extremely small.

In normal years, the railways derive a greater part of their gross receipts from the second than from the first half-year. This year, holiday traffic will be severely curtailed, and the normal distribution of receipts may be disturbed. But the maintenance of a high level of freight activity, at higher average charges, is a fairly certain guarantee that the railways' figures for the second half of the year should compare favourably with those for the first half. In this period, moreover, more positive assistance should be forthcoming from London Transport. It is, incidentally, the special Exchequer contribution to London Transport for the six months to December last which masks the progress made by net Pool revenues during the past half-year. The full-year estimate for the fare increases granted to London Transport is £1,981,000, a sum which would raise the Pool revenues comfortably to Stage 2, and of this conjectural total estimate possibly £750,000 might be realised during the current year. Admittedly, the level of costs is still rising, and within the terms of the agreement the railways might well be justified in seeking a further increase in charges. If the Railways Executive Committee hesitates to take this step, it is not for any legal inhibition—for they are left with a perfectly free hand—but probably because the Committee wisely questions the expediency of successive increases in transport costs at short intervals.

The L.M.S. statement points out that the results for the June half-year cannot properly be used in isolation for the purpose of considering an interim payment on the ordinary stock for a full year. As a statement of directorial policy this is impeccable, but it does not forbid the use of full-year estimates based on the half-year's results as a guide to potential dividends when the full year's figures are known. This is attempted in the following table, the figures of which are shown throughout exclusive of non-controlled revenues, except in arriving at the earnings percentages.

The final column of this table is the only precise guide which stockholders at present have to their dividend expectations this year, and, to judge by this week's lack of driving power among the junior stocks, such potential earnings are not regarded with any marked enthusiasm, although L.M.S. ordinary would yield over 14½ per cent., L.N.E.R. second preference 17½ per cent., Great Western ordinary 14 per cent. and Southern deferred 17 per cent., if dividends of this magnitude were actually paid. By a strange irony, London

DISPOSITION OF NET REVENUE
(£'000's)

	Jan. 1 to June 30, 1940	Sept.–Dec., 1939, Annual Basis	Jan.–June, 1940, Annual Basis	Stage 1 *	Stage 2 *	Jan.–June, 1940, Annual Basis†	Approx. earnings equivalent
L.M.S.	7,065	14,049	14,130	13,440	14,720	14,672	Ord. ... 1¾%
L.N.E.R.	4,831	9,612	9,662	9,195	10,080	9,876	2nd pref. 1¾%
G.W.R.	3,220	6,408	6,440	6,130	6,720	6,716	Ord. ... 4%
Southern	3,388	6,738	6,776	6,450	7,060	6,940	Def. ord. 1¾%
Lon. Trsp.	2,357	4,698	4,714	4,485	4,920	4,714	"C" ... 2½%
Total ...	20,867	41,505	41,734	39,700	43,500	42,918	...

* Controlled revenues only. † Including non-controlled revenues.

Transport "C" stock, which to-day is absolutely bound to the Pool, and is, in fact, its weakest partner, offers a prospective yield of no more than 8½ per cent. on a 2½ per cent. dividend. This surely is valuing the ultimate rights of a receivership application after the war at a high figure, for they were not effective in peacetime. After London Transport "C" stock was removed from its "high horse" of 65 under the minimum-price schedule introduced last September, it should have become a marginal stock in the same sense as L.M.S. ordinary or Great Western ordinary. The stock, of course, is highly geared, and a £10 millions increase in Pool earnings would see it at the maximum dividend scale of 5½ per cent. But in such circumstances the attractions of L.M.S. ordinary would certainly not be inferior to those of London Transport "C" stock.

The first completed half-year of wartime railway operation has been one of transition, in which costs have risen more easily than revenues and in which London Transport has remained a burden on the Pool, though its own revenue position compared with that at the outbreak of the war has undoubtedly improved. Air-raid damage represents the major unknown feature of the current half-year. So far such physical damage has been small, though the financial damage upon the market value of the stocks was extremely heavy. The market, however, appears to have learned the lesson that a damaged railway, unlike a damaged factory, need not spell the total disappearance of earning power, and that damage costing more than £10 millions to replace would needs be very extensive. Stockholders, however, must not ignore the possibility that some additional charge for air-raid damage, whether specifically intended to cover actual loss or to provide against potential loss, may be made by the companies at the end of the year. It is intended to share any extra loss in Pool proportions—which would, other things being equal, place the major part of the financial burden upon L.M.S., with L.N.E.R. second, Great Western and Southern approximately equal third, and London Transport fifth. This, admittedly, is a major contingency against which stockholders can make no provision.

They may be the more disappointed therefore to learn that the Minister of Transport only intends to publish the results of the Pool at half-yearly intervals. If the Minister of Transport softens his heart to the extent of providing quarterly figures no one will rejoice more than *The Economist* which, for many years, bore the sub-title "Railway Monitor." That service in wartime could be considerably eased by the publication of more frequent results by the Minister of Transport and without harm to the national interest.

Finance and Banking

Expansion in Floating Debt

The first of the monthly glimpses at the British Government debt figures, to which we are now rationed, is not altogether reassuring. It shows that a revenue deficit for the four weeks to July 27th, amounting to £179,692,000, was accompanied by an expansion of £143,500,000 in the floating debt. It is true that over the same period 2½ per cent. National War Bonds brought in £86,170,000, 3 per cent. Defence Bonds £29,900,000, Savings Certificates £15,900,000 and "Other Debt" £8,700,000. But this total of £140,670,000 provided by public subscriptions to Government loans was offset to the extent of £102,740,000 by the repayment of unconverted 4½ per cent. Conversion Loan. It is safe to assume that a considerable part of the latter sum found its way into one or other of the three "tap" issues of Government loans. But in so far as such reinvestment took the form of purchases of gilt-edged securities in the open market, it probably accounts for part of the considerable expansion in the short-term debt held by Public Departments. While the total Treasury bill debt has risen over the month by £106,600,000, less than half of this, £50,600,000, is represented by bills issued through the tender, while the balance of £56,000,000 represents an increase of "tap" bills. To the extent that Public Departments sold gilt-edged securities on the market, and thus helped to satisfy the reinvestment demand created by the repayment of Conversion 4½'s, the resources thus freed would in the normal course find employment in "tap" bills or Ways and Means advances. The latter are £7,000,000 up on the month. The increase in the short-term investments of Public Departments must also be regarded as an indication of the rate at which the resources of such extra budgetary funds as the Unemployment Insurance

Fund and the Commodity Insurance Fund are now expanding.

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The debt return also shows that over the month the total borrowed by the Treasury on six months' deposits from the banks was £30,000,000, thus confirming earlier estimates of the amounts so placed. Even allowing generously for the extent to which fresh purchases of gilt-edged securities by the public were in fact provided by Government Departments and thus led to a somewhat fictitious expansion of the floating debt, the general picture painted by the above figures suggests a lack of balance between short-term borrowing and other forms of Government issues. There is still too much reliance on the former. Since the supplementary Budget has done so little to bridge the revenue deficit by additional taxation, a determined effort needs to be made to accelerate the flow of genuine savings to the medium-term issues now available to the public.

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New Payments Agreements

The measures for strengthening the exchange control machinery introduced by the regulations of July 18th depend for their full effect upon the continuity of a chain of payments agreements, or their equivalent, between this country and the world with which we continue to trade. So important was this feature of the control scheme that the British authorities allowed it to be known last June that if the efforts then being made to conclude them with neutral countries still outside their scope were unsuccessful, they would be imposed unilaterally by the British Government. Since then, the progress made in these discussions has been disappointingly slow. But the extension of the Special Account technique to regulate payments between the United Kingdom and the Portuguese Empire and Hungary, respectively, which was announced at the beginning of this week, may be taken as an indication that the efforts of the British Government are beginning to yield good results. The South American republics, with which no payments agreements have yet been concluded, are likely to prove more amenable to reason now that they have lost the New York market in which to buy or dispose of their free sterling. The agreement with Portugal provides that all payments between residents in the Portuguese Empire and those in the United Kingdom must be made through Special Accounts opened with United Kingdom banks and registered with the Bank of England. Portuguese residents may also open sterling area accounts for effecting special categories of payments in the sterling area. The agreement with Hungary provides for the opening of Special Accounts through which the whole range of payments between the two countries will have to be settled. The agreement with Portugal has been specially honoured by granting the escudo an official rate of exchange. The rate chosen, namely, 99.80-100.20, maintains the free market rate previously quoted between sterling and the escudo. This elevation of the Portuguese currency from the unofficial to the official list of quotations does not mean, however, that escudo balances now rank in the list of requisitioned currencies.

Exchange Control Adjustments

Detailed adjustments to the more comprehensive exchange control scheme now in operation are proceeding fast. This week it has been announced that transfers from existing sterling accounts of foreign nationals to special accounts of the same country may be made without prior permission from the Bank of England in the case of Argentina, Brazil, Hungary and the Portuguese Empire. In the case of Sweden, permission to make such transfers must be sought from the Bank and will only be given in special circumstances. These facilities should go far to remove the possibility of "free" sterling accounts, of residents in countries with which Payments Agreements have been made, becoming virtually blocked. Nevertheless, they do not remove that possibility altogether. There is no doubt that the increasing restrictions being placed on the operation of the remnants of "free" sterling accounts, together with the disappearance of an international market in the currency, will in fact cause the immobilisation of an appreciable amount of sterling held on foreign account. Given such circumstances, it might be worth the attention of the authorities to offer foreign holders of such accounts attractive terms for investment in Government loans, including guaranteed transfer of interest. Another adjustment to the new regulations is the intimation by the Reserve Bank of India that rupees may now be sold freely to any banker against sterling from a United States or Swiss registered account.

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Rising Note Circulation

The cancellation of August Bank holiday is imposing a considerable check on the seasonal expansion in the note circulation, which should now be at its peak. In the pre-holiday week a year ago, the active circulation rose by £9,672,000. The movement shown by the latest Bank return is a rise of £1,948,000 only. Even so, this brings the circulation within £800,000 of the high record established on July 10th and leaves the reserve of unissued notes at the comparatively low level of £21,569,000. Despite this further outflow of notes and some reduction in the Bank's holding of securities, the volume of bank cash is higher by £2,306,000 on the week, carrying the total of bankers' deposits up to £106,263,000. This is the result of a net outflow from public deposits, which are lower by £7,585,000. These deposits have now fallen to £22,680,000, a total on the low side when judged by recent experience. As the seasonal peak in revenue collection is passing and as subscriptions to the 2½ per cent. War Bond issue are dwindling, it is probable that increased recourse to short-term borrowing will be required in the near future. Although in each of the last two weeks the Treasury bills on offer have been under-allotted, it is probable that full allotments will again prevail. Moreover, the Treasury should again call upon the banks next week to make six months' deposits after an interval of three weeks during which no such deposits have been made. As may be gauged from the level of bankers' deposits, money has been in ample supply in the market during the week and all the banks have been good buyers of bills.

Investment

Awaiting Events

The chart of fixed-interest and equity security values on page 163 clearly illustrates the stabilisation of prices after the recovery from the June 26th "lows." The collapse of France carried security prices to a level which completely lost touch with the good reasons for final victory on which the continuance of war is founded. In the technical recovery at the end of June and the beginning of last month, this undue pessimism was corrected. But markets have since adopted a waiting attitude, pondering whether invasion or attrition is contemplated by the enemy. The Supplementary Budget has, within a week of its utterance, fallen into the background as a mere incident of little account, either in assisting equities by its inflationary implications, or in depressing gilt-edged by its wealth of precept and its poverty of action. To wait in patience is not foreign to the market. For five winter months, equities remained virtually stationary while gilt-edged took up the running. Then, between February and the beginning of the *Blitzkrieg* gilt-edged themselves marked time. In a normal year, business would be small at this season. To-day, turnover has shrunk to the minimum. The equity market can be left to look after its own fate in this period of total war. But the check to the gilt-edged recovery is another symptom, together with the declining subscriptions to voluntary loans, of a lack of incentive in the financial war effort, which the authorities must take prompt steps to correct.

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

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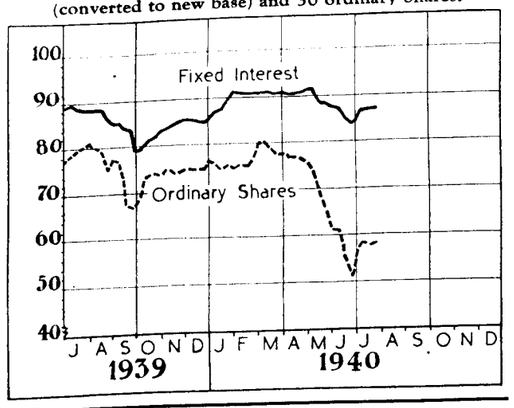
Arrangements for Denham

Further information has now been issued by the Stock Exchange Committee regarding the procedure to be followed in the event of the closing of the London Stock Exchange and of evacuation to Denham. It is possible that, even though the "House" were closed, members might still be able to carry on their business from their present offices.

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.



On the other hand, if the "House" were closed as a result of an evacuation order, business in the City would be impossible, owing to the lack of banking facilities. Members have accordingly to improvise arrangements for dealing under either of these contingencies. If compulsory evacuation were ordered, it is estimated that an interval of at least 21 days would elapse before the Stock Exchange could re-open at Denham, and during this period members are urged to make every effort to settle outstanding bargains from their emergency addresses. If the occasion arises for evacuation to Denham, members will have to accommodate themselves to restricted dealing and clerical space and limited telephone service. The first function of Denham is to provide clearing machinery for the settlement of bargains, and this, under conditions in which evacuation became necessary, would be an essential prerequisite for the transaction of public business and the maintenance of facilities for the issue of Government loans. Meanwhile, there is much that brokers themselves can do by equipping their emergency offices and by making emergency postal and banking arrangements. The Denham scheme will not provide a scale model of the present "House," ready to be put into operation at a moment's notice. Clearly, a good deal of improvisation would remain to be done, in the critical circumstances which alone would compel evacuation, before dealings under the new arrangements were in smooth working order. But the scheme does appear to provide a blueprint of practical dealing machinery, which, with care and patience, would be of vital service to investors and the nation.

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Courtaulds Interim Raised

Good news from the Courtaulds board is invariably accompanied by a note of caution. In raising the interim dividend from 2 per cent. to 2½ per cent. the directors state that profits earned during the first half of 1940 were proportionately greater than those for the full year 1939, both in England and America. This statement evidently points to an appreciable improvement in earnings compared with the first half of 1939, for production in the British factories was rapidly accelerated after July last year. The directors point out, however, that "it is not safe to rely on the present level of profit being maintained." They refer to the considerable sums which will be needed to meet the remaining losses, not already provided for, on the company's investments in France and Italy. Apart from specific reserves set up in the last balance sheet against subsidiary and industrial investments, Courtaulds had a general reserve of £9,000,000 at the end of 1939, a credit balance of £316,160 on profit and loss, and a contingencies reserve of £550,000. In view of the traditional conservatism of the board, it would not be safe to assume that the losses referred to in the directors' statement will be provided for in full from these accumulated profits. As for the trading outlook, the raising of rayon prices by 3d. per lb. from September is an apparently encouraging pointer. But costs have increased, and rayon manufacturers fear that a substantial cut in rayon supplies for the home market, on the lines already imposed on cotton, may affect production. Export trade, relieved of the competition of European producers, presents possibilities to the producers which are being actively exploited; indeed, by the beginning of March more than half of Courtaulds' rayon yarns and fibres were being exported in some form or another. Granted the maintenance of last year's 7 per cent. distribution—and the interim declaration, despite the directors' cautionary commentary, points to the possibility of something better—Courtaulds' ordinary stock, at 26s. 3d. xd (compared with its recent "low" of 20s. 3d.), yields £5 6s. 8d. per cent.

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International Tea Profits

For a year which included eight months of war, the International Tea Company's total profit of £794,662 for the twelve months to April 27th, against £687,042 in 1938-39, must be considered distinctly good. Despite a general increase in expenses, of which the most substantial is a rise in the taxation provision from £100,000 to £160,000, the amount earned for the ordinary stock has been increased by £41,804 to £297,044, the highest figure since 1935-36. After allowance for tax, earnings represent 24.5 per cent. on the ordinary capital, and comfortably cover the increased dividend of 12 per cent. against 10 per cent. As usual, £100,000 has been placed to reserve and the carry forward is raised from £108,794 to £119,838. An increase in stocks for both the company and the group suggests that last year's improvement in earnings was based partly on a general expansion in trading and also on rising prices and margins. In the consolidated balance sheet, stocks are £603,362 higher at £2,515,548. Cash holdings have fallen from £363,322 to £229,209 and holdings of British Government securities from £196,554 to £89,911, while on the liabilities side creditors are up from £779,327 to £1,007,764. In the company's balance sheet, a shortage of liquid capital is marked by a bank loan of £65,000 and an increase in loans from subsidiary companies from £341,456 to £374,880. The group's substantial reserves show an increase from £7,336,683 to £7,550,309, and its stock position is good. Doubtless the company will continue to profit by increased purchasing power in the hands of the public, but the future outlook is less certain, for the combination of controlled prices and rationing may sharply affect the group's turnover and profits. Moreover, the inevitable difficulties of wartime trading, higher taxation, higher freight and insurance charges and restricted supplies must be faced. International Tea, however, confronts the future in a strong financial position and with considerable reserves. At the current price of 10s. ex dividend, the 5s. ordinary stock yields £6 per cent.

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Anglo-Iranian Profits Halved

The preliminary statement of Anglo-Iranian profits came as a further shock to an oil market which has had more than its share of bad news in recent weeks. Profits, after taxation, amount to £2,986,358, compared with £6,109,477 for 1938, and there is no final ordinary dividend. Stockholders thus receive merely the interim dividend of 5 per cent. for 1939, and earnings sufficed only for a payment of 7.6 per cent.—the lowest level since 1932. The provision for extra depreciation is reduced from £602,602 to £571,250, and the surplus of undivided profits swells the balance carried forward from £625,552 to £962,551. The Anglo-Iranian directors do not explain the fall in profits in terms either of war damage or reduced consumption. The

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27 REGENT STREET, LONDON, S.W.1

Exchequer's miscellaneous receipts will suffer as a result of the reduced dividend, for the British Government holds £11,250,000 of the total issued ordinary stock of £20,137,500. Burmah Oil Company, already hit by the sadly-reduced "Shell" distribution, will be even more severely affected by the Anglo-Iranian dividend, for it holds or controls £5,342,985 of the latter company's ordinary stock, compared with £1,200,000 of "Shell" ordinary stock. The Anglo-Iranian announcement was followed by a fall in the ordinary stock from 30s. 7½d. to 26s. 3d., but the oil market took a more hopeful view later in the week, and the stock recovered to 28s. 9d. It has learned from recent oil results, *however*, that the combination of reduced civil consumption and war damage does not compensate the oil industry for increased military consumption. Oil is essential in war, but peacetime consumption alone provides adequate profits.

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Two Aircraft Statements

Rolls-Royce net profits, at £464,263 for 1939, tell less than the whole story. This figure, for the first time, is *shown* after charging taxation and N.D.C., and hence is not directly comparable with the net earnings of £479,950 reported in 1938. After allowing for the taxation provision of £140,000 in that year, net profits in 1939 apparently exceeded the revised figure of £339,950 for 1938 by £124,313. Assuming that the usual £30,000 is placed to the staff pension fund, equity earnings for 1939 amount to £434,263, against £309,950, and represent more than 50 per cent., against 29.1 per cent. In declaring a final dividend of 15 per cent., making 20 per cent. for the year, against 25 per cent. in 1938, the *company is* evidently taking a conservative view of future earning prospects. War and post-war contingencies, however, provide ample justification for the directors' view, despite the encouraging earnings of the first war year and despite the fact that the company's plant capacity will increase further. Handley Page, whose net profits for 1939 increased from £190,696 to £219,479, has again declared a final 20 per cent. dividend tax free, following an interim payment of 10 per cent. less tax. The total distribution for 1939 is equivalent to 42 per cent. less tax, against 37.6 per cent. in 1938. After allowance for the 10 per cent. preference dividend, which costs £19,914, equity earnings for 1939 may be estimated at £199,565, against £142,255. It may, perhaps, be questioned whether the company will be willing to maintain in the future the 20 per cent. tax-free final payment, in view of constantly rising taxation. At the present price of 12s. 6d., the 5s. ordinary stock offers the extremely high yield of 16.8 per cent. gross. Rolls-Royce £1 ordinary stock, at 56s. 10½d., yields £7 0s. 8d.

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Oil Companies in Roumania

The decision of the Roumanian Government to take over control of British oil companies operating in Roumania strikes another blow at the fortunes of the "Shell" group and very seriously affects the position of the Phœnix Oil Company. Astra Romana, the "Shell" Transport and Trading subsidiary, has a capital of Lei 2,034,000,000, equivalent to some £2½ millions sterling at a rate of Lei 800 to the £. This company is in normal times responsible for rather more than 5 per cent. of the annual crude oil production of the whole group. Production amounted to 1,514,872 metric tons for 1938, the last year for which figures are available, against 1,682,447 metric tons in 1937. In 1938, Astra Romana produced 22 per cent. of the total Roumanian crude oil output. Thus, while the company's importance to the "Shell" group is considerable, especially in view of losses already sustained in Northern Europe, its position in Roumania is one of vital importance. The dividend in 1939 was reduced from 10 to 6 per cent. following a drop in net earnings from Lei 864,374,096 to Lei 360,531,300, to which political, currency and exploration difficulties all contributed. The Phœnix Oil Company owns production and distributing plant in Roumania and distributing installations in Germany, Austria, Belgium and Jugoslavia. Hence, only the distributing installations in Jugoslavia are free from local interference. The Roumanian property is the group's most important asset. Output, which has been falling since 1935, amounted last year to 570,747 tons, against 674,375 tons in 1938. At the annual meeting on July 2nd, Mr F. W. Chambers, the chairman, was able to state that, since the outbreak of war, almost the entire export surplus had been shipped to Great Britain. Mr Chambers pointed out that the company's local distribution system would enable exports to be maintained temporarily if production were held up for any reason. Since the capital reorganisation of July, 1939, the issued capital amounts to £1,438,268. The loss, if the present situation shows no improvement, will inevitably be more serious for Phœnix Oil than for the "Shell" group, with its world-wide distribution of assets. The future of Astra Romana is, however, of material importance to "Shell"—as, indeed, is the future of both companies to the British and Roumanian Governments.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

PRICE movements, which generally showed a firm reaction to the Budget speech, have weakened with the increase in uncertainty regarding the political position in the Far East. The gilt-edged market has been steady to dull. In the foreign bond market, Brazilians alone were in demand. Home rails weakened on profit-taking after last week's activity, and the industrial market became sluggish and irregular. Among mining shares, Kaffirs moved uncertainly and the recent rise in Rhodesian copper was checked. Oil shares gave way on news of the fall in Anglo-Iranian profits, but recovered later. The rubber market unfroze for the first time for several weeks.

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Business in the *gilt-edged* market was limited throughout the week to a small investment demand for leading issues. Reports of difficulties with Japan, and of German activity in France, had a depressing influence, but prices remained firm. The 4 per cent. Victory Bonds and Funding issues were in demand early in the week. In mid-week, 5 per cent. Conversion alone gained ¼. The *foreign bond* market was strongly influenced by hopes of a favourable outcome of the Pan-American Conference. Brazilian bonds attracted substantial buying early in the week, but gave way on profit-taking later. The 7 per cent. San Paulo Coffee Loan was consistently in demand, after gaining 4½ points on Tuesday. Japanese issues were weak, but Chinese 5 per cents. of 1913 attracted some support. In mid-week Roumanian issues lost ground.

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The *home rail* market felt the effects of profit-taking among the junior issues after last week's advance in prices. Debentures continued to attract a considerable demand. Losses were in the order of 1¼ on Monday, followed by 1 point on Tuesday for Great Western ordinary, and of ¼ for L.M.S. ordinary on Wednesday.

All sections of the *industrial* market showed irregularity, and business was restricted, though the undertone remained firm. Among breweries, Guinness was marked out for selling, losing 1s. 6d. among general gains on Monday, followed by a fall of 3s. 6d. in mid-week, when breweries shares came on offer. Tobacco shares opened uncertainly, but buying increased during the week, and Imperial and British American Tobacco and Gallaher were all in demand. In the stores section, Woolworths and Marks and Spencer were weak. Most leading iron and steel companies, including John Brown, Stewarts and Lloyds deferred and Vickers, gave way slightly. Whitehead, however, gained ½ on Tuesday. Among aircraft shares, Rolls Royce was firm on the preliminary statement.

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The *oil* market fell back sharply on Tuesday following the announcement of the drop in Anglo-Iranian profits and the passing of the final dividend. Attracted by the low prices, buyers returned in mid-week, when *Trinidad Leasehold* rose by 3/8, and Anglo-Iranian gained 1s. 3d.

Last week's rise in *Kaffirs* was checked by the deterioration in political news and falls were accentuated by small selling from the Cape. Sentiment improved later, and on Wednesday gains of ½ were recorded by a number of market leaders, including Durban Deep, Rand Mines and Sub Nigel. "Sallies," however, lost a further ⅛.

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In the *rubber* market a welcome revival of activity was due to improved expectations of the future of the industry. Price rises were stimulated by a shortage of stock in certain lines, and many companies, including Allied Sumatra, Malayalam, Rubber Trust, and Jugra Land gained a few pence.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corresp. Day 1939	Security Indices: 30 Ord. shares*	Security Indices: 20 Fixed Int.†
July 26 ...	2,848	5,465	60·4	119·9
" 29 ...	3,209	5,920	59·9	119·9
" 30 ...	3,233	5,050	59·7	120·2
" 31 ...	2,330(c)	4,630	59·6	120·1
Aug. 1 ...	2,525(c)	4,690	60·0	120·1

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 119·9 (June 26). (c) Excluding stop press bargains.

(Continued on page 165)

Industry and Trade

Japan's Oil Supplies

The decision of the United States to add petroleum products to the list of commodities for which export licences are required and to ban the export of aviation spirit to non-American countries has caused uneasiness in Japan, for that country is heavily dependent upon imports, especially from the United States. The Japanese oil economy is based largely upon the local refining of imported crude oil; the domestic production of the raw material is small. Thus, in 1936—the latest year for which official statistics are available—imports of oil into Japan proper (excluding Korea) amounted to rather more than 4,000,000 tons, made up as follows: Crude oils, 3,484,800 tons; petrol, 472,500 tons; kerosene, 60,200 tons; lubricating oils, 34,000 tons; other oils, 21,000 tons. In addition, Japan imported certain quantities of such solid products as asphalt, paraffin wax and petroleum jelly. As part of the Government's general self-sufficiency policy, strenuous efforts have been made to reduce the country's dependence upon imported oil, but so far with little success. At great expense, home production of crude oil was brought up to 350,000 tons in 1938, but it has since suffered an appreciable decline. In addition, the concessions on the island of Sakhalin yield some 250,000 tons of crude oil a year, making a total of 600,000 tons on the 1938 basis. Such petrol substitutes as alcohol, benzole and the products of low-temperature carbonisation contribute the equivalent of about 75,000 tons of finished products annually. Plans for the production of oil from coal on a substantial scale have miscarried, owing to the shortage of suitable coal, deficiency of foreign exchange and delays in the supply of certain equipment from Germany. So far as is known, therefore, no appreciable quantities of coal-oil are being produced in Japan, and, in general, the self-sufficiency programme has yielded disappointing results. Drastic rationing of civilian consumption has been offset by mounting military requirements as hostilities in China have dragged on, and the country has become even more dependent upon supplies from abroad. In 1938 exports from California to Japan amounted to 31.2 million barrels—approximately equivalent to 4,000,000 tons—but by 1939 they had fallen to 27 millions. Supplies from America are estimated to comprise well over three-quarters of Japan's total imports; the remainder is derived from the Dutch East Indies, British Borneo, Mexico, Bahrein and other sources. If exports from the United States were no longer available, Japan would become increasingly dependent upon the Dutch

(Continued from page 164)

New York

AT the beginning of the week, the improvement in sentiment over the week-end was maintained. Steel shares were encouraged by reports of higher mill activity, which, according to the *Iron Age* estimate, reached 90½ per cent. of capacity, against 89 per cent. a week ago, despite the development of a heat wave which has prevented maximum output. Industrial issues were encouraged by reports of higher retail sales. Markets became easier in midweek, when steel, motor and aircraft issues all experienced a setback. The undertone of the market, however, remained firm, and profit-taking accounted for a number of declines. Shipments of finished steel for the second quarter of 1940, at 3,202,000 tons, are 4 per cent. higher than the total for the first quarter and 35 per cent. above the level of the corresponding quarter in 1939.

STANDARD STATISTICS INDICES
(1926 = 100)
WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	July 17, 1940	July 24, 1940	July 31, 1940
347 Ind'ls ...	80·9	111·4	88·1	87·0	90·1
32 Rails	20·7a	30·7	24·6	24·3	25·2
40 Utilities ..	71·2a	89·4	80·6	79·7	81·4
419 Stocks ...	69·9	94·8	76·8	75·8	78·3
Av. yield* ...	6·61% High	4·30% Low	6·04%	6·15%	5·87%

* 50 Common Stocks. a May 22nd.

Capital Issues

Week ending August 3, 1940	Nominal Capital	Con-versions	New Money
	£	£	£
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction .	Nil	...	Nil
By Permission to Deal.	Nil	...	Nil
Nat. Savings Certs.† ..	3,718,147	...	3,718,147
3% Defence Bonds‡...	5,194,605	...	5,194,605
2½% Nat. War Bonds‡	10,424,410	...	10,424,410

† Week to July 23, 1940. ‡ Week to July 30, making total since June 25th £131,931,075.

Year to date	Including Conversions	Excluding Conversions
	£	£
1940 (New Basis)	1,007,457,446	654,502,313
1939 (New Basis).....	*103,220,103*	*80,770,022*
1940 (Old Basis).....	992,483,039	639,727,906
1939 (Old Basis)	*70,306,941*	*48,876,862*

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
	£	£	£
1940 (New Basis)	653,739,301	763,012	Nil
1939 (New Basis) .	*53,719,871*	*24,869,147*	*2,181,004*
1940 (Old Basis) .	639,585,450	142,456	Nil
1939 (Old Basis) ..	*32,716,771*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb.	Pref.	Ord.
	£	£	£
1940 (New Basis)	639,348,095	1,355,005	13,793,213
1939 (New Basis)	*43,142,145*	*6,191,074*	*31,436,803*
1940 (Old Basis)	638,441,274	77,500	1,209,132
1939 (Old Basis) ..	*36,183,921*	*2,688,459*	*10,004,482*

"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

Pease and Partners, Limited.—Outstanding £432,424 14s. 4 per cent. debenture stock to be repaid at 102, October 31, 1940.

RESULT OF ISSUE

J. Brockhouse & Company, Limited.—Stockholders have taken up 89 per cent. of 150,000 £1 shares recently issued.

New York Prices

Total share dealings:—July 25, 240,000; July 26, 270,000; July 27, 80,000; July 29, 260,000; July 30, 670,000; July 31, 560,000.

	Close July 24, 1940	Close July 31, 1940
1. Railroads		
Balt. & Ohio..	3½	3⅞
Gt. Nthn. Pf..	21⅝	23¾
Illinois Cent.	7	7½
N.Y. Cent.....	12⅝	12¼
Northern Pac.	6	6¼
Pennsyl. Rl....	19⅛	20¼
Southern	10⅝	11½
2. Utilities, etc.		
Amer. Tel.....	159½	162
Amer. W'wks.	8⅜	8⅞
Pac. Light.....	38½	38½
Pub. Sv. N.J.	36	36½
Sthn. Cal. Ed.	27½	27½
United Gas ..	12	11⅞
3. Commercial and Industrial		
Amer. Metal..	14	15
Am. Roll. Ml.	10½	11
Am. Smelting	34½	38¾
Anaconda	18½	20⅝
Briggs	17½	18¾
Celanese of A.	27¾	29⅞
Chrysler ..	63⅜	73⅛
Curt. Wr."A"	23½	24⅝
Eastman Kdk.	118⅞	122
Gen. Elec. ...	31¼	33⅝
Gen. Motors..	43¼	45¼
Glidden.....	12	12
Inland Steel .	81	82¼
Int. Harvest .	43	45½
Int. Nickel ...	21⅝	23⅝
Liggett Myers	97	96
Nat. Dairy ...	14	14⅛
Nat. Distillers	20⅛	20¾
Nat. Steel ...	58¼	59¾
Proct. Gamble	63½	64⅛
Sears Roebck.	72	76
Shell Union...	8¼	8½
Socony Vac..	8½	8½
Stan. Oil N.J.	33	33⅝
20th Cen. Fox	6	6
U.S. Steel	50	53¾
West'hse El...	94¼	98
Woolworth....	32⅞	33¼
Yngstn. Sheet	30¾	32⅝

DAILY AVERAGE 50 COMMON STOCKS

July 25	July 26	July 27	July 29	July 30	July 31
94·6	95·0	95·4	96·1	98·7	98·2

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

Shorter Comments

Company Results of the Week.—Three brewery company reports this week show an improvement on 1938–39. The striking advance in gross profits from £85,382 to £136,716 recorded by WILLIAM HANCOCK is due to improved prosperity in South Wales; the increase, however, provides a rise of only £5,734 to £56,515 in net earnings, since E.P.T. calls for a provision of £46,200. The 10 per cent. dividend is maintained, as is the 6 per cent. dividend paid by NUTTALL'S BREWERIES, whose net profits have risen from £77,583 to £78,786. JOHN GROVES net profits also show a small improvement from £21,705 to £23,283 and the 7 per cent. dividend is paid as before. Among tea companies, a satisfactory increase in the total income of EASTERN ASSAM from £32,091 to £47,771 provides a moderate rise of £2,258 in net earnings to £31,349. The 15 per cent. dividend is maintained. Owing mainly to an increase in the provision for taxation and N.D.C. from £17,500 to £31,000, net profits of NEDEEM have fallen from £22,245 to £19,368, despite an increase of £13,947 to £77,078 in gross income, but the 6 per cent. dividend is maintained. A welcome improvement in profits, which the directors attribute to the adaptation of processes to meet new conditions, has been realised by HARBENS, whose total income has risen from £37,239 to £115,360, providing net profits of £48,633 against a net loss of £18,771. As before, no dividend is to be paid. McDOUGALLS, LTD., have been able to maintain the 50 per cent. dividend despite war conditions. Gross profits rose from £232,462 to £251,960, but higher taxation was responsible for a fall of £1,416 in net profits to £206,414. A substantial improvement in the gross and net profits of SANDERS BROS. and UNITED COUNTIES STORES, due presumably to last year's stocking up demand by the public, has permitted both companies to raise their dividends from 10 to 12½ per cent. and from 6 to 8 per cent. respectively. A useful improvement in earnings has also been realised by FALK STADELMANN, makers of electrical appliances. Net profits have risen from £67,545 to £76,017, and the dividend has been raised from 6 to 7 per cent. Improved earnings have been realised by PYE, LTD.; total income has risen up from £97,592 to £113,973 and net profits have increased by £13,423 to £61,501. The dividend is maintained at 25 per cent.

(Continued on page 171)

East Indies. The output of the Dutch East Indies, amounting to about 8,000,000 tons per annum, would be more than sufficient to meet Japan's requirements. But they export oil mainly in the form of finished products, which are considerably more expensive than crude oil. It is doubtful, however, whether Japan would be able to count on this source of supply in circumstances which lead America to impose a complete embargo on shipments to that country.

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Coal Storage and Electric Power

The Select Committee on National Expenditure continues its good work of drawing attention to defective methods in our war preparations. The ninth report, prepared by the sub-committee on transport services, deals with the need for accumulating a reserve of coal during the summer and for closer collaboration between the Central Electricity Board and Government Departments. The distribution of coal is in the hands of a few large merchanting concerns and a multitude of small individual dealers. As the former have large financial and storage resources, they were able to keep their customers fairly well supplied last winter when the loading and transport of coal was interrupted by unfavourable weather. But the majority of individual dealers, who supply chiefly the small consumers, have little capital and often no other storage facilities than a few trucks in a siding; their stocks were therefore soon exhausted last winter. The Mines Department appears to hold the view that a measure of storage by the Ministry at a number of points along the railway system would be sufficient to provide for a large proportion of any shortage that may recur next winter. The sub-committee, however, is of the opinion that the Ministry should be much more vigorous in compelling all users who can store coal to do so during the summer, and small individual merchants to establish co-operative schemes of storage and distribution. It strongly urges that adequate coal stocks should be accumulated by every important power station before the winter and that the Central Electricity Board should be empowered to specify the stocks to be held by them. The sub-committee was "disturbed" to discover that Ministries as a whole seemed to attach little importance to the necessity for closer contact with the electricity supply industry and that in some cases Departments actually acquired factory sites before satisfying themselves that the necessary power was available in the districts concerned. It therefore recommended that in future the Central Electricity Board should be consulted on questions concerning the supply of power to Government factories and that the Board should be authorised to report to the Minister of Transport, who, if necessary, should convey his final opinion to the Cabinet. All these are businesslike suggestions which should be taken up without delay.

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Guarding the Purse Strings

The taxpayer's disappointment at the inadequacy of the sacrifices required of him by the new Budget stiffens his determination to see that such revenue as the Government does find courage to collect is not wasted. The more spectacular instances of the waste of public funds brought to light by the second report from the Committee of Public Accounts have already received publicity. The ill-advised and expensive conversion of *Caledonia* as a training ship; the expenditure of a quarter of a million on the preparation of ground for a scheme which was subsequently abandoned; the rise in the estimated cost of certain works from £760,000 to £3,500,000 during the two years in which the work was in progress, all these are morsels too savoury to escape the noses of seekers after material for questions in the House. More dangerous, because they are at the same time more widespread and less conspicuous, are the failures to place Government contracts on the most economical terms consistent with fairness to the contractors. In the case of Anderson steel shelters, the price for the steel used, which formed six-sevenths of the total cost, was subject to independent examination only by the Import Duties Advisory Committee, which was established for quite a different purpose, and the Committee of Public Accounts records its "emphatic opinion that no industry should be exempt from an obligation to submit its costs for investigation by Government accountants." Where supplies cannot be obtained by competitive tender, there seems to be a certain lightheartedness on the subject of costing: the Admiralty only tested prices by costing on two occasions, each time securing important reductions thereby, and the Committee recommends that this test should be much more freely applied.

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It is reported that the Ministry of Supply is now making full use of compulsory powers acquired since the war, in respect of certain War Office contracts, but these powers are not retrospective and contracts made before the war are, therefore, not subject to investigation of cost. The rates of profit allowed on Government contracts are in many instances subject to criticism, often because no allowance has been made for the big increase in turnover since the outbreak of war. The prices paid by the Air Ministry for structural steelwork allow a rate of profit considerably higher "than that which it was understood was to be included in the prices fixed by the industry under the earlier arrangements." The Committee recommends a thorough review of the arrangements with the association of the structural engineering industry. The Committee ventilates many other questions of less far-reaching importance: the sugar beet subsidy; the failure to fix the terms of certain contracts until after the work is completed; delays in progress payments. Of considerable constitutional importance, though of little immediate financial significance, is the thoroughness with which it drags into the light every irregularity in financial procedure. Most of these were purely technical irregularities dictated by common sense in order to avoid delay, and they remain harmless just so long as they are ruthlessly exposed.

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Disappearing Labour Reserves

It has long been held that, for various reasons, it is difficult to reduce the proportion of insured persons without work below 5 per cent. According to the *Ministry of Labour Gazette*, published last week, this level has now been reached. The proportion unemployed on June 17th was 5.2 per cent. in the United Kingdom and only 4.8 per cent. in Great Britain alone. Our present labour reserve is therefore very nearly exhausted, but in the essential war industries the position is even more serious. The following table shows the categories in which the proportion of insured persons out of work is now below 3 per cent., together with their position in August, 1939:—

	Percentage unemployed August, 1939	June, 1940
Agriculture	3·8	2·3
Non-metalliferous mining products	7·8	3·0
Chemicals, etc.	4·8	2·5
Engineering	4·6	1·8
Construction and repair of vehicles	4·0	1·5
Other metal industries	5·8	2·9
Gas, water and electricity supply	5·9	2·8
Commerce, banking, insurance and finance	3·3	2·2

It is reported that the shortage of labour in the engineering, shipbuilding and other metal industries is being relieved by the transfer of men from less essential work, from garages and from training centres. But the training centres are only just beginning to increase their intake instead of being able to supply skilled men as they should be. The Ministry of Labour and National Service is undertaking a survey of man-power, and Sir William Beveridge has been appointed as Commissioner. The survey will cover men, women and young persons, both employed and unemployed, and will make suggestions for their full utilisation. This will take time, however, and the bottle-necks are increasing.

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Textiles: the Winter Ration

Lancashire has welcomed the announcement that the restrictions on the home trade sales of cotton and rayon goods are to be less drastic during the second period of control, October, 1940-March, 1941, than had been expected. There had been talk of a reduction in volume to 25 per cent. of the sales during the corresponding period of the previous year; the figures are now announced as 37½ per cent. for cotton goods, 66⅔ per cent. for rayon goods and 25 per cent.

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

for linen. As the prescribed percentage is an average over the six months, cotton traders will be able to meet seasonal fluctuations by selling 50 per cent. of last year's quantity for three months out of the six, and 25 per cent. during the remainder. Certain goods which are essential for war purposes, as, for example, surgical dressings, hospital equipment, certain classes of overalls and clothing for the non-military services, are outside the limitations of the quota. The new regulation, though it represents a substantial reduction in the quotas for cotton and rayon, which during the current half-year were 75 per cent. of the previous sales, is still hardly drastic enough to force consumers to exercise all possible economy. According to the index compiled by the Wholesale Textile Association, which we publish on this page, the money value of textile trading by the principal firms in large centres was still slightly higher in June this year than last, though the volume of sales, at increased prices, was lower. The same index shows that the value of export sales increased very much more than that of home sales, but it represents too small a proportion of the total to be satisfactory in present conditions. We could spare more of our textile resources for the export trade than are likely to be released under the new quota.

Egypt's Cotton Problem

Her cotton crop is presenting Egypt with a major political and economic problem. Owing to the closing of the Cotton Bourse by the Maher Government, and to the reluctance of financial institutions to advance money on the crop, farmers are faced with the greatest difficulty in disposing of it. With the million and a half kantars left over from last year, there are likely to be ten million kantars to dispose of, and the Sebry Government is consulting everybody who is interested in the industry, financiers, farmers and exporters, with a view to finding both purchasers and means of sending the crop abroad. It is thought that, if suitable arrangements were made, half of it might be disposed of through ordinary British purchasing channels, but for the rest it seems almost certain that British official help will be necessary. It is understood that the British Government might be willing to buy a substantial share of the crop if an equitable price could be arranged, but only in consideration of some suitable political inducement. Fortunately, India has not, as was at first announced, cancelled her general licence for the import of cotton from Egypt and the Anglo-Egyptian Sudan.

COMMODITY AND INDUSTRY NEWS

THERE have been few price changes this week. Foreign wheat and English barley are dearer, but maize prices are lower; cocoa prices are also higher. Among textiles, cotton prices are firmer, but silk and jute lower. Tin has continued its upward movement. The fall of two points in *The Economist* wholesale price index, which is given on this page, is chiefly due to the drop in the price of new potatoes during the last fortnight. With the exception of metals most American commodities are a little cheaper on the week, and Moody's index of staple commodities fell from 152.9 (December 31, 1931 = 100) on July 24th to 151.6 on July 31st.

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Cotton (Manchester).—There is a rather more cheerful feeling in the market and the volume of inquiry has been larger. In the yarn market contracts for medium American counts have been placed to cover the cloth orders from Java booked last week, and in the coarse counts there has been more Government business. The modification of the restriction on cotton sales, discussed in a Note on page 166, is expected to lead to an improvement in home trade. The Cotton Board's export drive is getting under way, and in an attempt to make greater use of the United States market has invited the Manchester Chamber of Commerce to act in an advisory capacity in this country. There is to be a further levy of 5d. per 100 lb. on raw cotton from August 1st to assist the promotion of export trade.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended July 19, 1940	Week ended July 26, 1940	From Aug. 1 to July 28, 1939	From Aug. 1 to July 26, 1940
American	31·7	26·6	1,004	1,529
Brazilian	6·2	10·4	326	282
Peruvian, etc.	3·1	4·1	138	219
Egyptian	5·1	4·5	342	395
Sudan Sakel	0·7	0·8	157	162
East Indian	3·6	7·3	457	416
Other countries	4·8	4·8	207	167
Total	55·2	58·5	2,631	3,170

Source: *Liverpool Cotton Association's Weekly Circular.*

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Metals.—The prices of non-ferrous metals are all unchanged on the week. Iron and steel works continue to report a high level of production and an improvement in the raw material position—particularly the supply of scrap. In America, the *Iron Age* estimates steel mill activity this week at 90.5 per cent. of capacity, against 89 per cent. last week.

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Tin.—The statistics for June were published this week. Production is estimated by the International Tin Research Council at 19,600 tons, against 17,500 tons in May. In the first six months of 1940 it amounted to 102,900 tons, compared with 63,200 tons in the corresponding period of 1939. Consumption in the United Kingdom during the six months at 15,740 tons was 52 per cent. higher than a year ago. World stocks, including smelters' stocks and carry-over, at the end of June were 41,211 tons, against 40,783 tons for May and 39,368 tons at the end of June, 1939.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
June 15	72·23	69·95
" 22	61·69	66·70
" 29	64·09	67·64
July 6	70·93	65·73
" 13	71·52	60·31
" 20	70·22	62·55

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Grains.—Measures have had to be taken to deal with the record acreage under wheat in Canada. The guaranteed price to growers is to continue, and so are fixed prices at Winnipeg; a processing tax is to be introduced, and farmers' deliveries are to be limited by quota. It is clear that existing storage facilities will be insufficient for an unrestricted run of new wheat. Large quantities of wheat are being shipped from Argentina. The prospects for the harvest in almost all European countries are deteriorating.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended July 20, 1940	Week ended July 27, 1940	From Aug. 1 to July 29, 1939	From Aug. 1 to July 27, 1940
N. America	336	494	30,626	26,337
Argentine, Uruguay	346	418	15,032	21,709
Australia	...*	...*	12,522	4,546†
Russia	...	...	4,624	114
Danube and district	65	56	9,914	10,538
Other countries	...	...	2,389	345
Total	747	968	75,107	63,589

* Unobtainable. † Shipments up to February 29, 1940.

Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended July 20, 1940	Week ended July 27, 1940	From Apr. 1 to July 29, 1939	From Apr. 1 to July 27, 1940
Argentina	133	124	7,362	4,236
Atlantic America	96	165	409	815
Danube Region	41	46	978	630
S. & E. Africa	...*	...*	772	705†
Indo-China, etc.	...	...	522	91
Total	270	335	10,043	6,477

* Not received. † Incomplete since June 8th.
Source: *The Corn Trade News*

Oils and Oilseeds.—The supply of oilseeds, especially linseed, to United Kingdom mills, is good, and the Control is not yet inviting fresh offers from shippers. Shipments of linseed destined for Europe from River Plate ports have ceased. Very little is being exported to the United States, whose record crop is almost ready for marketing. Trade in Egyptian cottonseed is still held up by the war situation in the Mediterranean, and there is practically no business in Indian oilseeds. Prices are all nominal in the absence of business. The volume of production of oilcakes and meals in United Kingdom mills is good, and farmers are able to take advantage of the facilities for laying in stocks against winter needs.

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

	Mar. 31, 1937 †	July 26, 1939	Aug. 30, 1939	July 16, 1940	July 30, 1940
The Economist Index (U.K.)—					
Cereals and meat	93·0	66·9	66·9	90·6	84·7
Other foods	70·4	61·7	61·1	80·1	80·1
Textiles	74·2	52·8	54·3	88·9	85·5
Minerals	113·2	92·5	95·4	121·3	121·4
Miscellaneous	87·0	76·2	77·6	110·0	110·3
Complete Index	**87·2**	**69·3**	**70·3**	**98·1**	**96·0**
1913 = 100	*119·9*	*95·4*	*96·8*	*135·0*	*132·2*
Irving-Fisher Index (U.S.A.)	**100·4**	**83·6**	**83·4**	**83·3***	...

* This figure is the latest available; it relates to June 15th.
† Highest level reached during the 1932–7 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN
(1937 = 100)

	Home	Export	Total Index	Total % 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—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
May	131	112	128	+24·3
June	97	105	97	+ 4·3

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.

Source: *Board of Trade Journal.*

COMPANY MEETINGS

McDOUGALLS TRUST, LIMITED

SOUND FINANCIAL POSITION

MR KENNETH MOORE'S ADDRESS

The seventh annual general meeting of McDougalls Trust, Limited, was held, on the 29th ultimo, in London, Mr Kenneth A. E. Moore (chairman of the company) presiding.

The secretary (Mr Reginald E. Clark) having read the notice convening the meeting and the report of the auditors,

The chairman, in moving the adoption of the report and accounts, said:—As you are aware, your company derives its income almost entirely from the profits of McDougalls, Limited. In accordance with our practice, we have sent to all our shareholders a copy of that company's accounts and report, and I propose to take the opportunity, as on former occasions, of supplementing the information given in those accounts and of telling you how the business of McDougalls, Limited, is faring.

GOVERNMENT CONTROL

The accounts cover the year ended March 31, 1940—that is five months of the twilight that preceded the actual declaration of war, and seven months of war. For a long time previously we had had in mind the possibility of war and had made preparations of every kind to meet the eventuality. When war broke out we had heavy stocks of all kinds, and were therefore able promptly to meet the increased demand for McDougalls Self-Raising Flour.

Since September 3, 1939, flour mills have been subject to Government control, but the various control orders and regulations have been framed with foresight and practical knowledge in such a way as to safeguard the public interest and at the same time to interfere as little as possible with the special character and efficient management of individual businesses.

So far, therefore, we have been able to carry on the business more or less normally and to continue to supply McDougalls Self-Raising Flour to the housewife for home cooking, through the medium of the grocery trade throughout the country. Moreover, we have been able to continue to supply it at the pre-war price, in spite of the fact that some of our costs—particularly those of packing and distribution—have greatly increased.

RECORD SALES

The quantity of flour sold was the largest in the history of the company, and resulted in a profit, subject to income tax, of £248,656, compared with £229,267 in the previous year. The former figure, as you will see from the note on the face of the balance sheet, is subject to adjustment by reference to the terms of any agreement which may hereafter be concluded with H.M. Government in relation to the control of flour mills.

The directors, however, felt justified in paying the same dividends as for the three preceding years, amounting to £202,000, and, after providing £5,534 for staff bonuses, the balance has been used to strengthen the income-tax reserve and the carry-forward. You will see from the balance sheet that the financial position of the company remains very strong. Stocks, which consist mainly of wheat and flour, are higher than ever and are distributed geographically as far as is practicable. Investments in British Government securities are held to the value of £294,000, and include £50,000 subscribed to the 3 per cent. War Loan.

AMPLE RESOURCES

I will not venture on any forecast of the future: I can only say that the business is well equipped, well managed, and possessed of ample financial resources. In the national interest as well as our own we have taken steps to strengthen our alternative means of production so as to keep the business going if any of our several establishments should be damaged by enemy action.

Turning now to the affairs of McDougalls Trust, Limited, as the company received the same dividends as before from McDougalls, Limited, your directors are again able to recommend the maintenance of the total distribution on the ordinary shares at 10 per cent. for the year. The balance sheet speaks for itself and shows little change, and, if you approve the recommendation of the directors as regards the final dividend and bonus, a sum of £40,321 will remain to be carried forward, compared with £38,637 brought in.

Mr Charles McDougall seconded the resolution, which was carried unanimously.

RICHARD THOMAS AND COMPANY, LIMITED

MARKED IMPROVEMENT IN PROFITS

The ninety-first ordinary general meeting of Richard Thomas and Company, Limited, was held, on the 30th ultimo, in London.

The Right Hon. the Earl of Dudley, M.C. (the chairman), in the course of his speech, said:—While I am pleased to be able to report a marked improvement in profits I am not disposed to deduce from the figures any conclusions as to what the profit would have been if we had not been at war or what the corresponding figures are likely to be for the current year. In the latter connection you will, I am sure, have already realised that the recent increase in excess profits tax from 60 per cent. to 100 per cent. has the effect of placing a limit on the profits available to shareholders so long as the new rate remains in force.

Your directors regret that, in spite of the substantial increase in profits, it has not been possible for a dividend to be paid on the preferred capital. This is largely due to the fact that, in addition to the amount of £100,000 transferred to general reserve in accordance with the articles of association, it has been necessary to repay to the general reserve account the amount of £267,429 withdrawn from this account last year.

COST OF DEVELOPMENT WORKS

At this point I should like to refer to the estimates of the money which the company required in 1938 to complete its programme. So far as the estimates are concerned, it will interest you to know that against an amount of £11,128,000 estimated at the time the new financing was arranged, the final cost of the development works at Ebbw Vale and Redbourn has amounted to £10,968,000 approximately, showing an economy of £160,000.

So far as the amount borrowed is concerned, you will remember that the company found itself in 1938 without resources and that drastic action by creditors was only averted by the provision of further funds in the form of prior lien debenture stock. It was obviously essential when estimating the amount of the necessary additional funds to make sure that the amount would be adequate, otherwise the company might again have found itself in a position disastrous to its credit and to the interests of its shareholders.

Reference has been made to an estimate of £7,000,000 made by eminent accountants employed on behalf of the company's bankers. These experts, in point of fact, came to the conclusion that the sum of £5,700,000 might be sufficient, but having regard to certain contingencies they recommended that borrowing powers for a round sum of £7,000,000 should be taken—which powers would, of course, have covered the additional working capital which the company might require in the ordinary course of business after the new plant had been erected. As you know from the circular dated July 4, 1938, it was finally decided to take power to raise the sum of £6,000,000—£5,500,000 in debentures and £500,000 in ordinary shares—and facilities were given whereby the money would only be raised as required. This accommodation has proved valuable to the company, and up to date £4,447,410 debenture stock has been issued out of £5,500,000 authorised.

I think you will agree that this recital of fact justifies the bases on which finance was arranged in 1938.

CASH POSITION

Over recent months and since the last instalment of debenture stock was issued, other factors have been operating—namely, better trading results and altered conditions of trading, as a result of which the improvement in the cash position shown in the accounts has been continued since the close of the financial year, and I am pleased to say that, after allowing for prospective payments for heavy taxation and other purposes, the cash position is, at the moment, a strong one.

The chairman then proceeded to deal with the circumstances in which Sir William Firth had vacated the office of chairman, in which position he was to be succeeded as from August 1st by Mr E. H. Lever.

In conclusion he said that the regulations designed for national security prevented him from giving any information regarding the output of their works or its disposal. He could, however, tell the meeting—and he knew they would be gratified to hear it—of the great effort which was being made by the management and workpeople alike to secure the maximum contribution to the national cause.

After a long discussion the report and accounts were adopted, an amendment to adjourn the meeting having been defeated on a poll.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to July 27, 1940, total ordinary revenue was £22,799,000, against ordinary expenditure of £68,806,000, and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £688,581,000, against £187,334,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Receipts into the Exchequer (£ thousands)

Revenue	Estimate, 1940–41	Apr. 1, 1939, to July 29, 1939	Apr. 1, 1940, to July 7, 1940	Week ended July 9, 1939	Week ended July 27, 1940
ORDINARY REVENUE					
Income Tax...	450,500	27,241	52,912	2,303	5,727
Sur-tax.....	75,000	7,770	8,070	280	360
Estate, etc., Duties	85,100	28,640	30,340	1,870	1,570
Stamps.....	19,000	6,110	4,950	1,000	920
N.D.C.....	70000	7,610	7,080	970	570
E.P.T.		...	13,740	...	2,170
Other Inland Revenue ...	1,000	300	160	10	10
Total In. Rev.	700,600	77,671	117252	6,433	11,327
Customs	302,050	82,365	93,698	4,984	7,804
Excise	164,050	36,773	51,422	853	1,122
Total Customs and Excise...	466,100	119138	145120	5,837	8,926
Motor Duties	35,000	6,599	7,515	765	817
P.O. (Net Receipt) ...	13,291	4,064	4,750	*Dr.50*	400
Crown Lands	1,150	530	450	210	170
Receipts from Sundry Loans	5,000	1,512	515	...	39
Mis. Receipts	13,250	1,724	6,263	90	1,120
Total Ordinary Revenue ...	1234391	211238	281865	13,285	22,799
SELF-BAL.					
ost Office and Broadcasting	86,222	24,736	25,550	2,800	2,000
Total	1320613	235974	307415	16,085	24,799

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

Expenditure	Estimate, 1940–41	Apr. 1, 1939, to July 29, 1939	Apr. 1, 1940, to July 27, 1940	Week ended July 29, 1939	Week ended July 27, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	89,265	93,254	340	626
Payments to N. Ireland ...	9,400	2,259	2,225	346	297
Other Cons. Fund Serv.	7,600	3,209	3,195	23	...
Total	247,000	94,733	98,674	709	924
Supply Serv.	2419790	301547	869548	26,051	67,882
Total Ordinary Expenditure	2666790	396280	968222	26,760	68,806
SELF-BAL.					
Post Office and Broadcasting	86,222	24,736	25,550	2,800	2,000
Total	2753012	421016	993772	29,560	70,806

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £232,073 to £2,946,816, the other operations for the week (no longer shown separately) raised the gross National Debt by £46,705,300 to about £9,633 millions.

MONTH'S CHANGES IN DEBT

(£ thousands)

NET INCREASES		NET REPAYMENTS	
Treasury Bills ...	106,574	4½% Conv. Loan	102,740
Nat. Sav. Certs...	15,900		
3% Def. Bds.....	29,900		
2½% Nat. War Bds.	86,170		
"Other debt" ...	8,747		
Ways & Means Adv.	6,995		
Treas. deps. by banks	30,000		
	284,286		102,740

OTHER ISSUES (NET)
(£ thousands)

Overseas Trade Guarantees	142
P.O. and Teleg. (Money) Acts	200
	342

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to July 27, 1940, are:—

(£ thousands)

Ordinary Exp.....	968,222	Ord. Revenue ...	281,865
Misc. Iss. (net)...	4,342	Gross borr.	693,475
Inc. in balances	552	*Less*— Sinking fds.	2,224
		Net borrowing ...	691,251
	973,116		973,116

FLOATING DEBT

(£ *millions*)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
July 29	504·0	564·9	46·3	...	...	1115·2
1940						
Apr. 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
„ 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0		„	„		
„ 20	815·0		„	„		
„ 27	826·0	906·5	43·6	...	30·0	1806·2

TREASURY BILLS

(£ *millions*)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate % (s. d.)	Per Cent. Allotted at Minimum Rate
1939					
July 28	40·0	73·8	36·0	14 4·08	27
1940					
Apr. 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
„ 21	65·0	97·6	65·0	20 4·97	60
„ 28	65 0	110·3	65·0	20 5·22	51
July 5	65·0	105·4	65·0	20 5·10	55
„ 12	65·0	112·3	65·0	20 4·97	48
„ 19	65·0	118 8	61·0	20 4·45	37
„ 26	65·0	125·8	60·0	20 4·44	31

On July 26th 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 31 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 August 2nd.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
July 16	4,085	6,355	18,187
„ 23	3,718	3,683	11,850
„ 30	...	...	10,424
Totals to date	128,068*	131,529*	131,931†

* 35 weeks. † 6 weeks.

Interest free loans received by the Treasury up to July 31st amounted to 6,813, of a total value of £13,513,315. From the beginning of the campaign up to July 27th, principal of Savings Certificates to the amount of £19,322,000 has been repaid.

BANK OF ENGLAND RETURNS

JULY 31, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt .	11,015,100
In Circultn.	609,540,214	Other Govt. Securities...	614,891,438
In Banking Dept.	20,696,544	Other Secs.	3,581,813
		Silver Coin .	511,649
		Amt. of Fidu Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,758
	630,236,758		630,236,758

BANKING DEPARTMENT

	£		£
Props.' capital	14,553,000	Govt. Secs....	152,857,838
Rest	3,429,760	Other Secs.:	
Public Deps.*	22,680,533	*Discs., etc.*	*3,272,621*
		Securities ..	*21,497,820*
Other Deps.:			
Bankers ...	*106,263,011*		*24,770,241*
Other Accts.	*52,271,070*	Notes	20,696,544
		Gold & Silver Coin	872,751
	158,534,081		
	199,197,374		199,197,374

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. July 31, 1940	Compared with: Last Week	Compared with: Last Year
COMBINED LIABILITIES			
Note circulation	609,540	+ 1,948	+ 88,970
Deposits: Public	22,681	− 7,585	− 998
Bankers'.....	106,263	+ 2,306	+ 16,685
Others	52,271	+ 1,304	+ 16,0[illegible]
Total outside liabilities..	790,755	− 2,027	+ 121,1[illegible]
Capital and rest	17,983	+ 23	− 104
COMBINED ASSETS			
Govt. debt and securities†	778,764	− 1,166	+ 366,884
Discounts and advances	3,273	+ 130	− 3,594
Other securities	25,079	− 822	+ 3,891
Silver coin in issue dept.	512	+ 2	− 200
Gold coin and bullion	1,109	− 148	− 245,931
RESERVES			
Res. of notes and coin in banking department...	21,569	− 2,096	− 4,921
"Proportion" (reserve to outside liabilities in Bankg. dept.)	11·9%	− 0·8%	− 5·8%

COMPARATIVE ANALYSIS*

(£ *millions*)

	1939 Aug. 2	1940 July 10	1940 July 17	1940 July 24	1940 July 31
Issue Dept.:					
Notes in circ..	520·6	610·4	608·9	607·6	609·[illegible]
Notes in banking dept.	25·8	19·9	21·3	22·6	20·7
Govt. debt and securities†....	299·3	626·6	625·9	625·8	625·8
Other secs. ...	0·0	2·8	3·6	3·7	3·6
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	246·4 *148·50*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*
Deposits:					
Public	23·3	22·2	56·0	30·3	22·7
Bankers'.....	89·6	107·0	79·2	104·0	106·3
Others	36·2	47·8	51·2	51·0	52·[illegible]
Total	149·1	177·0	186·4	185·3	181·[illegible]
Bkg. Dept. Secs.					
Government...	112·6	146·7	155·9	154·1	152·[illegible]
Discounts, etc.	6·9	3·9	3·0	3·1	[illegible]
Other	21·2	23·1	23·0	22·2	21·[illegible]
Total	140·7	173·7	181·9	179·4	17[illegible]
Banking dept. reserve	26·5	21·2	22·4	23·7	20·7
"Proportion"	17·7 %	11·9 %	12·0 %	12·7 %	11·[illegible] %

* Government debt is £11,015,100; other £14,553,000. † Fiduciary issue raised from [illegible] millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; Roumania, of June 1st; France, of June 8th; Bulgaria, Prague, Switzerland and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Estonia, Mellie Iran, and Sweden, of June 22nd; Greece, Jugoslavia, Latvia and Lithuania, of June 29th; Japan, of July 27th.

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. BANKS	July 27, 1939	July 11, 1940	July 18, 1940	July 25, 1940
RESOURCES				
Gold certifs. on hand and due from Treas.	13,709	17,944	18,028	18,114
Total reserves	14,089	18,316	18,406	18,507
Total cash reserves	371	360	368	380
Total U.S. Govt. secs.	2,488	2,450	2,450	2,450
Total bills and secs.	2,506	2,461	2,461	2,462
Total resources	17,338	21,556	21,779	21,744
LIABILITIES				
F.R. notes in circn.	4,499	5,232	5,230	5,223
Excess mr. bank res.	4,490	6,830	6,880	6,570
Mr. bank reserve dep.	10,436	13,764	13,863	13,565
Govt. deposits	742	297	278	643
Total deposits	11,869	15,336	15,440	15,535
Total liabilities	17,338	21,556	21,779	21,744
Reserve ratio	86·1%	89%	89·1%	89·2%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	16,227	20,166	20,256	20,367
Treas. & bk. currency	2,893	3,015	3,016	3,020
LIABILITIES				
Money in circulation	7,002	7,884	7,872	7,854
Treas. cash and dep.	3,248	2,488	2,477	2,872

RESERVE BANK OF INDIA

Million rupees

	June 2, 1939	May 17, 1940	May 24, 1940	May 31, 1940
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	665	507	504	473
Balances abroad	96	217	211	199
Sterling securities	595	1,185	1,205	1,235
Indian Gov. rupee secs.	373	395	405	425
Investments	70	84	86	87
LIABILITIES				
Notes in circn.: India	1,789	2,308	2,320	2,351
Burma	103	135	134	134
Deposits: Govts.	116	119	132	142
Banks	138	181	181	161
Reserve ratio	50·0%	64·4%	64·7%	65·3%

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	May 29, 1939	May 13, 1940	May 20, 1940	May 27, 1940
ASSETS				
Gold and English stg.	16·03	16·08	16·08	16·08
Other coin, bullion, etc.	5·52	6·14	6·15	6·32
Call money, London	16·70	43·50	43·37	40·39
Secrts. and Treas. bills	94·43	83·86	83·32	81·04
Discounts and advances	17·28	34·41	31·18	31·17
LIABILITIES				
Notes issued	47·53	52·53	52·53	52·78
Deposits, etc.	83·85	114·37	111·86	106·78

CENTRAL BANK OF ARGENTINA

Million paper pesos

	June 15, 1939	Apr. 30, 1940	May 31, 1940	June 15, 1940
ASSETS				
Gold at home	1,224	1,224	1,224	1,224
Other gold & for. exch.	86	178	183	174
Non-int. Govt. bond	119	119	119	119
Treasury bonds	396	396	396	395
LIABILITIES				
Notes in circulation	1,128	1,176	1,185	1,192
Deposits: Government	164	107	150	138
Banks	408	434	423	429
Certs. of participation	125	198	197	180
Reserve ratio	77·0%	81·3%	79·9%	79·2%

BANK OF CANADA.—Million Can. $

	July 12, 1939	June 29, 1940	June 5, 1940	July 10, 1940
ASSETS				
†Reserve: Gold	...	...	...	...
Other	34·2	3·3	2·8	5·5
†Securities	161·9	521·4	511·0	540·8
LIABILITIES				
Note circulation	168·9	272·6	279·1	284·7
Deposits: Dom. Govt.	22·5	36·6	33·9	41·9
Chartered banks	201·1	208·6	216·7	209·1

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	June 12, 1939	May 27, 1940	June 5, 1940	June 10, 1940
ASSETS				
Gold and stg. exch.	8·57	16·52	17·47	17·43
Advances to State	17·76	23·18	23·22	23·48
Investments	3·77	2·54	2·54	2·54
LIABILITIES				
Bank Notes	15·50	17·95	18·26	18·33
Demand liabs.: State	3·79	6·19	6·76	7·79
Banks and others	9·51	15·77	16·12	15·37
Reserves to sight liabs.	29·6%	41·2%	42·4%	41·9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million $'s

	July 12, 1939	June 26, 1940	July 3, 1940	July 10, 1940
ASSETS				
Loans, total	8,133	8,435	8,462	8,461
Investments	14,892	15,146	15,124	15,222
Reserve with F.R. bks	8,649	11,669	11,636	11,660
Due from domestic bks.	2,790	3,272	3,277	3,208
LIABILITIES				
Deposits: Demand	17,368	20,681	20,510	20,824
Time	5,223	5,312	5,331	5,321
U.S. Govt.	590	580	536	460
Inter-bank	7,539	9,103	9,262	9,121

BANK OF PORTUGAL

Million escudos

	June 21, 1939	June 5, 1940	June 12, 1940	June 19, 1940
ASSETS				
Gold	920·0	920·6	920·6	920·7
Balances abroad	666·2	745·1	698·9	677·4
Discounts	411·5	431·4	427·4	431·1
Securities	117·9	102·3	102·3	102·3
LIABILITIES				
Notes in circulation	2063·1	2188·9	2503·8	2546·8
Deposits: Government	393·5	362·8	406·6	364·0
Bankers'	731·1	649·9	569·4	545·3
Other	67·4	96·5	95·0	112·1
Foreign commitments	195·8	261·0	260·9	260·9

SOUTH AFRICAN RESERVE BANK

Million £'s

	July 7, 1939	June 21, 1940	June 28, 1940	July 5, 1940
ASSETS				
Gold coin and bullion	26·64	38·42	36·66	35·37
Bills discounted	5·46	8·15	1·66	1·58
Inves. & other assets	16·05	27·75	25·12	32·59
LIABILITIES				
Notes in circulation	18·04	19·99	22·76	22·30
Deposits: Government	1·72	7·42	1·89	1·88
Bankers'	23·01	38·25	38·28	37·50
Others	4·15	6·97	8·42	7·47
Reserve ratio	57·4%	55·0%	52·5%	51·1%

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between July 26th and August 1st. (*Figures in brackets are par of exchange.*)
U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¼. Can. $ (4·86⅔) 4·43–47; mail transfers 4·43–47¼. Sw. frs. (25·22½) 17·70–80. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), July 29–Aug. 1, 99·80–100·20.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent pm.-par. Canada, ½ 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 £	July 26, 1940	July 27, 1940	July 29, 1940	July 30, 1940	July 31, 1940	Aug. 1, 1940
Tallinn, Kr.	18·159	14⅛‡	14½‡	14½‡	14½‡	14⅝*‡	14⅝*‡
Riga, Lats	25·22½	18⅞‡	19‡	19‡	19‡	18⅞*‡	18⅞*‡
Budapest, Pen.	27·82	18⅝*	18½*	18½*	18½*‡	18⅜*‡	18⅝*‡
Kovno, Lit	48·66	21⅛‡	21¼‡	21¼‡	21¼‡	21⅛*‡	21⅛*‡
Belgrade, Din.	276·32	150*	150*	150*	150*	150*	150*
		190*(g)	190*(g)	190*(g)	190*(g)	190*(g)	190*(g)
Sofia, Lev.	673·66	300*	300*	300*	300*	300*	300*
Helsingfors, Mk	193·23	180–210	175–200	175–200	175–200	170–190	170–190
Alexandria, Pat	97½	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝	97⅝–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Lisbon, Esc.	110	99–101	99–101	(h)	(h)	(h)	(h)
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16
Kobe, Yen	†24·58d.	14⅝–15⅜	14⅝–15⅛	14½–15¼	14 7/16–15 3/16	14 9/16–15 5/16	14 9/16–15 5/16
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (s).	17·38	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡
Montevideo, $	† 51d.	21½–24⅛	21–24	21–24	20½–24⅛	20½– 23½‡	20½– 23½‡
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3 11/16–4 3/16	3 11/16–4 5/16	3 11/16–4 5/16	3⅞–4⅛	3⅞–4⅛	3⅞–4⅛
Bogota, Pes.	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † 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. (h) Official quotation from July 29th.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended July 29, '39	Week ended July 27, '40	Aggregate January 1 to July 29, '39	Aggregate January 1 to July 27, '40		Week ended July 29, '39	Week ended July 27, '40	Aggregate January 1 to July 29, '39	Aggregate January 1 to July 27, '40
Working days:—	6	6	177	177	Newcastle	1,384	1,190	45,682	40,909
Birmingham	2,498	1,726	72,262	68,983	Nottingham	443	399	14,812	12,910
Bradford	998	2,447	25,311	48,980					
Bristol	1,337	1,962	39,701	52,091	9 Towns	20847	25368	677305	787702
Hull	730	538	23,932	23,753					
Leicester	636	675	21,359	22,812	Dublin	4,980	5,911	183073	185869
Liverpool	4,633	4,805	149795	173947	Sheffield*	768	586	31,933	20,030
Manchester	8,188	9,626	284451	343515	Southampton†	...	99	...	1,233

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between July 26th and August 1st:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 11/32%; 3 months, 11/32%; 4 months, 11/16–17/32%; 6 months, 1⅛–1¼%. Treasury Bills: 2 months, 1–11/32%; 3 months, 11/32%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. Discount deposits at 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.
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.
July 26	22⅝	22 5/16	July 31	22⅝	22 1/16
„ 29	22 9/16	22 1/16	Aug. 1	22 9/16	22 1/16
„ 30	22⅝	22 1/16			

NEW YORK EXCHANGE RATES

New York on	July 25, 1940	July 26, 1940	July 27, 1940	July 29, 1940	July 30, 1940	July 31, 1940
London:—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	383	387	386	386⅝	388¼	383
Switzerland, Fr.	22·73	22·74	22·74	22·75	22·74	22·74
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·05	40·05	40·05	40·05	40·05	40·05
Stockholm, Kr.	23·88	23·89	23·89	23·90	23·88	23·86
Montreal, Can. $	88·375	87·250	87·750	87·750	88·375	88·250
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	6·23	6·20	6·20	6·18	6·12	6·05
B. Aires, Pso. (mkt. rate)	22·05‡	21·90‡	21·95‡	21·85‡	21·85‡	21·90‡
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	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Groves (John) and Sons	May 31	59,317	7,040	23,283	30,253	10,000	10,500	7	...	+ 2,783	48,791	21,705	7
Hancock (William) & Co.	May 31	136,716	...	56,515	98,987	21,477	24,667	10	9,943	+ 428	85,382	50,781	10
Nuttall's Breweries	June 30	132,986	1,500	78,786	92,318	42,000	24,000	6	6,000	+ 6,786	130,283	77,583	6
Financial Land, etc.													
Eastn. Int. Rubber Tst.	June 30	11,995	...	10,337	16,351	...	11,015	2½†	...	− 678	14,812	12,877	2½†
Oregon Mortgage	May 31	30,526	...	8,100	28,176	8,100	...	...	...	...	31,477	7,890	Nil
Trust & Mtge. of Iowa	Feb. 29	9,378	...	*Dr. 3,917*	13,501	...	...	...	...	− 3,917	10,215	489	Nil
Rubber													
Juru Estates	Mar. 31	9,823	...	2,337	3,533	...	2,300	5	...	+ 37	3,570	*Dr. 111*	Nil
Malayan	June 30	3,301	...	2,362	4,088	...	2,121	5	500	− 259	2,945	1,310	3½
Timbang-Deli (Sumatra)	Mar. 31	43,485	1,025	14,013	36,138	...	15,939	4	...	− 1,926	18,053	9,096	2
Tea													
Ceylon Upcountry	Mar. 31	7,066	...	3,010	3,944	...	1,697	10	1,000	+ 313	5,931	1,209	8
Eastern Assam	Dec. 31	47,771	...	31,349	61,028	...	29,586	15	...	+ 1,763	32,091	29,091	15
Nedeem	Dec. 31	77,078	14,485	19,368	24,487	8,100	10,125	6	...	+ 1,143	63,131	22,245	6
Trusts													
Ailsa Investment	May 31	43,356	...	22,520	40,082	13,781	...	...	...	+ 8,739	42,428	26,062	Nil
Other Companies													
Benn Brothers	June 30	73,472	...	23,675	32,421	4,805	18,868	12(a)	...	+ 2	82,622	28,507	15(b)
Britannia Elec. Lamp	Apr. 30	47,114	7,553	8,237	17,994	...	7,656	7	...	+ 581	44,600	9,021	7
British Sugar Corpn.	Mar. 31	1,195,703	220,000	265,693	326,889	...	129,375	4½	155,000	− 18,682	397,113	*Dr 13,801*	4
Budgett (H.H.&S.) &Co.	Feb. 29	108,119	...	23,468	27,447	...	...	...	10,000	+ 13,468	23,700	3,760	Nil
Dublin (South) City Mkt.	June 30*	10,254	...	4,132	9,324	...	3,150	4½	500	+ 482	10,147	4,269	4½
Falk, Stadelmann & Co.	Mar. 31	97,602	...	76,017	104,732	31,500	40,425	7	...	+ 4,092	82,803	67,545	6
Harbens, Limited	Apr. 30	115,360	22,000	48,633	10,345	...	...	...	...	+ 48,633	37,239	*Dr. 18,771*	Nil
International Tea Stores	Apr. 27	794,662	80,000	507,815	616,609	210,771	186,000	12	100,000	+ 11,044	687,042	466,011	10
Jones' Sewing Machine	May 31	11,168	...	10,727	11,571	2,340	3,443	6	...	+ 4,944	6,015	5,615	6
McDougalls, Ltd.	Mar. 31	251,960	...	206,414	241,846	32,000	170,000	50	...	+ 4,414	232,462	207,830	50
Pye, Ltd.	Mar. 31	113,973	8,022	61,501	118,885	8,850	26,622	25	...	+ 26,029	97,592	49,079	25
Reeves and Sons	Apr. 30	21,751	3,866	15,540	21,906	10,248	5,193	5	...	+ 99	23,097	16,581	4½
Roberts (Charles) & Co.	Mar. 31	242,129	80,401	44,209	70,881	11,680	31,068	15	...	+ 1,461	221,233	51,655	15
Sanders Bros. (Stores)	Apr. 27	61,239	...	59,425	128,223	17,062	27,731	12½	14,000	+ 632	48,549	47,032	10
United Counties Stores	Feb. 29	46,815	...	18,700	25,372	3,750	10,000	8	4,000	+ 950	27,080	15,635	6
Totals (£'000's):	*No. of Cos.*												
Week to Aug. 3, 1940	*28*	*3,804*	*446*	*1,642*	*2,217*	*436*	*792*	...	*301*	+ *113*	*2,520*	*1,070*	...
Jan. 1 to Aug. 3, 1940	*1,494*	*300,721*	*24,253*	*165,047*	*234,200*	*36,308*	*101,909*	...	*19,256*	+ *7,574*	*276,157*	*167,824*	...

* For half-year. † Free of Income Tax. (a) Also 2s. 4⅝d. per 1s. deferred share. (b) Also 3s. per 1s. deferred share.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
RAILWAYS	%	%		%
Great Western Ord.	1½*	...	Aug. 14	Nil*
L.M.S. 4% Pref.	2*	...	Aug. 21	2*
Do. 4% 1923 Pref.	2*	...	Aug. 21	Nil*
L. & N.E. 4% 1st Pref.	2*	...	Aug. 21	Nil*
Do. 5% Pref.	2½*	...	Aug. 21	Nil*
London Trspt. "C"	¾*	...	Aug. 23	Nil*
Sthn. Rly. Pref. Ord.	2½*	...	Aug. 15	1*
BANKS				
Bank of N.S. Wales	6/– ps*	...	Aug. 29	6/– ps*
INSURANCE				
Scottish Life	9⅛*	...	...	9⅛*
TEA AND RUBBER				
K.M.S. (Malay) Rbr.	4*	...	Aug. 30	Nil*
Linggi Rubber	2½*	...	Sept. 20	Nil*
Padang Jawa Rubber	...	2½	...	Nil
Pt. Dickson-Lukut R.	...	4·17	Aug. 26	Nil
Tea Corporation	...	7½	...	5

Company	*Int. or †Final	Total	Payable	Prev. Year
MINING	%	%		%
Taquah and Abosso	2½†	3 7½	Sept. 17	3 7½
INDUSTRIALS				
Amal. Anthracite Pref.	1*	...	Oct. 1	1*
Anglo-Iranian Oil	Nil†	5	...	20
Ashton Brothers	2½*	...	...	Nil*
Associd. Belting	...	2½	...	Nil
Aylesbury Dairy	8½†	12½	...	15
Bairds & Dalmel.	4*	...	...	4*
Bearpark Coal	5*	...	Aug. 12	2½*
Boddingtons' Brewrs.	2½*	...	...	2½*
Bristol Waterworks	3·38*	...	...	3⅛*
British Sugar Corpn.	...	4½	...	4
Courtaulds	2½*	...	Aug. 28	2*
Davis & Timmins	10*	...	Sept. 11	10*
Eburite Containers	5*	...	...	5*
Eng. Components	10*	...	Aug. 13	10*
Falk Stadelmann	...	7	...	6

Company	*Int. or †Final	Total	Payable	Prev. Year
INDUSTRIALS	%	%		%
Fleming Reid	5*	...	...	3*
France Fenwick & Co.	2*	...	Sept. 2	2*
Furness Withy	...	5	...	4
Gas Light and Coke	2½*	...	...	2½*
Hadfields	7½*	...	Aug. 31	7½*
Handley Page	‡20†	(c)30	...	(c)30
Int. Tea Stores	7†	12	...	10
Kent (George)	6†	9	...	12½
Northmet Power	3*	...	Sept. 2	4*
Rolls Royce	15†	20	...	25
Saxone Shoe	2½*	...	...	2½*
Tottenham Gas	2½*	...	Aug. 16	3⅛*
Trinidad Central Oil	...	7	...	7
U.S. and Gen. Trust	2*	...	Aug. 15	2*
U.S. Investmt. Corpn.	2*	...	Aug. 15	2*
United States Steel	$1p.s.	...	...	Nil
Woolcombers	‡5*	...	...	‡5*

‡ Free of income tax. (c) 10% paid less tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	Gross Receipts for Week + or −	Aggregate Gross Receipts 1940	Aggregate Gross Receipts + or −
B.A. and Pacific	3	July 20	‡1,147,000	− 56,000	3,248,000	− 775,000
B.A. Gt. Southern	3	20	‡1,931,000	+ 164,000	5,727,000	− 315,000
B.A. Western	3	20	‡641,000	− 67,000	1,846,000	− 337,000
Canadian Pacific	29	21	$3,408,000	+ 712,000	85,335,000	+ 15947000
Central Argentine	4	27	‡1,545,750	− 515,250	5,713,550	− 3,228,900

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	July 31, 1940	Name	July 31, 1940	Name	July 31, 1940
For. Bond.	Unquoted	National D.	9/11½–10/1½	Key. Gold	6/6xd bid
Limited Inv.	10/6–12/–	Century	10/–11/6	Br. Ind. 4th	8/9–10/6xd
New British	6/6–7/6	Scottish	9/–10/6	Elec. Inds.	11/–12/6
Invest. Tr.	8/9–10/9*	Univ. 2nd	11/3–12/9	Met. & Min.	8/6–10/–
Bk. & Insur.	11/9–13/9*	Inv. Flex.	7/9–9/–	Rub. & Tin	Unquoted
Insurance	11/3–13/9xd*	Inv. Gen.	10/10½–11/10½	Producers	4/7½–5/7½
Bank	12/9–14/9*	Key. Flex.	7/3 bid	Dom. 2nd	3/9–4/9
Sct. B.I.I.T.	9/6–11/6xd	Key. Cons.	7/– bid	Orthodox	5/6–6/6

* Free of commission and stamp duty.

SHORTER COMMENTS

(*Continued from page 165*)

General Aircraft Limited.—A comment on page 99 of *The Economist* of July 20th referred to a reduction in the net profits of this company from £47,358 to £35,652. The latter sum was struck, however, after providing £20,903 to write off preliminary expenses. This amount should be written back for comparative purposes with the 1938 figures, making last year's net profits £56,555.

McDougalls Trust. The dividend of this company for the year to June 30th was maintained at 10 per cent., and not, as stated in last week's issue, increased to 12½ per cent.

British Sugar Corporation.—Total profit, year to March 31, 1940—£330,000 from increases in sugar duty—£1,195,703 (£397,113). Depreciation, £220,000 (£224,000). Debenture redemption, £22,989 (£22,337). Taxation reserve £430,000 (nil). Special duty reserve £75,000 (nil). Staff pensions, £59,000 (nil). Dividend equalisation reserves, £155,000 (*Dr. £130,000*). Ordinary dividend 4½ (4) per cent. Carry forward, £42,514 (£61,196).

Canadian Pacific Railway Company.—Gross earnings, June, 1940, $14,192,000 ($10,354,000). Net earnings, $2,923,000 ($1,063,000). Gross earnings, first six months, 1940, $75,385,000 ($61,808,000). Net earnings, $12,636,000 ($5,351,000).

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 High	Prices, Year 1939 Low	Prices, Jan. 1 to July 31, 1940 High	Prices, Jan. 1 to July 31, 1940 Low	Name of Security	Price, July 31, 1940	Ch'ge since July 24	Yield July 31, 1940 £ s. d.
				British Funds			
71⅛	61	76¾	68⅛	Consols 2½%	72¾	+¼	3 8 11
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	107½	+½	3 14 5f
...	...	98¾	98½	Conv. 2% 1943–45	98⅝	...	2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	99	+½	2 13 9
99⅛	92⅞	103	97¾	Do. 3% 1948–53	100¾xd	+1¼	2 18 0
99½	87	102¼	94	Do. 3½% after 1961	100¼	+¼	3 10 4f
112⅛	103¾	112	107½	Do. 5% 1944–64	108¾	+¼	2 17 3
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	90¾	+¾	3 3 0
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	96	+½	3 1 6
95⅛	87½	99½	95	Fund. 3% 1959–69	97	+½	3 3 9
109½	100½	113¾	105⅝	Fund. 4% 1960–90	110½	+¼	3 6 3
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	100¾	+½	2 9 0k
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	100¼	+¾	2 19 9
...	...	100½	100	War Bds. 2½% 1945–47	100¼	...	
108⅝	102	111½	105 13/16	Victory Bonds 4%	109½	+½	3 6 9j
...	...	100⅜	98	War L. 3% 1955–59	100½	+½	2 19 2
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	99¾	+½	3 10 5f
83⅞	73	89⅛	80¼	Local Loans 3%	85½	+¼	3 10 3
99	91	100	97½	Austria 3% 1933–53	98	...	3 4 8
64	55½	71¼	59¾	India 2½%	67½	...	3 14 4
90	78	97¼	82¼	Do. 3½%	91¾	...	3 16 6
115¼	104½	115	105¼	Do. 4½% 1958–68	109½	...	3 15 10
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austrla. 5% 1945–75	102	...	4 11 5
112½	103	110⅞	106	Nigeria 5% 1950–60	107	...	4 3 2
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4 14 6
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4 0 3
				Corporation Stocks			
111½	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4 2 10
81⅝	72	85	78	L.C.C. 3%	79	...	3 16 6
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3 12 3
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3 13 3
				Foreign Governments			
91½	73¾	92¾	77¼	Argen. 4½% Stg. Bds.	79½	...	5 13 2
65½	34	58½	22	Austria 4½% 1934–59	25	...	13 10 0l
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23⅛	6½	35½	20	Brazil 5% Fd. 1914	25	+1	10 0 0p
19	9	23	9	Chile 6% (1929)	10½	...	14 5 8n
55½	23½	45¼	12	China 5% (1913)	18	...	...
72	30	63	25	Czecho-Slovakia 8%	*	...	...
86¼	58	79¾	50½	Egypt Unified 4%	52	+1	7 13 10
12⅛	9	10½	8	French 4% (British)	*	...	...
44	4	7⅝	5	German Dawes 5%	5½	...	...
33⅛	3	6½	3¾	Do. Young Ln. 4½%	4	1½	...
30	15	24½	12½	Greek 6% Stab. Ln.	*	...	...
35½	15	25	17	Hungary 7½%	17	...	26 9 4h
61½	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to July 31, 1940 High	Low	Last two Dividends (a) (b) (c) %	%	Name of Security	Price, July 31, 1940	Ch'ge since July 24	Yield July 31, 1940 £ s. d.
				Railways			
10	3¼	Nil	Nil	B.A. Gt. Sthn. Ord.	4	...	Nil
9⅛	4⅞	Nil	Nil	Can. Pac. Com. $25	*	...	...
52	22	3½ c	1½ a	Gt. Western Ord.	28xd	−2	12 10 0
80	34½	5 c	2½ a	LNER 5% Pref. 1955	50xd	+7½	10 0 0
60	20	4 c	2 a	Do. 4% 1st Pf.	32xd	+2	12 10 0
24	9	Nil c	1½ c	L.M.S. Ord.	12	−1½	12 10 0
60⅛	21⅛	4 c	2 a	4% Pf. 1923	34xd	−1	11 15 0
70⅛	35	2 b	2 a	4% Pf.	47⅛xd	+1⅛	8 9 6
65¼	24	1½ c	¾ a	Lon. Trans. "C"	30xd	+¾	5 0 0
22	7	Nil c	1¼ c	Southern Def.	10	−½	12 10 0
79	35½	5 c	2½ a	Do. 5% Pf. Ord.	46xd	+½	10 16 3
104	58½	2½ a	2½ b	Do. 5% Pf.	78	+2	6 8 0
				Banks and Discount			
67/9	51/–	10 b	7½ a	Alexanders £2, £1 pd.	54/–	...	6 9 6
342½	316½	6 a	6 b	Bank of England	325	...	3 13 10
£51	£43½	8 c	8 c	Bk of Montreal $100	*	...	...
30/9	19/–	5 a	5 b	Bk. of N. Zealand £1	20/–	−2/6	8 0 0e
73/3	46/6	7 b	7 a	Barclays Bank £1	63/–	−6d	4 8 9
9⅛	5¼	5 a	5 b	Chtd. of India £5	7	+¾	7 2 3
52/–	45/–	5 b	5 a	District B. £1 fy. pd.	47/6	...	4 4 0
£95	£52	£2½ b	£2½ a	Hongkong and S. $125	£66½xd	+£2	7 10 0
54/6	30/–	6 b	6 a	Lloyds £5, £1 pd.	39/6	−1/9	6 1 0
8¾	5 17/32	7½ b	7½ a	Martins £20, £2½ pd.	6½	+⅛	5 15 9
85/–	68/–	8 b	8 a	Midland £1, fy. pd.	75/–	...	4 5 0
5⅝	4	5 b	5 a	Nat. Dis. £2½ fy. pd.	4⅝	−⅛	5 8 0
32½	23⅛	8 a	8 b	N. of Ind. £25, £12½pd	27¼	+2¾	7 6 6
60/9	39/–	7½ b	7½ a	Nat. Prov. £5, £1 pd.	47/6	−6d	6 6 0
444	385	8½ b	8½ a	Royal Bk. of Scotland	395	...	4 6 0
48/6	29/–	6¼ b	3¾ a	Union Discount £1	33/9	−1/3	5 19 0
85/–	46/–	9 b	9 a	Westmtr. £4, £1 pd.	60/6	...	6 0 0
				Insurance			
24⅝	15¾	40 a	50 b	Alliance £1, fully pd.	18	...	5 0 0
13⅛	8⅜	4/6 a	6/– b	Atlas £5, £1¼ pd.	8¾	...	6 0 0
16⅝	8 25/32	†25 b	†22½ a	Pearl (£1), fy. pd.	11xd	+¾	4 6 0†
15 9/16	9 5/16	6/– a	6/– b	Phœnix £1, fy. pd.	10½	+½	5 14 0
28⅝	6¼†	†84·075c		Prudential £1 A	20	+1	4 4 0†
8¼	5	11 a	19 b	Royal Exchange £1	6¾	+½	4 8 8
7	4¼	†10 b	13¾ a	Sun Lf. Ass. £1 fy. pd.	5	+¼	5 10 0
				Investment Trusts			
498	476⅛	11 a	14 b	Alliance Trust	490	...	5 2 0
187½	180	3½ a	8½ b	Anglo-Amer. Deb.	180	...	6 13 4
188	153	6 b	4 a	Debenture Corp. Stk.	154½	...	6 9 3
187	165	5 a	8 b	Invest. Trust Def.	170	...	7 13 6
165½	139	3 a	7 b	Trustees Corp. Ord.	147½	...	6 15 0
175	140½	6 b	4 a	United States Deb.	154½	...	6 9 0
				Breweries, &c.			
125/6	96/3	†20 b	†5 a	Bass Ratcliff Ord. £1	104/6	+3/–	4 16 0†
57/6	36/3	6 a	11 b	Courage Ord. £1	46/3	+5/–	7 7 0
70/3	46/–	6¼ a	10 b	Distillers Ord. £1	55/6	−6d	5 17 0
83/–	45/–	14 b	11 a	Guinness Ord. £1	60/–	+2/6	8 6 9
76/6	47/–	16 b	7½ a	Ind, Coope & Allp. £1	62/6	+4/6	7 10 3
52/9	30/6	12 b	6 a	Watney Combe Def. £1	45/–	+5/–	8 0 0
				Iron, Coal and Steel			
6/6	3/–	10 c	10 c	Baldwins 4/–	3/9	...	10 13 3
34/7½	13/1½	†5 a	†10 b	Brown (J.) Ord. 10/–	20/–	+2/6	7 10 0†
8/9	3/6	4 a	6 b	Cammell Laird 5/–	5/3	+6d	9 10 6
24/7½	11/3	3 a	5 b	Colvilles Ord. £1	15/7½	+7½d	10 4 0
28/1½	12/6	10 c	10 c	Dorman Long Ord. £1	15/7½	+7½d	12 16 0
26/11¼	13/6	†2½ a	†4 b	Guest Keen &c.Ord.£1	20/–	+1/3	6 10 0†
27/9	13/1½	15 b	7½ a	Hadfields 10/–	17/6	...	12 17 6
22/7½	11/3	2 a	5½ b	Powell Duffryn £1	12/6	...	12 0 0

Prices, Jan. 1 to July 31, 1940 High	Low	Last two Dividends (a) (b) (c) %	%	Name of Security	Price, July 31, 1940	Ch'ge since July 24	Yield July 31, 1940 £ s. d.
				Iron, Coal, &c.—cont.			
34/6	20/–	10 c	12 c	S. Durham Ord. £1	21/3	...	11 5 9
54/9	33/9	†7½ b	†2½ a	Staveley Coal, etc. £1	40/–	...	5 0 0†
47/6	26/–	12½ c	12½ c	Stewarts & Lloyds £1	35/–	+1/3	7 2 9
39/–	17/6	10½ b	4 a	Swan, Hunter £1	25/–	+5/–	11 12 0
24/3	11/6	5½ b	2½ a	Un. Steel Cos. Ord. £1	17/6	+2/6	9 2 9
21/10½	9/6	4 a	6 b	Vickers 10/–	13/–	+6d	7 13 6
				Textiles			
8/10½	2/6	Nil	Nil	Brit. Celanese 10/–	4/–	+1/–	Nil
38/6	21/3	5 a	5 b	Coats, J. & P. £1	26/3	+7½d	7 12 0
39/10½	20/3	7 c	2½ a	Courtaulds £1	26/3xd	+1/3	5 6 6
35/9	23/1½	2½ a	5 b	English Swg. Ctn. £1	24/4½	...	6 2 0
24/4½	11/9	Nil c	7½ c	Lancs. Cotton Corp £1	14/4½	+7½d	10 8 6
61/3	42/6	†10 c	†8½ c	Patons & Baldwins £1	43/1½	−7½d	3 19 9†
				Electrical Manufactg.			
43/1½	26/3	10 c	10 c	Associated Elec. £1	36/3	+2/6	5 10 6
92/6	66/3	5 a	15 b	British Insulated £1	72/6	...	5 10 0
69/–	46/3	5 a	10 b	Callenders £1	50/–	...	6 0 0
20/–	11/6	12½ b	7½ a	Crompton Park. A 5/–	15/–	+2/6	6 13 3
33/9	16/3	10 c	10 c	English Electric £1	22/6	...	8 18 0
83/–	52/6	20 c	20 c	General Electric £1	68/9	+2/6	5 16 0
				Gas and Electricity			
38/3	23/6	3 a	5 b	Clyde Valley Elec. £1	28/9	...	5 11 9
42/6	20/6	10½ c	10½ c	County of London £1	27/6	+2/6	7 12 6
27/–	18/–	2½ a	3½ b	Edmundsons £1	21/6	+1/–	5 12 0
18/3	11/6	1 1/10 b	2¼ a	Gas Light & C. £1	13/9xd	+1/2	5 16 0
83½	29	2 a	4 b	Imp. Cont. Gas Stk.	37½	+4½	16 0 0
32/6	23/6	2½ a	5 b	Lancashire Elec. £1	25/–	...	6 0 0
21/–	12/–	2½ b	Nil a	London Ass. Elec. £1	13/9	+7½d	3 12 6
31/4½	17/6	2½ a	4½ b	North-East Elec. £1	22/6	+2/6	6 4 6
42/3	22/–	6 b	3 a	Northmet Power £1	27/6	+2/6	6 10 6
38/7½	24/–	2½ a	5½ b	Scottish Power £1	28/1½	+7½d	5 13 6
39/6	24/–	5 b	3 a	Yorkshire Electric £1	28/9xd	+1/10	5 12 0
				Motor, Cycle and Aircraft			
17/6	7/6	30 c	15 c	Austin 5/–	13/9	+1/3	5 9 0
16/4½	6/–	7½ b	4 a	Bristol Aero. 10/–	8/9	+3d	13 2 9
36/3	17/3	12½ c	12½ c	De Havilland Air. £1	18/9	...	13 6 0
16/9	7/–	†15 c	†12½ c	Fairey Aviation 10/–	9/6	...	13 14 0†
18/7½	12/4½	5 c	6 c	Ford Motors £1	15/3	+3d	7 17 3
15/7½	6/–	17½ b	15 a	Hawker Siddeley (5/–)	8/3	−3d	19 16 0
60/7½	39/4½	12½ b	2½ a	Lucas, J. (£1)	42/6	...	9 8 0
88/3	28/9	25 c	20 c	Leyland Motors £1	51/3	+2/6	7 16 0
27/7½	16/9	45 c	40 c	Morris Motors 5/– Ord.	18/9	+1/3	10 13 3
4 21/32	2⅛	5 a	15 b	Rolls-Royce £1	2¾	...	8 0 0
12/3¾	6/–	22½ c	25 c	Standard Motor 5/–	9/–	+3d	13 18 0
				Shipping			
22/7½	12/3	4 c	5 c	Furness, Withy £1	13/6	+6d	8 0 0
23/9	13/6	4½ b	2 a	P. & O. Def. £1	17/–	+2/–	7 14 0
20/–	13/–	5 c	5 c	Royal Mail Lines £1	14/6	...	6 19 0
10/9	4/–	Nil c	Nil c	Union Castle Ord. £1	5/–	...	Nil
				Tea and Rubber			
16/7½	5/9	6 c	4 c	Allied Sumatra £1	8/9	+1/3	9 2 9
27/3	14/–	2 a	4 b	Anglo-Dutch £1	15/7½	+7½d	7 13 0
32/10½	20/–	2½ a	7½ b	Jokai (Assam) £1	23/9	+1/3	8 8 0
3/11¼	2/3	4 a	6 b	London Asiatic 2/–	2/9	...	7 5 6
34/9	20/–	4 a	6 b	Rubber Trust £1	23/9	+1/3	8 8 0
3/3	1/7½	9 c	5 c	United Serdang 2/–	1/10½	...	5 6 0
				Oil			
60/3¾	23/1½	20 c	5 c	Anglo-Iranian £1	27/6	−2/6	3 12 6
27/7½	14/6	17½ b	12½ a	Apex (Trinidad) 5/–	18/9	+1/3	8 0 0
73/6	35/–	5 a	16 b	Burmah Oil £1	42/6	−2/6	9 18 0
81/10½	28/9	†20 c	†5 c	Shell Transport £1	32/6	−7½d	3 1 6†
80/–	45/6	7½ b	7½ a	Trinidad Leasehlds £1	58/9	+3/9	5 2 0
				Miscellaneous			
62/6	38/9	7½ a	7½ b	Assoc. P. Cement £1	51/3	+5/–	5 17 0
44/3	23/9	5 a	5 b	Barker (John) £1	26/3	...	7 12 3
44/6	27/6	m29 c	30·9 c	Boots Pure Drug 5/–	35/–	+7½d	4 8 0
56/–	28/9	4 a	8½ b	Brit. Aluminium £1	33/1½	+1/10½	7 10 6
107/6	53/1½	†20 c	†19⅛ c	Brit.-Amer. Tob. £1	71/3	+6/3	5 7 6†
60/–	42/6	7 a	10 b	British Oxygen £1	52/6	+2/6	6 11 6
52/6	32/6	12½ b	7½ a	Brockhouse (J.) £1	32/6	...	12 6 0
65⅛	27	4 c	4 c	Cable & Wir. Hdg.	39	+3	10 5 0
6 3/16	3⅛	15 b	11⅔ a	Carreras 'A' Ord. £1	4	+¼	6 13 4
38/9	19/9	9 c	12 c	Dunlop £1	26/9	+1/3	6 14 6d
10/1½	4/–	5 c	Nil c	Elec. & Mus. Ind. 10/–	6/6	+1/–	Nil
28/3	16/3	15 a	25 b	Ever Ready Co. 5/–	20/9	+3d	9 12 6
6 5/16	3¼	7½ a	20 b	Gallaher Ltd. Ord. £1	3¾	+¼	7 6 6
28/6	17/–	25 b	15 a	Gestetner (D.) 5/–	17/6	...	11 8 9
93/9	65/–	20 b	5 a	Harrison & Cros.Df.£1	65/–	...	7 14 0
40/6	26/–	5 a	5 b	Harrods £1	27/6	...	7 5 0
33/9¾	17/6	3 a	5 b	Imp. Chem. Ord. £1	24/3	+1/–	6 12 0
13/9	5/–	5 c	Nil c	Imp. Smelting £1	6/3	...	Nil
6 11/32	3 5/16	†15½ b	†7½ a	Imp. Tobacco £1	4⅝xd	+⅛	5 5 0†
$49 9/16	$30¼	$2·25 c	$2·00 c	Inter. Nickel n.p.	*	...	...
12/3	9/–	5 a	7 b	International Tea 5/–	9/9xd	+2d	6 3 0
34/3	15/–	4¾ a	5¼ b	Lever & Unilever £1	20/–	+1/3	10 0 0
32/9	24/6	20 c	10 c	London Brick £1	30/–	...	6 13 3
87/6	67/6	5 a	15 b	Lyons (J.) Ord. £1	75/–	+7/6	5 6 9
54/4½	25/–	15 a	23⅓ b	Marks & Spen. 'A' 5/–	32/6	+1/3	5 18 0
4 1/32	2¾	5 a	12½ b	Metal Box £1	3	−⅛	5 16 8
87/6	45/–	12½ b	7½ a	Murex £1 Ord.	65/–	...	6 2 0
23/7½	13/9	4 a	6 b	Pinchin Johnson 10/–	15/6	+6d	6 9 0
17/6	12/6	15 b	3 a	Ranks Ord. 5/–	15/–	+1/–	6 0 0
61/6	36/3	2½ a	12½ b	Spillers Ord. £1	46/3	+2/6	6 10 0
57/9	35/–	10 b	3½ a	Tate and Lyle £1	43/9	...	6 3 0
45/6	29/6	5 b	5 a	Tilling, Thos. £1	33/9	+2/6	5 19 0
26/3	16/–	25 c	20 c	Triplex Safety G. 10/–	18/9	+1/3	10 13 3
96/9	59/9	13¾ b	10 a	Tube Investments £1	73/9	+2/6	6 8 0
68/–	41/3	11¼ b	3¾ a	Turner & Newall £1	53/9	+3/9	5 12 0
52/6	38/9	7½ b	5 a	United Dairies £1	42/6	+1/3	5 18 0
28/3	15/–	22½ c	28⅛ o	United Molasses 6/8	20/–	+2/6	7 10 0g
66/3	38/9	50 b	20 a	Woolworth Ord. 5/–	53/9	+4/4½	6 0 0g
				Mines			
65/7½	26/3	95 c	95 c	Ashanti Goldfields 4/–	38/9	+4/4½	9 16 0
11/9	6/3	i5 b	i3½ a	Burma Corp. Rs. 9	7/6	+3d	10 12 6†
51/3	22/6	10 b	3¾ a	Cons. Glds. of S. Af. £1	28/9	+1/3	9 10 0
15	11½	95 b	95 a	Crown Mines 10/–	12	−½	7 19 0
8¼	2 17/32	Nil c	Nil c	De Beers (Def.) £2½	3½	+½	Nil
41/6¾	25/3	11¼ b	11¼ a	Randfontein £1	30/–	...	15 0 0
11 5/16	5⅝	25 b	25 a	Rhokana Corp. £1	6	−¼	8 6 9
16/–	7/–	5 b	10 a	Roan Antelope Cpr. 5/–	10/6	...	7 2 0
10⅛	6⅞	75 b	75 a	Sub Nigel 10/–	7½	...	10 0 0
7 11/16	5	2/6 a	5/6 b	Union Cp. 12/6 fy. pd.	5⅝	+⅛	7 2 0
88/9	30/–	Nil	Nil	W. Witwatersrand 10/–	38/9	−3/9	Nil

(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 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	July 23, 1940	July 30, 1940
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Mt.	29 9	30 6
Eng. Gaz. av., per cwt.	7 1	7 0
Flour, per 280 lb.—		
Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	16 1	17 3
Oats " " " "	11 8	11 8
Maize, La Plata, 480 lb., f.o.b.	14 1½	13 9
Rice, Burma, No. 2, per cwt. f.o.b.	9 6	9 6
MEAT—Beef, per 8 lb.—		
English long sides	4 8 6 0	4 8 6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4 8 0	4 4 8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)—		
Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)—		
Accra, g.f.	34 6 35 6	35 0 36 0
Grenada	55 0 59 0	55 0 59 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	44 0	44 0
Costa Rica, medium to good	65 0 95 0	65 0 95 0
EGGS (per 120)—English (Std.)	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English, New	9 0 11 6	5 0 6 6
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
REFINED London—		
Granulated, 2 cwt. bags	36 10	36 10
West India Crystallised	36 9 37 9	36 9 37 9
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	0 7 2 4	0 7 2 4
Rhodesian, stemmed and unstemmed	1 0 2 6	1 0 2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·72	7·87
" Giza, F.G.F.	10·64	11·46
Yarns, 32's Twist	14·40	14·26
" 40's Weft	15·65	15·51
" 60's Twist (Egyptian)	26·15	26·35
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 0	s. d. 24 0
COTTON—*continued.*		
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	s. d. 35 0	s. d. 35 0
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 2	13 2
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 2	12 2
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26/0/0	26/0/0
JUTE (per ton)—		
Native 1st mks., c.i.f. London	Nom.	27/10/0
Daisee 2/3, c.i.f. Dundee, Sept.-Oct. (new)	27/5/0	27/0/0
SISAL (per ton)—African, Aug.-Oct —No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	14 3 15 0	14 0 14 9
China fil	16 0	15 9
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—		
64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3 28 9	28 3 28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14×20)	26 0	26 0
NON-FERROUS METALS (per ton)—		
Copper (d)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	267/0/0 267/5/0	268/10/0 268/15/0
Three months	266/0/0 266/5/0	268/0/0 268/5/0
Lead (e)—Soft foreign, cash	25/0/0	25/0/0
Spelter (e)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0 195/0/0	190/0/0 195/0/0
Antimony, Chinese	98/0/0 99/0/0	98/0/0 99/0/0
Wolfram, Chinese ......per unit	...	...
Platinum, refined ......per oz.	9/10/0	9/10/0
Quicksilver ...... per 76 lb.	58/0/0 60/0/0	58/0/0 60/0/0
GOLD, per fine ounce	s. d. 168 0	s. d. 168 0
SILVER (per ounce)—		
Cash	1 10 7/16	1 10⅜
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(b)		
4-ton loads and upwards per ton	s. d. 44 6	s. d. 44 6
CHEMICALS—		
Acid, Oxalic, net ......per ton	60/0/0	60/0/0
" Tartaric, English, less 5%	s. d. 1 6½	s. d. 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 11/0/0	10/15/0 11/0/0
Crystals ...... per ton	5/5/0 5/10/0	5/5/0 5/10/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland 40/50 lb.	0 4½	0 4½
Cape, Jo'burg Ord.	0 5	0 4⅞
Dry Capes, 18/20 lb.	0 6	0 6
English & Welsh Market Hides—		
Best heavy ox and heifer	0 7 0 8⅜	0 7 0 8⅜
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 9 3 0	1 9 3 0
Shoulders	1 0 1 10	1 0 1 10
Insole Bellies	0 9 1 3	0 9 1 3
Dressing Hides	1 11 2 3	1 11 2 3
PETROLEUM PRODUCTS (per gal.)		
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
Fuel oil, in bulk, ex instal. Thames—		
Furnace	0 7¼	0 7¼
Diesel	0 8	0 8
ROSIN (per ton)—American	25/0/0 30/0/0	25/0/0 30/0/0
RUBBER (per lb.)—	s. d.	s. d.
St. ribbed smoked sheet	1 0¼	1 0 9/16
SHELLAC (per cwt.)—TN Orange	80 0	80 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)—		
Linseed, raw	44/0/0	44/0/0
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	7/5/0	7/5/0
Oil Seeds, Linseed—		
La Plata	...	...
Calcutta	16/12/6	16/12/6

(b) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (c) Higher Pool prices in some zones. (d) Price is at buyers' premises. (e) Including import duty and delivery charges.

AMERICAN WHOLESALE PRICES

	July 24, 1940	July 31, 1940
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, Sept.	74¾	75⅞
" Winnipeg, July	71⅜	71⅜
Maize, Chicago, Sept.	62	62⅛
Oats, Chicago, Sept.	29	30⅜
Rye, Chicago, Sept.	45⅛	44⅛
Barley, Winnipeg, July	34¾	33⅞
METALS (per lb.)—		
Copper, Connecticut	11·50	11·50
Tin, N.Y., Straits, spot	51·37½	52·75
Lead, N.Y., spot	5·00	5·00
METALS (per lb.)—*cont.*	Cents	Cents
Spelter, East St. Louis, spot	6·25	6·25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	4·15	3·97
Coffee, N.Y., cash—		
Rio, No. 7	5⅜	5¼
Santos, No. 4	7⅛	7·00
Cotton, N.Y., Am. mid., spot	10·53	10·39
Cotton, Am. mid., Aug.	9·58	9·54
Cotton Oil, N.Y., Sept.	6·04	5·96
Lard, Chicago, July	5·57½	5·45
MISCELLANEOUS (per lb.)—*cont.*		
Petroleum, Mid-cont. crude per barrel	Cents 102	Cents 102
Rubber, N.Y., smkd. sheet spot	21½	19¾
Do. do. Aug.-Sept.	19¼	19⅛
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·66	2·63
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·94	0·91½
Moody's Index of staple commodities, Dec. 31, 1931 = 100	152·9	151·6

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.

*Bolivia.** Sight selling rate 141·40 bolivianos per £, May 30, 1940.

*Colombia.** Sight selling rate 174·80 pesos per 100 U.S. $, July 9, 1940, for holders of permits buying in the "open" market.

Ecuador. Sight selling rate 18·00 sucres per U.S. $, June 20, 1940.

Guatemala. Sight selling rate maintained at one quetzal per U.S. $, less commission of 1 per cent. to Central Bank.

*Nicaragua.** Sight selling rate for payment of imports fixed at 5·52½ cordobas per U.S. $ (incl. 10 per cent. tax and ½ per cent. comm.), June 9, 1938.

Paraguay. Sight selling rate 75·00 Paraguayan pesos per Argentine "free" paper peso, June 20, 1940.

El Salvador. Sight selling rate New York was 2·50¾ colones per $, June 22, 1940.

Venezuela. 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 %
Amsterdam	Aug. 28, '39	2	3
Athens	Jan. 4, '37	7	6
Batavia	Jan. 14, '37	4	3
Belgrade	Feb. 1, '35	6½	5
Berlin	April '40	4	3½
Brussels	Jan. 25, '40	2½	2
Bucharest	May 5, '38	4½	3½
Budapest	Aug. 28, '35	4½	4
Calcutta	Nov. 28, '35	3½	3
Chile	June 13, '35	4 5½	4½a 6b
Copenhagen	Oct. 9, '39	4½	5½
Helsingfors	Dec. 3, '34	4½	4
Kovno	May 14, '39	5	7
Lisbon	May 11, '36	5	4½
N.Y. Fed. Res.	Aug. 26, '37	1½	1
Madrid	July 15, '35	5	4
Montreal	Mar. 11, '35	...	2½
Oslo	Sep. 22, '39	3½	4½
Paris	Jan. 3, '39	2½	2
Pretoria	May 15, '33	4	3½
Tallinn	Oct. 1, '35	4	4½
Riga	Feb. 17, '40	4½ 5	5a 5½b
Rio de Janeiro	May 31, '35	...	3½
Rome	May 18, '36	5	4½
Sofia	Aug. 15, '35	7	6
Stockholm	May 16, '40	3	3½
Zurich	Nov. 25, '36	2	1½
Tokio	Mar. 11, '38	3·285	3·46
Wellington	May 27, '40	3	2
Dublin	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* Buying: Australia (†) Ord. Mail	(†)(‡) Air Mail	New Zealand (†) Ord. Mail	(†)(‡) Air Mail	Selling: Australia (any mail)	New Zealand (any mail)	Australia and New Zealand on London* Buying: Australia Air Mail	Ord. Mail	New Zealand	Selling: Australia (any mail)	New Zealand
T.T.	...		...		125	124⅜	125		124⅜	125½	125
Sight	126⅝	126⅛	126¼	125⅞	125 1/16	124 7/16	124 13/16	124 11/16	123 15/16	125½	[illegible]
30 days	127⅛	126⅝	126¾	126⅜	...	...	124½	124⅜	123 11/16	125 7/16	[illegible]
60 days	127⅝	127⅛	127¼	126⅞	...	...	124¼	124⅛	123 7/16	125⅝	[illegible]
90 days	128⅛	127⅝	127¾	127⅜	...	...	124	123⅞	123 5/16	125 5/16	[illegible]

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L. A. ELGOOD, Secretary.

Edinburgh. 25th July, 1940.

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EDWARD POPE, Manager.

47, Threadneedle Street, E.C.2. 1st August, 1940.

HUNGARIAN LONG-TERM NON-STATE DEBTS

THE COUNCIL OF FOREIGN BONDHOLDERS announced on the 7th July, 1937, the terms of an Offer which they had received for the interest service of certain Hungarian Long-Term Non-State Loans during the three years ending the 31st July, 1940, and recommended the Bondholders to accept them.

The Hungarian Cash Office of Foreign Credits have now informed the Council that the possibilities of obtaining foreign exchange which existed during the three-year period of the 1937 Offer (see para. 5 of that Offer) have now been affected by the complete cessation of additional exports from Hungary. Recently Agreements have been concluded for a three-month flat renewal of the Hungarian Standstill Agreement of 1937 which expired on the 15th July, 1940, and some other Agreements covering Hungarian Short-Term Debts. These renewals have been agreed on the understanding that, in view of the deterioration of the Hungarian foreign exchange position, negotiations in respect of future conditions of service will take place, if possible, before the end of the present renewal period.

In view of the renewals referred to above, the Cash Office intends to extend the Offer published on the 7th July, 1937, until withdrawal, for at least a further three months, pointing out that it cannot know the development of Hungarian foreign exchange receipts which might affect this extension. It is the intention of the Cash Office that the further interest service of the Loans which are the subject of this announcement shall be discussed with the Bondholders' Associations at the same time as the negotiations take place in respect of the further service of the Hungarian Short-Term Debts.

The Council of Foreign Bondholders have considered this renewal Offer and in all the circumstances recommend it for acceptance by the Bondholders of the various issues concerned.

Horsgate, Cuckfield, Sussex. 31st July, 1940.

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The War Effort

ON Wednesday the House of Commons again discussed economic policy, this time in open session. Unhappily, it was a disappointing debate. Mr Greenwood began by picturing the economic plight of the enemy, blockaded by sea and attacked daily from the air. He spoke of Germany's dwindling war reserves and of the impoverishment and starvation of the people now under German rule. Then, by contrast, the Minister turned to speak of our own economic strength, in terms which by now have become familiar. He described the various measures of co-ordination, central and regional, that have been adopted to bring industrial capacity into full use, and he outlined the steps taken to bring raw materials and foodstuffs in increasing quantities from the New World. Mr Bevin carried on the story. He told how the use of labour was being planned.

The sentiments expressed from the Front Bench were unexceptionable; but they were very general and in no way new. Mr Greenwood said that total war called for economic organisation on a scale unknown in the past, and he admitted that it had not yet been fully achieved in the present. He claimed that the Government would not allow its prosecution of the war to be limited by anything else than the nation's whole resources. Mr Bevin, too, could not be challenged when he declared that we could not afford to leave any skilled or unskilled men standing idle. So far, so good. The proof of the pudding, however, must inevitably be in the eating, and the House searched in vain in the Ministerial speeches for signs of that positive approach to the economic problems of war which alone can afford any guarantee that the great potential resources of this country are being brought fully and swiftly into play. Many Members had in mind the figures of unemployment which had been published earlier in the week. That the number of men and women out of work should have risen between June 17th and July 15th by over 68,000 can, of course, be explained. The loss of European markets owing to the entry of Italy into the war and the collapse of France meant an increase in unemployment in coal-mining of nearly 26,000; and the measures taken on June 6th to restrict the manufacture and sale of goods for civilian use accounted for increased idleness in tailoring, dressmaking, the boot and shoe trade, hosiery, cotton and other consumer goods trades. Nevertheless, it is a standing criticism of the inadequate scale of economic mobilisation so far that the total of unemployed persons should still exceed 835,000 at a time when there is a serious shortage of labour in the war industries. There is no question about the need for cutting down the civilian trades, and therefore about the need to deprive people in those trades of their employment, but it is imperative at the same time to devise a continuous system of call-up and training for the Industrial Army that will absorb men and women from the non-essential industries at much more than the rate at which at present they are being thrown out of work.

Mr Bevin admitted this in one of the truisms which marked his speech as well as Mr Greenwood's. It is as vital, he said, to train men in the workshops as it is to train them for the Army. This was an understatement. At the present moment it is more vital, because the chief check on the recruitment of an army sufficiently large to undertake defence and attack in all possible theatres of war is a lack of supplies and equipment; and the main obstacle to a sufficient flow of war material is a lack of labour and capacity to produce it. It is not men that the Empire lacks, but munitions and machines. In any statement by the Government, it is proof that positive steps are being taken to raise the output of these to the highest possible, with the use of every available man and every available ounce of material, that is looked for. Mr Greenwood described how the use of the nation's resources was

being supervised and co-ordinated by two Cabinet Committees and a Production Council, and how an Industrial Capacity Committee, aided by Area Boards, was working to make plant and machinery available for the needs of war production. He gave no indication at all, apart from this machinery of investigation and consultation, of the forthright measures of conscription and enlistment which alone can guarantee that no suitable industrial equipment stands idle or is only partially used. It is a fact, not only that there is a great quantity of plant in small- and middle-sized concerns still unused, but also that the plant and machinery actually engaged on war work is still, on balance, far from being fully used. The causes are two-fold. In the first place, the machinery for bringing capacity into use lacks drive and, above all, authority. Secondly, the labour has not yet been made available to use that capacity even if it were fully brought into service.

Mr Bevin said that he was "daily urging" managements not to keep skilled men idle. He was "asking" them to "let" him put the men where war production could go on. He was appealing to what he called "lazy-minded employers" to train men for war work, and he was not getting all the help he might. But it is in the power of the Government to *compel* industry to use skilled labour to the best advantage and to impose upon every employer the duty of training a quota of men and women. It is neither fair nor reasonable to expect individual employers, with their inherently narrow vision of the nation's needs and their dependence upon personal profit and loss, to work out in bits and pieces a national labour policy and a scheme of national training. Only the Government can do this. Only the Government can put men to work where the Government knows they are wanted, just as only the Government can put industrial capacity to work at the places and at the rate that the urgency of military needs demands. To evade this positive task is but to falter from a plain duty: and all that most of Mr Bevin's examples of action showed on Wednesday was a quickness to take special steps to deal with emergencies as they arose. This is not planning—though the later news that the Government is now pledged to pay the cost of workshop training is evidence of progress.

The difficulties in the way of mobilising the nation's resources are undeniably great. There are shortages of material. There are shortages of machines and machine-tools. There are shortages, as Mr Bevin rightly emphasised, of skilled men, but, most of all, at the present time, there is a shortage of organisation—not of advice for co-ordination, not of machinery for consultation, but of ways and means to get things done—of the will and power to act. Mr Bevin's unwillingness to impose unfair burdens upon the working people whom he very personally represents—an unwillingness which strongly marked the more emotional passages of his speech on Wednesday—is understandable. His reluctance to interfere with normal methods of recruitment and training in industry is not so intelligible. There is no suggestion that the workers of this country are not doing all in their power to assist the war effort. The suggestion is rather that the Government is not doing enough to help them. This is not to say that the industrialists of this country are not ready to devote themselves wholeheartedly to war production. The point is that the Government has not set up the administrative machinery by which such willingness can be harnessed to the war effort.

At this very grave moment, when the Battle of Africa is beginning, and when the Battle of Britain may still be imminent, many people must have an uneasy recollection of the leading causes of the collapse of France. France had a Maginot Line which no one could pass. The Germans passed it and France fell. Britain, too, it seems, is still in danger of having a Maginot Line—the blockade which is withholding oil and coal and rubber and food from the enemy. Too much stress is still being laid upon the enemy's weaknesses, just as it was in the first nine frittered months of war. The blockade will play its part in deciding the final issue, but the truth is that Germany's striking power is only slightly affected yet by economic pressure; and only stupid mismanagement and looting by the Germans could make Europe starve this coming winter. It is our own strength, not Germany's weakness, that is the issue now. It is only by the full application of that strength that the coming battles can be won, and in the estimation of that strength another lesson from France is germane. France, the French people were told, had an army of five millions, a strong and well-equipped army. In fact, the army was barely more than half this size and it was not notably well-equipped. Is this to be true of our own Industrial Army? Both Mr Greenwood and Mr Bevin seemed somewhat unhappy on Wednesday about continued criticism. But that criticism is designed simply and solely to prevent in this country the over-optimism and short-sight which deluded the unhappy French people. In the months immediately before us, the blockade can give us no greater assurance of victory than the Maginot Line gave, in fact, to France. In industry, like France in the field, we are not yet fully mobilised. Organisation is still lacking, and, until it is forthcoming in a positive and successful form, it will remain the duty of every loyal observer of economic events, knowing full well, as he must do, how much better this Government is than the last, still to complain and criticise.

America's Help

IT is not only in Western Europe that there is a lull before the storm. On the other side of the Atlantic another battle is impending that will be no less bitter and ruthless for being non-lethal. There, too, the protagonists are face to face, watching for the first moves in a struggle that must be fought out before the beginning of November. There is some danger of a wholly false impression of this year's Presidential election gaining currency in this country. Because the two candidates hold substantially the same views on what must in any case be the major issue, and seems to us to be the only issue, of the election, we might be tempted to believe that it is to be a sham fight. Or, alternatively, Mr Roosevelt has always seemed, from this side of the Atlantic, to bear so many of the stigmata of statesmanship that, even if he is strongly opposed, there is an unconscious tendency to assume his triumphant re-election. In point of fact, however, this year's election promises to be one of the closest of recent years. It will certainly be one of the most interesting, since both Mr Roosevelt and Mr Willkie are dynamic and colourful personalities. It will certainly also be one of the most bitter, since there can rarely have been a President who was more cordially hated by a minority of the electorate.

Moreover, the degree of agreement on the main issue of foreign policy should not be over-estimated. The fact that both Mr Roosevelt and Mr Willkie believe in supporting Great Britain does not mean that either would be content to help the other execute the agreed policy. Mr Willkie says that Mr Roosevelt will not be efficient in mobilising American industry and that his fulminations against the Nazis will continue to outrun America's ability to make any effective intervention. The Democrats say that Mr Willkie would use re-armament as a cloak for restoring the rule of Big Business, and that his emphasis on the need for having the big stick before it can be brandished would lead straight to a policy of appeasement. There is evidently no chance of pre-election co-operation between the two candidates; Mr Willkie has refused to share the responsibility for a recommendation to Congress that a number of obsolescent destroyers should be sold to Britain. Moreover, the very fact that both candidates are interventionists puts a check on that policy; for both are able to angle for the isolationist vote.

The net result of this tangle of political motives is that

there is a great and growing gulf between American words and American actions. There is no room for doubt that an overwhelming majority of the American people are in agreement with the policy which is usually stated as "giving the utmost possible help to Britain short of war." This movement of opinion sprang up in the dreadful days of May and June and in its first access a number of things were done which were undoubtedly of immediate assistance to the Allies. Stocks of "surplus" war materials were sold and shipped to us; the rather absurd requirements for the delivery of aircraft at the Canadian border were waived; undertakings to buy raw materials were entered into which had the effect, if not the intention, of putting dollar exchange into the hands of the British Treasury.

In the last few weeks, however, the tendency has been reversed. As the demands for increased help to Britain have grown, more and more obstacles have, in fact, been placed in our way. Congress effectually stopped the disposal of surplus stocks. Embargoes were placed on the export of steel scrap and aviation spirit which, though they were doubtless intended to hurt others, certainly do not help us. Neutrality thus demands that those whom America herself regards as worthy of support should suffer with the guilty. When, however, it comes to measures which, while treating all alike, would in fact benefit Britain alone, such as the repeal of the Johnson and Neutrality Acts, there is not a whisper of the possibility of action being taken. The plans for assisting Latin America, though conceived with the admirable purpose of keeping the Nazis out, have features which may definitely impede our purchases of raw materials from that continent. Even the proposal to send American ships to take the children to safety is made dependent on Hitler's permission and therefore falls into that category of empty moral gesture for which the English-speaking peoples are famous. The substantial truth is that once the last shipment of surplus material arrives (if it has not already done so) we shall be getting less, not more, help from America than in April. And none of it, of course, is "given."

This does not mean that we cannot look forward to massive assistance in the future. After the election is over, President Roosevelt—or President Willkie—will be able to move with less circumspection, and even Congress will, for a spell, be more anxious to please the majority than to avoid infuriating a minority. Moreover, the development of America's own rearmament programme will redound to our advantage. The great difficulty in obtaining munitions from America at the moment is the shortage of specialised capacity, and we stand to gain more from the creation of that capacity by the American Government itself—especially if we can secure agreement on types and specifications—than we stand to lose from domestic competition with our own orders. There is, perhaps, a risk that, if the war lapses into stalemate, American opinion will turn against us once again. Mr Henry Ford will think it is a "phoney" war. Colonel Lindbergh will talk about the effrontery of Canada in fighting for democracy without American permission. And the team of Ambassadors to the occupied countries of Europe, longing to have their jobs back, will sing the praises of the Quislings. But though there may be a reaction, it is most unlikely to be a relapse into indifference. The likelihood is that by 1942 we shall be receiving a flood of munitions from across the Atlantic—including Lord Beaverbrook's 3,000 aircraft a month. So far as this autumn is concerned, however, America can give us very little help and—despite the very strong wish of the majority of her people—will give us even less help than she can.

The American people, in fact, still have a long way to go in the evolution of their collective thought and in its embodiment in action. There is no cause for any Englishman to have a feeling of superiority when he contemplates the spectacle of half-thoughts and quarter-policies that is now being revealed in the United States. We may deride the American delusion that it is possible to take any effective steps at all if you proclaim beforehand that they are to stop "short of war"; but we had the same delusion in 1935. We may deplore the slowness with which the Americans realise that it is easier to fight while you still have strategically-placed allies than to fight alone; but we made the same mistake in 1938. We may smile at the earnest discussion of how war can be waged without lowering the standard of living; but we have had the same crippling anxiety in 1939—and in 1940, too. The only solace we can draw from the spectacle is to discover that, after all the abuse that has been heaped by American writers on Great Britain for her blindness, her slowness, her effeteness, our brand of democracy is not discovered to be so much inferior to the American, when it comes to the acid test. We both share the same weaknesses and the same strengths. Indeed, it has become our historical mission to hold out in our fortress and give the Americans time to think things out. If we play our part, they will play theirs.

Markets and Middlemen

A WEEK ago *The Economist* entered a plea for the total organisation of production. In wartime the total organisation of a large part of distribution is hardly less necessary, and, inevitably, the entire structure of transport and distribution has already been affected by the war. The railways were put under Government control as soon as the war started. All merchant ships have been requisitioned. But the precise position of merchants, dealers, wholesalers and shopkeepers is still uncertain.

This topic was brought to the fore recently by the question of scrap collection. There the process of gathering up waste metal for the use of war factories was first left to the usual merchanting firms; the scale of their facilities proved too small; and it was necessary to augment their numbers and provide for direct collection and distribution where necessary.

This episode, however, is not typical of the general problem. In the main the situation is that in wartime normal merchanting facilities are in excess of the demand for them. The Government controls all essential materials. It rations these or restricts their use. It allocates them according to a schedule of wartime needs. It fixes their price. This means that two of the functions of peacetime markets are very largely superseded: for many commodities there is no need for dealers to negotiate prices between buyers and sellers, and no room for independent merchants to compete for the delivery of supplies.

Supplies have still to be delivered to consumers, it is true—sometimes, as in the case of war materials like scrap, in greater quantities than in peacetime. The physical task of distribution must still go on. But the size and direction of deliveries is to a large extent determined by the Government, and merchants in many cases can be little more than agents. In the case of materials for civil use, the quantity to be handled must in any case be cut down, and, with the curtailment of civilian manufacture and consumption, the apparatus of civilian distribution—dealers, merchants, carriers, wholesalers and retailers—must be proportionately diminished. This metamorphosis of peacetime markets is, of course, going on in fact, but there is no little confusion of thought about it.

There are two kinds of middlemen involved, though the distinction between them is by no means clear-cut. First of all there are the dealers proper, whose function is not normally to handle goods, but rather to arrange and finance transactions. These are best illustrated by reference to the international commodity exchanges which are mainly clustered in the City of London, because every conceivable facility for the payment, lending, investment and transfer of money is available in the City. In peacetime the work of the exchanges is to arrange for the distribution of imported commodities like copper, tin, lead, spelter, rubber,

tea, wool, grain and sugar (or cotton in Liverpool), not only in this country but throughout the Continent of Europe. Their dealings and the prices they fix dominate most of the world's markets. Secondly, there are what might be called the domestic middlemen, though their functions overlap freely with those of the international merchants. In the main their function is to arrange for the physical transfer and delivery of commodities to domestic users. In every large town there are these markets for collecting and distributing produce and goods; and there are warehouses and shops everywhere.

What place have all these merchants and middlemen in wartime? In war the Government is the great consumer. It takes power to control production and finance, as well as supplies; it must to a large extent control distribution, too. This is obviously true of essential materials, but it is true also of many other materials because, in so far as they have to be imported, the Government has to limit their calls upon shipping space and foreign exchange and, in so far as they are domestic products, their demand for labour and financial facilities.

The effect of all this on commodity exchanges and domestic markets can readily be seen. The appointment of controllers for copper, lead, spelter, tin and aluminium, for instance, has largely superseded the City's free market on the London Metal Exchange. Metals are imported in bulk by the Government. Their prices are fixed by the Government and their export is forbidden or allowed only sparingly under licence. In any case, the markets for entrepôt dealings with Europe have mostly been closed by Hitler. What then is to become of the skill, reputation and facilities of the Exchange? There are still dealings in tin, but the free market is small; and, in fact, its function has mostly gone. Clearly there is a place for the Exchange's key men in the metal controls. They are there as experts; and, in addition, there is room for metal merchants to act as the Government's *aides* in arranging the movement of supplies to consumers. But most of the Exchange's elaborate organisation for closing bargains and fixing prices is not needed, and the firms associated with it who are not wanted to work in or on behalf of the Government have practically no business left.

In greater or less degree the same problem is posed in all the important markets. The main buyer and user of rubber is the Government. The Government has bought the Australian and New Zealand clips of wool, and most of the South African; it has requisitioned home wool stocks; and wool is rationed to consumers. Many wool merchants and wool brokers have lost most of their business. Cotton is purchased by the Government, and though like wool it is distributed, when released for consumption, through the normal trade channels, traders have complained that the fixed margin allowed between cotton and yarn prices leaves no room for remunerative business. Timber, too, is bought in bulk by the Government and only released to be sold and distributed by timber firms at maximum selling prices. The rôle of timber importers has thinned away, and the commissions of timber agents are small and unremunerative. The Government is the sole purchaser of home-fed as well as imported meat, and has complete control over its distribution. Government agents buy meat at specified collecting centres; it is then slaughtered at appointed places and distributed to wholesale and retail butchers. As a consequence, though many existing auctioneers and dealers have been taken on as agents, the personnel of the meat trade has shrunk. Small slaughter-houses have been shut down, and not a few traders have gone out of business. The Government buys imported tea and fixes its price. The whole of the West African crop of cocoa has been bought by the Government, and divided among the merchanting firms for disposal. Steel is also imported through the normal trade channels as far as possible; but imports are regulated by licence, and supplies are allocated to consumers by the Government's steel control—in this case, the industry's own federal governing body.

In many cases the rôle of the middlemen has clearly been strenuously preserved. The question is always asked: Can we afford to let middlemen go out of business when they will be needed after the war? The answer must be that the sole aim now is the most efficient organisation of wartime distribution. The skill and special knowledge of the middlemen ought not to be lost, because it ought to be directly used by the Government. The physical work of distribution is still needed, and merchants will still distribute goods to consumers under Government orders. But to maintain firms and institutions in active business whose functions have gone for the duration of the war would be unjustifiably wasteful, though to maintain some key concerns "in being," by Government aid or by mutual assistance from the firms still employed, might perhaps show foresight. The Government has still to take cognisance of its responsibility for standing the strain of the dramatic changes that are taking place in the country's economic life. To protect people from the financial consequences of a disaster for which they are no more responsible than the rest of us is simple common sense. Compensation or maintenance for closed-down businesses might well accompany a ruthless determination to close down all enterprises, in production or in distribution, that are not wanted for the war; and work or maintenance, preferably work for the war, should be offered to displaced personnel. But to pay firms to go through wasteful motions which may positively obstruct the free flow of goods is patent folly.

Many persons must lose their present jobs. They are losing them. This is war. The turnover of labour and capital from peace work to war work must take with it a very large number of people, several millions perhaps, normally engaged in distributive occupations, in trading, shopkeeping, commerce or finance. The cutting-down of civilian consumption means that the services of these people can be dispensed with. They are the nation's war reserve; and the relative inefficiency of distribution in peacetime, judged by any economic standards, means that their numbers can be advantageously large. It is all-important not only to reduce the distribution of goods to civilians to the minimum consonant with decent living, but also to see that the distributive services that are retained are as economically run as possible in terms of labour and materials. Methods of milk distribution, for instance, are already being overhauled; many needless extravagances in retail delivery could still be cut away; and there is very wide room indeed for rationalisation in both wholesaling and retailing. Even in peacetime we have too many wholesalers and too many shops. There is every case for making the fullest possible use of existing facilities, both to deal in and to handle goods—but only as instruments of official policy. There is no case at all, either for subordinating the need for Government control to vested interests, or for giving those interests the decisive word in the controls themselves.

The position is quite simple. The object in wartime is to organise the nation's resources to the full for war or subsistence—and for nothing else. Those resources are sharply limited, and only the Government is in a position to decide how they should be employed. Their purchase, their carriage, their manufacture, their financing and their distribution must be determined by the Government. The only room for the middlemen, who in normal times keep the whole economic machine running, ought to be as servants or agents of the Government, to execute its plans and fetch and carry for it; only in the steadily diminishing sector of the economy to which control is still not applied can they, for the duration, be more. Not the least reason why that uncontrolled sector is still too large for efficient war-making is the Government's reluctance to press the free trader—and free producer—into service. That reluctance, in its turn, is due to the honourable desire not to ruin honest men or destroy businesses that will be needed again when peace returns. But this is not a dilemma that it should be impossible to resolve. What a trading business needs for its future existence is a financial guarantee, not the maintenance of its personnel in wartime idleness—still less their employment in wartime wastefulness. What the State needs is men; what it can give in return is money. The outlines of the solution are clear enough; if we had the determination to use financial policy as a constructive aid in war-making we should have applied them long ago.

The Third Republic

TWO months have passed since France collapsed and the question is still unsettled why a great European State with a secular tradition of independent national unity and a thousand years of glorious historical existence behind it should be crushed, militarily, politically and morally in a campaign lasting barely three weeks. Obviously so complete a disintegration was not the fruit of one military disaster. The answer to the question of France's failure must be referred back to France's history, and it is the outstanding merit of Professor Brogan's new book* that, while the bulk of it is concerned with France before the war of 1914 his treatment of the early years of the Republic begins to unravel the tangled skein of inefficiency, treachery, false confidence, personal loyalties and misguided enthusiasms which make up the picture of 1940.

The military collapse becomes more comprehensible in the light of 1870 and 1914. Professor Brogan compares the position of the Army in 1914 to that of 1870. "There was the same reliance on one or two weapons, without a sufficient study of their tactical use, their possibilities and limitations; there was the same underestimation of the potential numerical strength and efficiency of the enemy." The Army of 1940 was still suffering from these disadvantages, with one or two others in addition. In 1914 the commanders were at least trained in the offensive spirit. By 1940 the Maginot mentality had supplanted this earlier school of strategy. In 1940, too, the size and equipment of the Army was probably even more unsatisfactory than in 1914. France's man power had fallen steadily and the years of hegemony rendered the French armaments obsolete (a state of affairs apparent as early as the Riff war). When the time for intensive re-armament came, France was as soon plunged into the economic upheavals of the Popular Front.

The war of 1914 drove a wedge between the Army and the politicians. The Left were always anti-militarist and in the dark days of 1917, their discontent led to mutinies against the officers who ordered "senseless massacres" and the politicians who lived fatly at home. The officers, too, resented the political control of the Government. After the war, the distrust persisted. During the Stavisky scandals, men deserted and officers gave in their commissions on the grounds that the politicians had betrayed them. Not that the distrust showed itself in indocility. The Army of France did not betray the Republic. It merely drifted into apathy and defeatism.

The France of Clemenceau and the victory was, to some extent, a myth. The Republic of the Revolution and the Empire of Napoleon I haunted the memory of the statesmen at Versailles and France was saddled with a hegemony which fewer and fewer of her politicians were in the coming years to desire. Radicals with the vigour of Clemenceau were growing rare. France desired not dominion but security. This pacifism was not a post-war product. It had been strong after 1870 as Jules Ferry found when he was turned from office for engaging France in colonial wars. Only in 1914, Alsace-Lorraine and the policy of *Revanche* still acted as counterweights to the totally unbellicose outlook of a people who had fought a century of wars and endured a century of revolutions and wanted a quiet life. After the war of 1914, and the return of the *terra irredenta*, France asked nothing but security, the only policy compatible with a falling birthrate and a stationary economy.

Against this general pacifism of a state which was in process of abdicating from an historical rôle must be set the pacifism bred of opposition to the form of state. Gambetta's phrase "France entered the Republic backwards," expresses well enough the opposition to the Third Republic in its origins and the deep hostility it continued to arouse. To the Right, Orléanists and Bonapartists did, after the bitter disappointment of the Boulanger fiasco, make terms with bourgeois conservatism; but the extremists, the old Legitimists and the new disciples of Charles Maurras and Léon Daudet felt towards the Republic something of the same moral horror with which Voltaire looked on the Established Church. *Ecrasez l'infâme* took the form of *Ecrasez la gueuse*, since "slut" was the common term of abuse for Marianne. The evils of France were laid at the door of 1789 and the doctrine of a "pure monarchy" attracted the young *Camelots du Roi*, who in pre-1914 France may well be reckoned Europe's first storm-troopers.

To the Left the same spirit of non-co-operation prevailed. Bred in the tradition of 1789, 1830, 1848 and 1870, the workers of Paris had the doctrine of anarchy and "direct action" bred in their bones. Trade union activity, as one of its first manifestos, the Charter of Amiens, shows, was no friend of parliamentary action and relied on agitation and the strike. Left Wing sympathy was further alienated from the Republic by the practice of most rising political careerists to begin on the extreme Left and in their parliamentary career move with all possible speed towards the non-committal Centre. Clemenceau, Millerand, Briand, to name only a few, lost their proletarian faith as they evolved; and the workers could be pardoned their disillusion. They got nothing out of the bourgeois state, and lost their leaders to it.

The Republic could have fought disintegrating tendencies on each wing only if the Radical Centre had provided decent stable government. And this it never did. The machinery itself was partly to blame. De Broglie's and Gambetta's failure in the first parliament to form solid parties to Right and Left was not retrieved. Not until the Popular Front of 1936 did a coalition go to the country on an electoral programme, and even then the coalition had broken within the year. The individualism of the Deputies was encouraged by President Macmahon's misuse of the weapon of dissolution. An omnipotent Chamber and fleeting Cabinets were the result. The reform of the Senate introduced an element of stability and most of France's successful Prime Ministers have been Senators, but it could not fully compensate for the incredible irresponsibility and vapidity of the Lower House.

Yet the machinery might have worked had the men been different. But from the dawn of the Republic to the collapse at Bordeaux, the record of the French politicians is an unworthy one. Careerism was inevitable. It was the degree of corruption which gradually undermined the whole prestige of representative institutions. Within ten years of the Republic, the first major scandal had implicated the President of the Republic. Grévy resigned when his son-in-law's sale of decorations was brought to light. The Panama scandal revealed depths of corruption and blackmail. Close on its heels followed the long drawn-out agony of the Dreyfus case in which the honour of the Army was involved. And after it a host of major and minor financial scandals of which the post-war Oustric, Hanau and Stavisky affairs were by no means the most grave. The scandals had the particularly repellent character of combining a wide range of vice, for example the Dreyfus case which "ended in a stink of shabby lying and spying and the obscurity of a vulgar sexual scandal."

The more scandals, the more hostilities there were, the more old scores remained to pay off. The French political world tended to be a network of personal hatreds and group vendettas. The words Professor Brogan applies to the Dreyfus case might be extended to the whole series: "a bloodless civil war which took its toll on both sides of honour and truth."

These are unpleasant facts which in Britain possibly more than in France have been steadily overlooked. Now that the collapse of the Republic has forced them on us, we must beware of going further than the facts allow. France's politicians and her faulty system of government have shown their bankruptcy. This does not mean that the principles of "liberty, equality and fraternity" are so discredited that their place can be taken by the old Bourbon triad of privilege, absolutism and human bondage.

* "The Development of Modern France (1870-1939)." By Professor D. W. Brogan. Hamish Hamilton. 744 pages. 21s. 6d.

NOTES OF THE WEEK

The Lull

Hitler has for the time being lost his taste for anniversaries. The tempting date of August 4th was not signalised by any sensational attack or by the springing of any important diplomatic surprise. On the contrary, the day was remarkable for its lack of all sensationalism. It came in the middle of a week which had taken the belligerents back to the old conditions of the Lull, with the important difference that the R.A.F. were now dropping the bombs and the German air force the leaflets. Even the leaflets held no surprise, no rosy picture of Britain's place in Hitler's Europe, no tempting offer of peace to the peace-loving British gagged and blindfolded by the Jew, Churchill; instead, a verbatim account of a speech of the Fuehrer's rather below his ordinary standard of distortion and invective, a speech of which full reports had already appeared in the British press. The purpose of the leaflets is, presumably, to reinforce the "last appeal to reason" with the rider that now at last the hour of decision has come. This interpretation is borne out by rumours of troop movements in France, the reports of landings at Dakar, of an Axis "commission" for Syria, the new activity in East Africa, and just possibly by Japan's sudden mood of pointless intransigence. The Government at least has read the signs, and Mr Churchill himself warned the country last week-end against the dangers of overconfidence and lack of vigilance and of underestimating the imminent danger of attack. That Hitler must continue an offensive war is perhaps certain. It is less easy to be sure of his chronology. The German campaigns of the first eleven months have tended to employ the tactic of indirect offensives, Norway to divert the Allies from the Low Countries, the Low Countries to draw the French from their Belgian line, the Somme to get British Divisions back to France. Hitler may have abandoned the strategy now that it is recognised. Alternatively, he may hope to achieve by a North African campaign the object Flanders and the Somme failed to secure—the weakening of our military resources by dispersal to such a point that the final assault is assured of victory in advance.

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Flare Up in Africa

The indecisive war in Africa has flared up into what may prove to be a full-dress campaign. The Italians are advancing across British Somaliland and have at one point reached the coast. Yet, apart from the question of prestige, there are few important interests at stake in Somaliland. Aden will be hardly more menaced than it is already from Eritrea, and the possession of more sea coast is not strategically very useful without control of the seas. The Somaliland campaign is probably a diversion, just as are the continued skirmishes over the frontier in Kenya. The main attack, according to all the evidence, will develop in Libya where Italian troops are concentrated on the frontier. The situation is dangerous for the very fundamental reason that the Italians, thanks to the collapse of France and thanks possibly to German reinforcements, have more men and more arms. However, desert warfare is not warfare for the big battalions. There is not enough water; there are next to no communications, and the introduction of tanks into desert campaigning may well give the manœuvres a naval character in the encounters of tank "fleets," or of individual units in the empty desert. The undoubted genius of the British soldier for this type of individual encounter—our superiority to the Italians in the air has been clearly demonstrated—may compensate for the shortcomings of our military machine. The collapse of French resistance is, of course, largely responsible for our inadequacy, but we cannot base our plans for victory on each pilot and soldier doing the work of five and each tank the work of ten. Without weakening our staying power at the centre, all possible reinforcements should be sent.

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The Japanese Arrests

It is not at all easy to say why Japan chose to arrest a number of British citizens and then to free a large proportion without comment. The original gesture was in part designed to prove that Japan's period of "toadying to foreign powers" is over, and the official explanation continues to be the charge of espionage and illicit propaganda. The real reasons may have been the Konoe Government's readiness to help Germany in the war of nerves—in which case it is possible that our prompt arrest of certain Japanese suspects in London and other parts of the Empire convinced Japan that our nerves are steady and that more drastic action will be necessary if Japan is to help her Axis friends. Over action more compromising than persecution on a small scale Germany and Japan are unlikely to see eye to eye, and another explanation of the incidents lies in the likelihood that Japan, pressed by the Axis to take a part in the struggle, declined a major war, but offered them local irritations by way of compensation. It may be that only a first phase of arrests and counter-arrests has closed, and that Japan is waiting for greater military activity in the West for her next intervention, but in any case, the British counter-arrests will hardly prejudice the issue. We have so long, so consistent and so melancholy an experience of the fruits of appeasement that we can hardly be worse off and may well be better off with a policy of resistance. The results so far—the release of seven British prisoners—are not discouraging.

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The War Cabinet

Lord Beaverbrook has been added to Mr Churchill's original War Cabinet of five. He will remain Minister of Aircraft Production and will not undertake responsibility for Propaganda, as some intelligent but quite erroneous guesses at once suggested. Actually, his place in the Cabinet is unconnected with his departmental duties, though it would be a great pity if the output of planes were to suffer as a result of his elevation. Apart from Lord Halifax, the War Cabinet is deliberately made up of men without departmental responsibilities. They are the policy-makers, and Lord Beaverbrook's inclusion among them is a tribute to his brilliant, if erratic, gifts. The War Cabinet is the least satisfactory part of Mr Churchill's Government. It was not chosen for its merits, but for its politics; and it will be definite progress if the advent of Lord Beaverbrook presages the supersession of the most important politicians by the most able men. As it is, the War Cabinet is not supreme. Mr Churchill is sovereign, and real talent sits on his Defence Committee, at the head of the Service departments and, it is still hoped, at the Ministries of Supply and Labour.

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The Treatment of Internees

It is to be hoped that the Home Office, which this week took over the responsibility for the internment camps, will lose no time in removing from them the stigma of the concentration camp. Even if it is allowed that the military situation justified wholesale internment, the War Office—and, indeed, the whole nation on whose behalf these things have been done—should be thoroughly ashamed of the conditions that are now being revealed. In one camp, which houses over 1,000, many of whom are old and infirm, the only accommodation is in tents; in another there is good shelter but no furniture or beds; in more than one, genuine refugees and avowed Nazis have been herded together; in several the food is poor and insufficient—yet the inmates are not allowed to buy unrationed food out of their own money—and medical attention is inadequate, although many of the internees are suffering from serious illnesses such as diabetes and tuberculosis. For some quite inexplicable reason books and newspapers were forbidden. It was a somewhat anomalous honour for *The Economist*, which was never banned in Germany, to find itself banned in an internment camp for German refugees in the Isle of Man. Recently, it was officially stated that the very old and the sick are to be released immediately, and the newspaper ban has been removed. But there are other legitimate grievances. It is difficult for the internees to be visited even by their legal advisers; and the delay in censoring letters is such that it takes several days for letters from husbands in the Isle of Man to reach wives, from whom they have been cruelly and inexplicably separated, in a different camp on the same island. In the meantime the husband may have been sent overseas without his wife's knowledge. Such emigration is said to be voluntary, but it is understood that if there are not enough volunteers others may be sent compulsorily. Yet there is no guarantee that their families will go with them or follow them—some wives ready to follow their husbands were recently stopped from sailing on the very eve of departure. There is no earnest that they will be released on reaching the Dominion or that they will be able to take with them personal belongings such as their books—the more precious since in most cases they have been acquired with difficulty over here to replace, to a small extent, those abandoned in Germany. Somebody's morale is pretty bad when such treatment is allowed.

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The official answer to criticism of these scandalous and maladroit proceedings is "You asked us to do it." It is true that there was general agreement that it was no longer safe to have at large all enemy aliens except those who could be proved to be hostile. But no responsible person ever asked the Home Office or the War Office to perpetrate the *bêtises* they have committed; to thrust a young Oxford scholar, a great pianist and a putative professor of Byzantine music almost overnight to Australia; to load the ill-fated *Arandora Star* with a mixed crowd of friends and enemies, whose roll apparently is still unknown to anyone in authority; and, in general, to reproduce here the conditions that the refugees know only too well from their experiences in the other camp. Public safety is not aided by stupid cruelty. Nor is elementary justice.

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Employing Refugee Talent

It is the enforced idleness, perhaps, that internees feel most bitterly, especially when they had previously been leading active and useful lives. Many other refugees, outside the internment camps, feel this idleness just as acutely and are longing for a chance to work for England instead of living on her at public assistance rates. At the beginning of the war the number of German, Austrian and Czecho-Slovakian refugees was 82,000. Since the invasion of the Low Countries, this figure was been swollen by over 14,000 Belgians, 3,000 Poles, 2,000 Dutch, 2,500 French, and about 2,500 of other nationalities including Czechs, Palestinians and Moroccans. Some of these refugees are skilled workers who could be directly employed on war work—sheet iron workers from Liége and aircraft factory workers. Others are used to working on the land; all could surely be given some useful employment. A fortnight ago a committee was set up under Mr Justice Asquith to advise on the general principles of internment. This week, its functions have been supplemented by an Advisory Council, under the chairmanship of Lord Lytton and including people directly connected with refugee work, which will advise on the welfare of the internees and the problem of finding occupations for them. But the Council will not be exclusively concerned with enemy aliens. Some of its other functions are to co-ordinate the work of the various refugee committees, to maintain contact with the Government Departments concerned with refugees and other aliens, and to suggest measures for binding the aliens in this country more closely to the common cause. There can be no better way of binding aliens to our cause than by letting them work for it; and it is to be hoped that the Advisory Council will maintain a close contact with the newly created International Labour Branch of the Ministry of Labour, which is to recruit for industry the available manpower of friendly aliens. This official recognition of the presence of foreign talent is a step forward, but it is a strange position for one Department to be seeking to employ such talent while another keeps it locked up.

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After Salzburg

After their vigorous stirring of the Balkan pot in recent weeks Germany and Russia have withdrawn a little and are watching the results with a certain cynical interest. Russia has not followed up her protest over the maltreatment of Roumanian immigrants to Soviet territory, and, apart from an unkindly comment on Turkey in Molotov's speech of August 1st, there are no signs of any immediate extension of the policy of defensive expansion. Germany gave her marching orders at Salzburg, and for the time being appears to be leaving the Balkan States to fulfil them as best they can. The South-East must be organised more systematically as part of the German *Lebenstraum*, and the Nazis realise that a measure of political stability is a prerequisite of good harvesting and regular supplies. It cannot be said, however, that their intervention has so overawed the Balkan peoples that they are ready to accept a *Diktat* which overrides treasured rights and long-nursed grievances. A modification of the Bulgaro-Roumanian frontier would not in itself lead to hostilities, for there is a measure of mutual confidence between the two countries, the Southern Dobrudja is not an "ancestral cradle of the Roumanian race," and the loss of the strip of seacoast and hinterland would not threaten the viability of the Roumanian state. Accordingly, negotiations have opened and a Bulgarian delegation may shortly arrive in Bucharest. The real difficulty is not the question of ceding territory to Bulgaria, but the repercussions in Hungary if yet another Power were to secure concessions at Roumania's expense while Hungary's full demands remained unsettled. Hungary's terms and temper are rising. German backing has led the Hungarians to expect all, or a good part, of Transylvania. But however much the German-dominated Roumanian Government may be ready to meet Hungary's proposals, the Roumanian people are recovering from the stunned disillusion of the last month, and a very real concentration of opposition—which includes Peasants, Liberals and the hitherto pro-Nazi Iron Guard—has grown up which may easily threaten the stability of the King's position. He is faced with the old dilemma. Surrender nothing and be swallowed up. Surrender something and be disintegrated from within and without.

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Molotov's Speech

M. Molotov's survey of Russian foreign relations, delivered last week, was an excellent illustration of the principles on which the Soviets conduct their foreign policy. The world revolution, the workers' cause, the advance of socialism have now disappeared even as trimmings. The realities of national aggrandisement and self defence supply the groundwork, the emotional appeal is based on the machinations of external enemies, the necessity for ceaseless vigilance and the successes and ultimate victory of the Soviet Union. The leaders of the incorporated territories were, it is true, denounced as "bourgeois," but instead of talk of liberating the oppressed peoples, M. Molotov was content to say that nineteenth-twentieths of Soviet Russia's 23 million new citizens were "formerly . . . part of the U.S.S.R. but had been forcibly taken from it by the Western Imperialist Powers at a period when the U.S.S.R. was militarily weak." The substance, if not the accent, is that of Hitler. Facts, not ideology, also dominate the section of the speech devoted to Russia's relations with the Great Powers. The Soviet Union wishes at all cost to keep out of war. It must therefore placate immediate neighbours with warlike propensities. Germany, therefore, gets her share of

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.

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credit for "the calm feeling of confidence" which, since the German-Soviet Pact, reigns in the Balkans, and further developments in the close understanding between Russia and Germany are forecast. Italy, as German camp-follower, gets a patronising pat on the shoulder and even with Japan relations are defined as "tending towards normalisation." But for Britain and the United States, countries which in no way menace, the U.S.S.R. and which, one actually, the other potentially, are in conflict with Germany, M. Molotov had only hard words. The continuation of the war was laid at the door of our predatory imperialism and "nothing good" could be said about American relations with Russia.

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The speech has a lesson for this country. We are perhaps too ready to console ourselves with the "inevitable clash of interests between Germany and the Soviets." That the interests of two great expanding imperialisms will sooner or later come into collision is all too likely, but it does not follow that this ultimate likelihood helps Britain now. All the recent moves in Eastern Europe have been fully concerted between Russia and the Axis. Ever since Easter, the shape of the Balkan settlement has been under discussion and M. Molotov's statement that Russia's relations with Roumania will follow "a perfectly normal course," together with the opening of Bulgaro-Roumanian negotiations, suggest an agreed limit beyond which Russia will not encroach. Rumours to the contrary, that Germany is massing troops in Poland and that Russia is having difficulty with local German troops, are denied by local observers, and may well be put about by Berlin, for whom the Right-Left split in the West is a precious propaganda weapon. If Britain were in a stronger position, militarily speaking, both in Europe and the Near East, Stalin might reconsider his position, but the fate of Poland was a commentary on the amount of military aid we could give him if, by transferring his favours to us, he were to become involved in our war. It follows that talk in this country of moving this or that Minister, or reorientating our foreign policy or adopting the cause of European revolution to the end of gaining the approval of the Kremlin, is futile and ridiculous. Stalin did not look up the files of Goebbels' speeches before he signed with Ribbentrop. He did not believe the word of the world's most forsworn tyrant when he made his pact with Hitler. He has not denounced the Agreement because Germany is still preaching anti-Bolshevism in Spain and Italy. If anything, his admiration for a fellow realist has probably increased with every evidence of the Nazis' utterly cynical conduct of their diplomacy. If we strung up "the men of Munich" on the nearest lamp-post and adopted the Communist salute, we should still get no pact with Russia which would bring her in on the weaker side in a world war.

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The French Trials

The French "war guilt" trials are to begin at Riom in a few days' time. It is an ignoble and depressing spectacle. Reports now suggest that the prosecution will cover not only the war but several years preceding it. The arraigned men are said to include M. Reynaud, M. Daladier, M. Blum and M. Mandel, and the general charge will be their responsibility for plunging France into a war she was quite inadequately equipped to meet. But this general charge is only a cover for the venging of political spite. If responsibility for the war is in question, M. Laval, who destroyed the effectiveness of the League in 1935, or M. Ybarnégaray, who encouraged Right wing extremism, or business men such as M. Baudouin and M. Provost who belong to the timid class of "stay-out" capitalists of 1936 and 1937, bear as heavy a responsibility as M. Mandel, whose crime as Minister of the Interior was to have been as severe with the Right as with the Left, as M. Daladier, who accepted Munich but found a Mediterranean Munich too much to stomach, and M. Blum whose chief crime was to be leader of a majority government of the Left. But the war and recent policy are the excuses only. These trials dig down to the unsavoury roots of personal vendetta and political corruption on Right and Left which were the destruction of the French system. As with nearly all the great *procès*, those who accuse are as involved as those who are accused. M. Bonnet turning witness against M. Daladier is an epitome of the viler side of French party strife. These trials are largely a matter of internal policy, yet they have international significance in that they are almost certainly designed to placate Germany and throw blame on Britain. Why the men of Vichy expect the Germans to be impressed by their shabby manœuvres is matter for wonder. The German Press and wireless continue their contemptuous comment and the German envoy, Abetz (an ex-spy, creature of Ribbentrop), has gone out of his way to insult M. Laval. So far Britain, having survived the White Papers of a Goebbels, has little to fear from a Bonnet's testimony on oath.

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France d'Outremer

The military, political and economic position in the French colonies remains very obscure. The demilitarisation clauses of the Franco-Italian armistice do not appear to have been carried out yet, and after the action at Oran certain clauses—those relating to naval bases—were waived. The delay may well be due to the fact that in North Africa there appears so far to have been no change in the high command, and General Noguès at first announced his intention to defend French North Africa. However, the General has gone to Vichy, and the new Governor-General of Algeria, Admiral Abrial, is Pétain's man. In Syria, General Fougère has replaced General Mittelhauser and demobilisation has begun, but in Syria itself the frontiers are manned, and from France comes the admission that "disturbed conditions" in the Mediterranean are likely to delay the return of the soldiers to France. It is possible that a complete demobilisation will not be attempted. The Syrian Nationalists are active again, and the murder of the Nationalist leader, Dr Shahbander, exasperated feelings already sufficiently frayed. The British guarantee that Syria would not be allowed to fall to the Axis covers the enemy without, but the enemy within calls for almost equal vigilance. Further afield, Vice-Admiral Decoux has replaced General Catroux as Governor-General in Indo-China, while in the other hemisphere, the French troops in Dutch Guiana have been transferred to Martinique. The administration have accepted the writ of the Vichy Government and refuse all attempts to reach a settlement over the aircraft-carrier *Béarn*, whose exact status is complicated by the presence on board of British pilots. Britain has therefore established a naval patrol round the island.

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If the picture is confused, it is because it mirrors a confused situation. Undoubtedly, the first reaction in the colonies was a desire to continue the struggle. There followed a depressing period of uncertainty, during which it was not clear whether Britain's resources were equal to the task of equipping a colonial campaign, a question not fully answered by the British Prime Minister's guarantee of financial assistance. The outcome of this uncertainty was the decision of a majority of the Governors that it was hopeless to continue the struggle; loyalty to the new administration, doubts about the status of General de Gaulle and fears for the safety of relatives under the Gestapo at home powerfully helped the decision, and in the first bitterness of the actions at Oran and Dakar it received emotional reinforcement. Whether these feelings will encourage co-operation with the Germans it is hard to say. There have been disquieting reports, not so far officially discounted, of German landings at Dakar. Given our control of the seas, the landings must presumably have been carried out by the *Luftwaffe*, and are unlikely to be formidable. It is surely in our interests, on the basis of our naval superiority, to prevent the transformation of any French harbours in West Africa into bases for raiders of the *Von Spee* type. The Dakar rumours are one example of the unsettling effect of a large defenceless Empire existing in a world of predatory powers. Indo-China is another. Japanese warships have arrived off the coast and there are rumours of Japanese demands for military bases. China has countered this with a surprising and heartening threat of intervention and is massing troops. China may be right in arguing that Japan cannot risk a major military effort. But her nuisance value will be exploited to the full.

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Government by Regulations

In the last few weeks the Defence Regulations have suddenly become very unpopular. Last week, in the House of Commons, an attempt was made without success to annul Regulation 2D, which gives the Home Secretary power to suppress any newspaper systematically publishing matter calculated, in his opinion, to foment opposition to the successful prosecution of the war, but which omits any right of appeal from his decision. This debate followed hard upon

the complaints of the "alarm and despondency" Regulation and the struggle over the War Courts Bill, when the Commons fought for the right of appeal against the death sentence to be provided for in the Bill itself instead of being left to the Regulations. Now a Regulation has been held invalid and been revoked. By virtue of Regulation 55 of the Defence Regulations, 1939, the Minister of Supply, the competent authority under the Emergency Powers (Defence) Act, 1939, had authorised two persons to take possession of a machine tool company and to carry on the business for the owners. The Act specifically states that the Regulations may authorise the taking possession or control of any undertaking for the purpose of the efficient prosecution of the war or the maintenance of essential supplies and services. But Regulation 55 authorises the person placed in possession or control to carry on the business as the owners' agent, and the judge held that this was going beyond the powers granted by Parliament in the Act. If the Regulation was *intra vires*, it would mean that there was no limit to the extent to which the person so authorised could pledge the owners' credit, and, if the undertaking was a limited company, no limit to the extent to which he could disregard the legal limitations imposed upon the company's powers. It is reassuring to see that there is a judicial check upon the wide powers wielded by the Executive when it governs by Regulations. On the other hand, it would be a pity if, on the rare occasions that the Government uses its powers to ensure the efficient prosecution of the war, it is always held to be acting *ultra vires*. The remedy, as the Commons realised over the War Courts Bill, is for the powers to be more clearly defined in the enabling Act itself.

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Official News

Mr Duff Cooper has not gone from the Ministry of Information. He knows now how woefully he has blundered in his attempts to canalise common speech from Bloomsbury, and he knows how foolish and fatal it would be regarded if he were to follow the precepts of those mysterious people in the background whose prescription is to close down the Press and substitute silence or an official news sheet. Quite frankly, too, Mr Cooper has been shown how maladroit it is for the Ministry to put out propaganda or send round speakers and exhortations without at least consulting local authorities, local Members of Parliament and other local persons likely to have views upon or be affected by the peculiar activities of his Department. The Minister also knows that, for all his mistakes, he has been unfairly treated in several instances; and he knows why. In the course of their very proper defence of Press freedom, the newspapers have made a feud against Mr Cooper as they did against his predecessors. It is true without question that what is wanted, almost exclusively, from the Ministry of Information is as much news as possible. Hitherto it has not often been forthcoming without delays and bungling. It is true, too, that news is the livelihood of the Press; they are the experts in news. But it is not true, either that the Ministry of Information should be done away with, or that the ideal Ministry would be staffed from top to toe with pressmen. The standard of ability in Fleet Street is not generally so high as to suggest that here are the sole talents wanted; and it is axiomatic that to hand over official wartime controls to be run by the trade interests concerned is harmful to the commonweal. Mr Duff Cooper has not gone to Fleet Street for a successor to Sir Kenneth Lee as permanent head of the Ministry. He has chosen Mr Frank Pick, who, at London Transport, has shown himself a master of organisation and has had some contact both with the public and with publicity. If he can keep Mr Cooper convinced that his first duty is to give out news, and then more news, Mr Pick will do a good job well.

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Mr Morrison and Ebbw Vale

There is to be no inquiry into the affairs of Richard Thomas and Company. In announcing this decision, Mr Morrison said quite rightly that the internecine disputes of individual companies were not his concern. His sole business, he pointed out, is the production of munitions of war. But munitions cannot be mentioned without reference to steel, the product of Richard Thomas, and it was news indeed to most of his hearers when Mr Morrison, on the general question of steel production, stated that the productive resources of Richard Thomas were being used in such a way as to give the greatest help to the war effort. This is, of course, the issue—not the quarrel between Sir William Firth and his late colleagues—and it is not likely that everyone will be convinced, even now, that Mr Morrison has not been misinformed or misled. It would be unfair and probably untrue to deduce anything from the fact that Mr Morrison's official advisers in the Steel Control of the Ministry of Supply are, in the main, the Steel Federation which never looked with very much favour at the project to produce embarrassingly cheap sheets in large quantities at Ebbw Vale. It may indeed be the case that none of this plant is now idle or under-used; but more evidence than Mr Morrison's simple statement will be needed to carry complete conviction that the national interest is in fact being fully served.

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Recruits for War Work

The outstanding problem of war economy is to transfer labour from non-essential to essential work by positive means. Oblique methods, taxation and rationing, will not suffice to do this on a large enough scale with sufficient speed. It should be possible to turn over three million men and women from work in distribution, commerce and finance. Actually, so long as the money takings of retail trade remain steadily higher than pre-war level (as a Note in the Industry and Trade section on page 198 shows), the rate at which labour is released from shops will inevitably be slow; and so long as the earnings of large concerns like insurance companies are satisfactory there will be little slimming of their staffs. The positive curtailment of non-essential personnel (perhaps by fixing quotas of permitted labour) must be accompanied, too, by measures to concentrate the output of civilian goods and services in the hands of the most efficient producers—that is, those needing the least labour per unit of production. The need for such steps in distribution is discussed in a leading article on page 177; and in the latest bulletin from the Oxford Institute of Statistics Mr G. D. N. Worswick suggests what the consequences might be if they were applied to certain consumption goods industries. His point is that to curtail manufacture for civilian use simply by cutting down the output of all firms similarly—which is in fact the result of restricting consumption in general by rationing or by taxes—is inefficient and wasteful.

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The aim should be twofold: not only to cut down total output in these industries, but also to ensure that the output per head of those still employed in them is the highest possible. In the food, drink and tobacco industry, for instance, Mr Worswick calculates that, while a cut in total output of 10 per cent. would mean a reduction in personnel of 2 per cent. if the cut were evenly spread over all firms, it would mean a reduction of 14 per cent. if the remaining output were concentrated in the most efficient firms. There were 554,350 persons employed in July, 1935. To reduce output by 30 per cent. throughout food, tobacco and drink firms would release 33,620 of them; but to concentrate the 70 per cent. of output left in efficient firms would, he calcu-

INSURE WITH

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lates, release 202,340, six times as many. This plan would be hard to apply. Mr Worswick can apparently determine the "efficient" firm more readily than any Government department is likely to. But the principle is excellent, and it would be possible, in many industries, to weed out the "inefficient" concerns by fixing selling prices well below the costs of the marginal firms. In any case, the plea for positive organisation is timely and ought not to go unheard.

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Shipbuilding

Although the British Shipping (Assistance) Bill, 1939, has been allowed to lapse, the Minister of Shipping, with the approval of the Treasury, has now authorised the payment of the initial shipbuilding grants, provided by the Bill as a stimulus to the placing of orders. The upper limit of the total grant provided was £2½ millions in respect of new cargo vessels ordered after March 28, 1939, and completed not later than December 31, 1941 (or such later date as might be approved). In a Memorandum issued this week by the Ministry of Shipping (Cmd. 6218), it is estimated that some 100 vessels will rank for this grant. In addition to direct grants, the deferred Bill also provided for loans to shipowners towards the cost of constructing vessels of certain types. Applications were received in respect of 69 vessels, and loans have been approved towards the construction of 55 ships, including 50 tramps and five cargo liners, of 239,822 gross tons. The estimated cost of these ships is £6,311,295, and loans totalling £4,817,005 have been approved. The promise of assistance, given by Mr Oliver Stanley, then President of the Board of Trade, last spring, led to a revival of shipbuilding last summer. It is estimated that no less than 800,000 gross tons of ocean-going ships (exceeding 3,000 gross tons) were under construction or on order at the beginning of August last year. After the outbreak of war, the Government took control over the shipyards and it has since been placing orders on its own account, with the object of allocating building capacity with due regard to the needs of the Navy and the mercantile marine. On Wednesday, Mr Bevin suggested that, not unnaturally, there had been some slight shift from merchant to naval shipbuilding in view of France's surrender. The tonnage position is very good, in spite of recent higher losses; but enemy attacks will almost certainly grow, and it is still true that our strength in war depends, more than on any other single factor, on sufficient shipping space being available in any conditions to meet our requirements.

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The Cost of the Spanish Civil War

A statement just issued by the Spanish Ministry of Finance lends some weight to the belief that General Franco, if he is allowed to have his own way, will preserve Spain's non-belligerent status. From July, 1936, to July, 1939, expenditure was approximately 12,000 million pesetas (about £300 millions) and revenue about 3,700 million pesetas. There was thus a deficit of more than 8,000 million pesetas, which was largely covered by advances from the Bank of Spain amounting to 7,600 million pesetas during the civil war period. As the statement also refers to advances from the Bank to the "Marxist" Treasury of some 23,000 million pesetas, it may be presumed that the expenditure and revenue figures refer only to Nationalist Spain and that the cost of the war to the country as a whole was really considerably greater. The price of Italian support is estimated at 5,000 million lire (about £60 millions), and the debt is to be paid off in twenty-five years, beginning with a payment of 80 million lire. In addition, there is an amount of 300 million lire owing to the Italian Consortium Bank. No figures are given for the German debt, but it is claimed that it was partly compensated by exports of Spanish goods and that the amount outstanding is considerably lower than in the case of Italy. The external debt was also swollen by commercial credits contracted by the Nationalist Government, the amounts involved being £3,200,000, 12 million Swiss francs and 50 million Portuguese escudos. Spain, therefore, emerged from the Civil War with a badly unbalanced budget and a heavy load of foreign debt, quite apart from the material destruction caused to the country's resources. Moreover, in spite of the cancellation of the notes issued by the Republican Government, the note issue is now, at over 9,000 million pesetas, about double what it was in July, 1936. The Budget for 1940, discussed in *The Economist* of July 27th (page 121), shows only small sums allotted to reconstruction, but very heavy military expenditure.

India and the War—and After

The victorious ending of the last war was marked by a great step forward in the advance of India towards constitutional independence in the Montagu-Chelmsford reforms. At the close of this war, it was announced by the Viceroy on Thursday, the Indians themselves will be given the chance to devise the means of attaining their nationalist goal. A body representative of all the chief elements in the life of India will be set up to work out a new constitution. Full self-government for India is the British desire, but its achievement is barred by the inability of the principal Indian groups to agree among themselves. It would be a dereliction of Britain's duty to leave India to civil strife and its minorities to bitter treatment, and the final issue in India's struggle for Dominion status, whenever the decision is taken, will depend upon the ability of the Indian peoples to reconcile their differences. The British Government's pledge to give them the fullest chance to do this is an act of statesmanship, and the responsibility for India's future now rests where it belongs. Meanwhile, despite the constitutional *impasse*, representative Indians are to be invited to join a new War Advisory Council as well as the Executive Council of the Viceroy. This step might well have been taken much earlier in the war.

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Shorter Notes

Cash gifts from the Colonial Empire to the British Government for the prosecution of the war amounted to £7,555,164 by July 17th. In addition, the Colonies have made loans to the British Government, free of interest, for the duration of the war amounting to £1,156,983, and cash gifts to war charities amounting to £404,619. Including cash gifts subscribed by local residents to Colonial Governments and subscriptions not yet allocated, the total of gifts and loans comes to £9,155,663. There have also been many gifts in kind, ranging from 50 live turtles, 94 head of cattle, 1,680 cases of rum, and bags of beans, cocoa, coffee, maize and rice, to seven motor lorries and one saloon car, two patrol vessels and an aeroplane.

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The question of the arrest and detention of Captain Ramsay, M.P., has, by Order of the House, been referred to the Committee of Privileges for examination and report. The Committee will decide whether or no there has been a breach of the privileges of the House of Commons and will not, of course, adjudicate upon the facts of the case.

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An increase of 6d. a day in the pay of the three fighting services has been announced. It will be granted to warrant officers, N.C.O.s and men.

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This week agreements have been signed with General de Gaulle and General Sikorski, Polish Prime Minister and Commander-in-Chief, defining the principles on which the armed forces under their commands are to be organised. In both cases, the forces will retain their national character, but will be subject to the general direction of the British command. The agreements also provide for the equipment and maintenance of the forces by Great Britain.

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The first industrial dispute to be referred to the new National Arbitration Tribunal is a claim in the printing trade for a cost-of-living war bonus. It is also understood that a similar claim is being put in by the Bank Officers' Guild. The Guild is not recognised as a trade union by the bank managements; but the Arbitration Order does not preclude such an organisation from making claims on behalf of its members, and it seems likely, therefore, that the Tribunal will adjudicate on the salaries of bank clerks—an adjudication unprecedented in the history of banking.

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According to an answer given by the Home Secretary in the House of Commons, the Commissioner of the Metropolitan Police has made orders under Regulation 42c directing the closing of six bottle parties, known respectively as Boogey Woogey, El Morocco, Hi-de-Hi, Macs, Paradise and Stork.

THE WORLD OVERSEAS

America's Two Conventions

(From Our Washington Correspondent)

WITH Mr Roosevelt's nomination by the Democratic Convention at Chicago, the personalities for the coming presidential campaign are decided.

Two conventions could hardly have provided a greater contrast than the two just over. In Philadelphia, the Republican choice was in doubt until well into the actual balloting. In Chicago, the Democratic choice was a foregone conclusion. In Philadelphia, the galleries guided the rostrum; in Chicago, the galleries' only free expression was the booing that accompanied the nomination of the Secretary of Agriculture, Henry A. Wallace, as the Vice-President of the President's choice—a sound directed not against the man but against the method of his selection.

This contrast was in part a normal contrast between the performances of the ins and the outs. But there were two special factors at work. One was the silence as to his intentions which Mr Roosevelt maintained until after the Democratic Convention was formally organised, and which prevented preliminary jockeying for place on the part of potential candidates other than Mr Roosevelt.

The no-third-term tradition, unbroken since its inauguration in Washington's "Farewell Address," began to be deprecated by the President's personal advisers as long as two years ago; the President neither discouraged these efforts nor allowed himself to be drawn into comment on them. The earlier his plans became clear, the less power he would have at the convention. (It will be recalled that, under somewhat comparable conditions in the 1920's, months passed and much pressure was applied before Calvin Coolidge's thin lips emitted the six words, "I do not choose to run.") But until the President gave some indication of his intentions the members of his official family—and this included most eligibles—had perforce to temper their ambitions to succeed him. Then came the war, and the proponents of a third term concentrated their appeal on another American tradition—Lincoln's warning about not swapping horses while crossing a stream. It was on this latter tradition that the President's speech of acceptance of nomination for a third term was based.

The Political Machines Fade-out

The second special factor in the conventions was one which the two gatherings really had in common, though the results of its action differed in the two cases. Both at Philadelphia and at Chicago, the political machines were only indirectly concerned with what went on. Mr Willkie was an amateur. Though it is wholly incorrect to describe his nomination as a spontaneous outburst, the organisation which made it possible was organisation representing industrial rather than political experience. Mr Willkie and the Republican nominee for Vice-President, Charles L. McNary, who has represented the State of Oregon in the Senate since 1917, met for the first time after the latter's nomination. At the close of the convention, the professional Republicans thus found themselves with a candidate on their hands as little or less of their choosing, and almost as new to the personalities and procedures of their political world, as Woodrow Wilson was to the Democrats in 1912 when a toga was put over his cap and gown.

In Chicago, the problem of the regulars concerned the position of Mr James A. Farley, Chairman of the Democratic National Committee and manager of Mr Roosevelt's two previous campaigns. For eight years Mr Farley has represented the link between the New Deal, as the standard bearer of social reform and highly centralised national government, and the Democratic political organisation of the various state machines. The Roosevelt-Farley partnership is now dissolved; Mr Farley has set August 17th as the date of his retirement. This does not, however, mean that Mr Roosevelt will not have the support of the regular party organisations, for the city and state machines have exercised their normal foresight and established themselves vociferously parallel to the path of success. But, in as highly federalised a political structure as that of the United States, the replacement of the man, whose capacity for human contacts has for years built up close relationships across forty-eight states, is going to require rapid improvisation by the person the New Deal selects as his successor.

Southern Democrats to "Take a Walk"

The issue between Farley and Roosevelt was the third-term issue; the breach became open when Mr Farley's nomination for President was presented to the convention. This nomination occurred when Arkansas yielded to Virginia in the roll-call of states, and it is one of the anomalies of politics that an Irish Catholic New Yorker should be used by the South to express its disapproval of Mr Roosevelt. The real object of the disapproval is the group of presidential advisers who gave the start, not only to the third-term movement, but to the legislative programmes of the New Deal. These are programmes which the conservative South has only supported because of its commitment to the one-party system. The limited suffrage of most of the Southern states, limited to the propertied group by the device of the poll tax, places the balance of conviction of the majority of the voters far to the right of the third of the nation—the more than third of the South—on whose behalf many of the New Deal reforms have been undertaken. At Chicago, the New Deal took over the Party. The sacredness of the third-term tradition, established by a Virginian President, therefore has its convenience as a politically acceptable means of expressing Southern dissatisfaction, and several of the anti-New Deal Southern democrats have already used it in indicating their intention "to take a walk."

Both Vice-Presidential nominees were leaders in the agricultural revolt of the 1920's. Mr Wallace, as editor of *Wallace's Farmer*, was at the centre of support for the measures to deal with post-war agricultural surpluses, which reached Congress as the McNary-Haugen bills and were twice passed and twice lost by Republican presidential veto. As competitors for the Middle-Western and Far-Western farm vote, the two are very evenly matched. Senator McNary's opposition to the Hull reciprocal trade agreements will bring him support from cattlemen and lumber interests; Mr Wallace's strength will come from the programme administered under his Department—the Agricultural Adjustment Administration, the Farm Security Administration, the Soil Conservation Service.

Campaign Forecasts

From present indications, the labour vote will be largely Mr Roosevelt's. Mr William Green, head of the American Federation of Labour, has announced that the Federation will

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maintain its usual non-partisan attitude, which means that some of its vote will go to the Republicans. (The public utilities industry has had fewer serious labour disputes than *most.*) The political wanderings of Mr John L. Lewis, head of the Congress of Industrial Organisations, from an anti-third term statement, a bid to form a third party and an appreciative speech on Mr Hoover at the time of the Republican Convention, to apparent acquiescence in a third term for Mr Roosevelt, have diminished his individual influence, but the C.I.O. unions will go very solidly for the President —the Wallace nomination was made by Mr Phillip Murray of Pennsylvania, head of the Steel Workers' Organising Committee.

The first glimpse of campaign tactics appeared in the President's speech of acceptance, when Mr Roosevelt said that he will remain chiefly in Washington, where he can keep close to foreign events, using the radio to reach his constituents rather than making tours. The American political system, by combining in one man the attributes of the President, the representative of the whole people, and the attributes of the head of the party in power, offers opportunity for rapid change from one rôle to another, from the rôle of one who is above the battle to the rôle of proponent of partisan measures in the struggle of government-and-opposition. Mr Roosevelt's speech, by citing the national emergency as his reason for running at all, foreshadows an attempt to view the campaign from higher ground. That leaves domestic affairs to other members of the party, who will doubtless not overlook the opportunity to keep the T.V.A. issue before the country and give Mr Willkie a general electric massage.

The Republicans will counter with the third-term issue, and point out that their candidate rather than his opponent has the industrial experience which is the main requirement of a country about to undertake a major re-armament effort. Their most effective current tag is a paraphrase of the recent defence bill, to the effect that we now have two Presidents, one on hand and one on order.

July 22nd.

Australia's Taxation Proposals

[FROM OUR SYDNEY CORRESPONDENT]

EARLY in May, the Commonwealth Treasurer introduced taxation proposals which will apply during the financial year beginning in July, 1940. This advance glimpse of the Budget was a war measure, introduced with the object of enabling industry and the community generally to realise their increased financial liabilities and to plan accordingly.

As was expected, taxation was considerably increased. In his financial statement, the Treasurer explained that in the first few months of the financial year 1939-40 Australia was experiencing a downward trend in industrial activity. For this reason the Government decided that, in the early period of the war effort, Australia should try to attain maximum economic activity, and a certain amount of credit expansion was sought to this end. In all, £A12 millions was borrowed direct from the banking system, mainly from the Central Bank; but the Government resolved that expansion should not be permitted to outrun industrial development, and in the bigger output and activity the authorities now saw evidence that the time had come to resort to taxation and public borrowing, rather than to loans by banks, to finance the expanding war programme.

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The new taxation proposals foreshadowing the 1940-41 Budget embodied this principle. It was estimated that war expenditure within Australia would be £A79 millions, and of this sum existing taxation would yield only £A16 millions. Under the current programme, £A7 millions had still to be found for the financial year 1939-40. For the two years' programme, amounting to £A125 millions altogether, a sum of £A70 millions thus remained to be provided. It was decided that additional taxation should be imposed to yield £A20 millions of this total, the remainder to be raised by loans.

Tax Increases

Taxation was increased over a wide field. Of the total estimated increase of £A20 millions, £A10.3 millions is to be provided by indirect and £A9.7 millions by direct taxation. Income taxes were increased in such a way that the additional taxation will fall mainly on the middle income groups between £500 and £1,000. This was achieved by raising the general rates, while at the same time existing exemptions were left undisturbed and supertax was only slightly altered. Heavier indirect taxation appeared in a rise in the rate of sales tax from 6 per cent. to 8¼ per cent., and in a special wartime duty of 10 per cent. superimposed on existing Customs tariffs. These indirect taxes will bear most heavily on the lower income groups and to some extent on the middle income classes as well. Sales tax is levied mainly on goods that are not included in the list of consumption goods on which movements in the cost of living and the basic wage are based. The same can be said to apply to Customs duties. Thus, the price rises, which will inevitably follow the increased rates of sales tax and Customs duty, will have to be paid by wage and salary earners out of receipts that have not risen to the same degree. A lowering of the standard of living must follow this decline in real income.

The revenue tariff on petrol, benzol and similar spirit was raised again, by threepence a gallon to elevenpence per gallon. This, in addition to being a revenue measure, must be regarded as an attempt to cut down the private consumption of petrol and to conserve foreign exchange.

The new wartime company tax on companies earning more than 8 per cent. on capital employed, and the tax of 1s. in the £ on undistributed company profits, are interesting. The strength of public feeling against any form of war profiteering, which, incidentally, has been reinforced by the success of the Government's price-control scheme, made some form of excess profits duty imperative. The simple imposition of a tax on all profits above a stipulated minimum obviates the need for cumbersome control which must accompany any form of taxation on so-called war industry only. The universal excess profits tax appears also to be more equitable as well as simpler. As the tax is steeply graduated, it will fall with much greater severity on those industries whose profits rise considerably during the war period. Beginning at a levy of 4 per cent. on a rate of profits of 9 per cent., it rises to 60 per cent. on profits in excess of 22 per cent.

The tax on undistributed profits would seem to be aimed at preventing accumulations which would enable business to finance expansion out of its own undistributed profits, thus defeating the object of the investment control regulations. The higher rates of land tax and estate duty, though not expected to yield much additional revenue, bear very largely on higher incomes. They therefore make up to some extent for the fact that the income tax and the indirect taxes fall more heavily on the middle and lower income groups.

ADDITIONAL TAXATION TO MEET DEFENCE EXPENDITURE
(£A millions)

Income tax:—		
War-time company tax	4·25	
Tax on undistributed profits of companies	0·45	
Individuals	3·00	
		7·7
Land tax		1·5
Estate duty		0·5
Sales tax		5·2
Customs and Excise		5·1
		20·0

Higher Imports

This scheme provided only for expenditure within Australia, and it has become increasingly clear that Australia's overseas commitments will be very heavy as her forces sent overseas mount in numbers. With the guaranteed prices for exports under the Empire Purchasing Scheme and the rise in export income, it might have been expected that Australia's

London funds would rise during the current financial year, thus providing a surplus out of which some part of the overseas war expenses could be paid. This, however, has not been achieved. In spite of the restriction of imports under the licensing scheme applied to goods from outside the sterling group, the flow of imports has markedly increased. During the first ten months of 1938-39 they amounted to £A103 millions; in the same period of 1939-40 they totalled £A118 millions. Undoubtedly this increase was due to some extent to a rush to augment stocks and purchase supplies, before licensing became more stringent or production more dislocated by the war. The figures also reflect higher prices and the depreciation of sterling, and with it the Australian pound. For these reasons, therefore, a falling off can be expected in later months.

The Treasurer announced that provision would have to be made for war expenditure overseas totalling at least £A35 millions up to June, 1941. He stated that a loan of £stg.6 millions was raised in June, 1939, which would provide some of these funds, and since then temporary arrangements had been made with the British Government for loans to be granted to Australia at the same rate of interest as similar loans raised by Britain. This, however, is no long-term solution of the problem, and it seems certain that drastic measures will have to be taken to cut down imports of goods not essential to the war effort.

June 6th.

Hongkong in Two Wars

[FROM OUR HONGKONG CORRESPONDENT]

FOR several years Hongkong has played no small part in supporting China's resistance to a policy of aggression, which was first disclosed to an indifferent world by the Mukden incident of September, 1931. Now, although her interests in China are such that she cannot ignore the war in the Far East, it is quite clear that her first duty is towards the Empire and that help for China must take second place.

There is, however, considerable impatience at the lack of a definite indication as to what Hongkong can do in the European war. Recently, the Secretary of State for the Colonies sent a circular despatch to all units of the Colonial Empire, and there is now no doubt that the duty of both officials and non-officials is to remain at their present posts. But the advice of the Secretary of State regarding the increased production of raw materials does not apply to Hongkong, nor does the restriction of imports help the Empire, as the Colony is outside the sterling area. As Hongkong was the first Crown Colony to introduce compulsory military service, she has a clear conscience in regard to local defence. Moreover, the new war taxation measure, principally affecting corporation profits and employees' salaries, meets the suggestion of imposing direct taxation, and, in anticipation of increased revenue, a free gift of £200,000 has been voted from the Colony's surplus.

Greater Effort Wanted

But the feeling is still there that a greater effort should be required of Hongkong. There is, for instance, a large reservoir of labour capable of being used in munition work. At present, certain small craft, such as mine sweepers and patrol launches, are being built in the two principal dockyards. But the industrialisation of Hongkong, which has already received a strong impetus from the China war, could probably be very much developed, and there should be scope for the manufacture of light armaments, small arms, ammunition and clothing. The main difficulty is the provision of raw material, but as the many direct steamship connections between Hongkong and America, Australia and India are at present outside the belligerent zone, the problem of supply should not prove insuperable.

The trade figures for the first four months of this year show a continued expansion in value, mainly owing to increased first costs, and to higher freights and insurance charges in the case of imports. The latter totalled $270.5 millions (one Hongkong dollar = 1s. 3d.) in January to April and were 48 per cent. above the total for the corresponding period of last year. Exports, f.o.b. Hongkong, were $211.2 millions, an increase of 24 per cent.

It is clear that the Colony's entrepôt trade has been hardly affected by the European war. But it is understood that the Ministry of Shipping at home is applying a stricter control of British and Allied shipping services with the Far East, and that in future space will be almost entirely reserved for "priority" cargo, which in the case of homeward voyages is mainly rubber and tin. Hongkong is not a producer of raw material, and so far none of her manufactures comes into the "priority" class. But manufactured goods, principally rubber shoes, electric torches and apparel, to the extent of over $5 millions, have already been contracted for by home importers and the required import licences issued by the Board of Trade. The Imperial Government has, therefore, been asked to allocate sufficient space for exporters' commitments, and, with France no longer an importer, it is hoped that part of the space thereby released can be allotted to Hongkong.

Interests in Free China

China continues to contribute almost half of Hongkong's imports and exports and, in addition, the Chinese National Government still uses Hongkong as its chief means of commercial and financial intercourse with the outside world. Although the head offices of the Chinese Government banks were transferred to Chungking, the Hongkong offices of the four banks in question continue to be their most important branches. In Hongkong, too, are branches of important semi-official Free China trade concerns, such as the Central Trust, the Fu Hwa Trading Co., the Continental Co., the China Vegetable Oil Co., etc.

The Colony is also concerned in much of the Free China transit trade via French Indo-China and Burma, and the future status of Indo-China is consequently causing a good deal of anxiety. The ports of Haiphong and Saigon have been the principal entrances to the unoccupied areas of China, and for the past three years the normal trade between those ports and Hongkong has grown enormously. Japanese intervention in Indo-China would react most unfavourably on Hongkong because of the probable interference with the rice trade. Nearly 50 per cent. of imports of rice into the Colony are from Indo-China; part of it is re-exported, but the bulk is retained for local consumption. With the population of Hongkong probably 80 per cent. above normal, any cessation of normal supplies of rice will pose a very grave problem for Government.

The Hongkong Dollar's Popularity

The Hongkong currency retains its former stronghold in South China. The circulation of Hongkong dollars at the end of April, 1940, was $225.7 millions, and more than half of the note issue is circulating in Chinese territory, mainly in Kwangtung and the adjacent districts. Hongkong dollar notes in $500 denominations continue to form the favourite investment of liquid reserves for native banks and merchants throughout the south-east of China. Repeated Japanese attempts to oust Hongkong currency from the occupied area around Canton, or to force the Chinese to give up Hongkong dollars against Japanese military notes, have met with complete failure. The Hongkong dollar's depreciation by almost 40 per cent. in terms of the United States currency has not shaken Chinese confidence in the Colony's currency, for China's own dollar has depreciated by more than 80 per cent.

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Letters to the Editor

A Tax on Capital

TO THE EDITOR OF THE ECONOMIST

SIR,—You say in your article on the Budget that it would be "fatal to dismiss a tax on capital merely because it is radical or distasteful to one section or another of the public." But you then condemn the idea of an annual tax on private capital fortunes during war with arguments which seem to me to have no substance.

(1) You say that "a tax on capital, if small enough, would merely be a discriminatory income tax on incomes from property, and if there is a case in equity for this it can be incorporated in the income tax," whatever that precisely means. There is a very strong case, on the grounds of simplicity, for assessing such a tax largely on unearned incomes. But the fact that it could in this sense be "incorporated in the income tax" is surely no objection to the tax whatever.

(2) You also say that "if the tax on capital is heavier than can be paid out of the annual yield of the property, it is a means of reducing the national debt by compelling existing property owners to assume responsibility for it. Such a levy makes no contribution to the problem of war finance, since no amount of transfers of title to existing debt or existing property can affect the level of present consumption." Now it is again no objection whatever to the capital tax plan that it reduces the national debt by absorbing some of the unearned incomes of wealthy private individuals in order to pay the debt interest. For that is, ultimately, the only equitable and effective way in which we can deal with the national debt.

Your next statement that "no amount of transfers of title to existing property can affect the level of present consumption" is a flat and indeed obvious misstatement of fact. This idea that a capital tax would not affect consumption, or rather spending, is being sedulously encouraged by economists, though the slightest reflection shows it to be untrue. It was pointed out as long ago as in Professor Pigou's book on "The Economics of War" (1922), apropos of this very subject, that a tax assessed on capital may, of course, be paid out of income, just as a tax assessed on income may be paid out of capital.

Your attitude, and that of many economists, seems to be that a 5s. in the pound income tax on unearned income makes people reduce their spending, but a capital tax assessed at, say, 10s. in the pound on that income, does not reduce it! Is not this manifestly absurd?

The fact is that as the tax on a propertied individual's income rises, he becomes more inclined to pay partly out of capital. If, as under the proposed capital tax, he was explicitly given the opportunity of paying partly in securities, he would naturally be all the more inclined to. But obviously the prospect of paying the tax would make him cut his spending to the greatest possible degree, so as to pay the maximum out of income and minimise his loss of capital.

Finally, in arguing as above, you and many others are completely ignoring one vitally important fact. The rich to-day are partly paying their income tax out of capital. That means that they are able to evade the intended cut in consumption in a way which the recipient of earned income cannot imitate. This is both unfair and an obstacle to the Government's efforts to check inflationary spending.

The only way to prevent it is to superimpose a capital tax at such a time as this on to the structure of the ordinary tax on income.

Yours faithfully,
DOUGLAS JAY.

All Souls College, Oxford.

Prices of Goods Act and E.P.T.

TO THE EDITOR OF THE ECONOMIST

SIR,—The imposition of 100 per cent. excess profits tax has provoked a good deal of comment on its possible reactions on efficiency. Its effect, however, is likely to be small when compared with that of the Prices of Goods Act, for the following reasons:—

1.—Whereas E.P.T. is based on an actual amount of money profit earned in the best of several years, the Prices of Goods Act, in effect, limits net profit to a fixed amount per article sold by comparison with an immediately pre-war period. Implicitly no allowance is made for the greater working capital per article necessary with higher prices nor the greater cost of replacing the fixed capital. Thus, in a business with a declining output of civilian goods—the normal condition in these times—the profit allowed on those goods will in aggregate be lower than under E.P.T. In a declining business, in fact, the limit is set by P.G.A., in an expanding business by E.P.T.

2.—Even with 100 per cent. E.P.T., some commercial, as apart from patriotic, spur to efficiency remains, since it is reasonable and prudent to aim at a higher profit than that permitted. Under P.G.A., however, once maximum prices are fixed, any reduction of costs below or increase of turnover above those expected will necessitate a revision of prices, with all the attendant difficulties. Further, it will not be possible to work with margins against contingencies such as lack of materials and heavy bad debts, unless the Price Regulation Committee think the margins reasonable.

3.—Under P.G.A., a company making a loss in the standard period must, except under unusual conditions, continue to make it at the present time. E.P.T. does, however, make provision for a certain return on capital where companies were making losses throughout the standard period. Further, whereas P.G.A. does not permit losses in one year to be recouped in the next, this is possible under E.P.T. to a certain degree.

4.—E.P.T. is calculated on the whole of the business, and hence permits a company transferring its production facilities from civilian to Government work to subsidise the latter by the former, a normal procedure in the early stages of transfer. P.G.A. does not permit this, and hence may tend to discourage the transfer.

5.—It is suggested that these disabilities in the P.G.A. could be removed by the following amendments:

(a) Alteration of the permitted *net* profit on any article from an absolute amount of money to a percentage on the final price.

(b) Adoption of a tolerant attitude towards provisions necessary to cover unknown conditions.

(c) Permission for a company to raise a price above the permitted price if in so doing they are not obtaining a profit on their capital greater than that allowed as the minimum under E.P.T. Alternatively, to permit the standard prices from which increases are computed to be taken from specified dates other than August 21, 1939.

(d) Allowance in regulating commercial prices for losses incurred on Government work above those in the standard period.

Alternatively, the whole procedure could be very much simplified, and the two Acts joined, if the P.G.A. were amended to state merely that the prices charged by any company making price-regulated goods must not be such that the company's activities as a whole appear likely to be subject to E.P.T. This gets over also the considerable difficulties involved in defining what is meant by the profits on an article on a single day, i.e. August 21, 1939.

Yours faithfully,
P. K. O'BRIEN.

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THE BUSINESS WORLD

Insurance and Bank Shares

BEFORE the war there was a definite increase in the "popularisation" of British insurance and banking shares. This development owed much to the efforts of certain specialised unit trusts, to whom even the most conservative investment critic may award sincere commendation. Their appeal was based mainly on sound long-term investment considerations, and their efforts undoubtedly tended to increase the marketability of many shares whose clientèle had formerly been select rather than democratic. But the war has created a host of problems for insurance and banking institutions, whose repercussions on the share market have been striking. At the end of June the Actuaries' Index for ten bank and discount company shares (December 31, 1928 = 100) was 74.9, against 105.5 a year earlier, while the index for the same number of insurance company shares was 66.8, against 111.8. Of these declines of 29 per cent. and 40 per cent. respectively, much the greater part, on balance, occurred in the last two months, the fall being steepest in June. Subsequently there has been a moderate recovery in the indices to 82.2 and 74.8 respectively, but only a small part of the net loss of ground during the past year has been made good.

Undoubtedly, the prime influences which produced the slump of May and June were psychological, and were common to the entire equity share markets. At that time the German armies were making their lightning conquests in Western Europe, and a volume of selling which was never really excessive by peacetime standards had a wholly disproportionate effect on Stock Exchange prices. Ultimate recovery from that species of depression is contingent on victory in the Battle of Britain and, later, the Battle of Europe. In any political context which investors hope to see after the war, dividend yields of 5.52 per cent. for representative bank shares and 5.57 per cent. for insurance shares which prevailed, according to the Actuaries' Index, at the end of last month (against 4.49 per cent. and 4.03 per cent. a year earlier) would appear fantastically high. But a return to anything like the price levels of pre-war days is unlikely so long as the war lasts.

Insurance and banking shares have numerous traits in common. Both are "money securities" in the narrow sense that their dividends are provided by "industries" which use money as their raw material, and in the broader sense that their income return is of the "gilt-edged equity" type, with a tendency to stability over moderately long periods and a slow but persistent upward trend (with its concomitant of increased share prices) over still longer periods. The analogy with gilt-edged stocks, indeed, has sometimes been carried so far that some insurance and banking shareholders have almost come to look on the maintenance of earnings and dividends, with only slight and temporary variation, as almost automatic—as something ordained by natural law or the inscrutable workings of the money market. The failure of bank profits, however, from 1931 onwards, to regain the pre-depression standards of 1929 and earlier years, is itself a convincing refutation of such mysticism. Actually, earnings in any given year are the resultant of three forces, only one of which is under the direct control of the institutions concerned. The first may be termed the traffic factor. It embraces every element in total public demand for the varied services which banks and insurance offices provide, together with all conditions governing the cost of providing them. The second variable may be called the working capital factor. Both kinds of institutions have this in common—their share capital represents only a very small proportion of the total resources they employ, the remainder being provided by the premiums of policyholders in the case of insurance companies and, ultimately in the case of the banks, by the effect of public financial policy in determining the dimensions of the national credit basis. The third factor is compound interest. Insurance companies and banks, to whom the maintenance of an exceptionally high credit status is vital, habitually set aside large reserves out of gross earnings which, under one heading or another, are absorbed into their businesses and have probably been, in the past, the most important element in the long-term expansion of their profits.

Now, as a broad generalisation, it may be said that, in the last decade before the war, "traffic" was tending to increase with the insurance companies and to be more stagnant (or even, on a smoothed-out average, slightly to decline) with the banks. "Working capital," on the other hand, undoubtedly had an upward trend. This tendency was due, in the case of the insurance companies, to increasing industrial activity, higher real wages and rising general prosperity. So far as the banks were concerned, there was a fairly persistent tendency for the credit base to broaden after the departure of the £ from the gold standard in 1931. Meanwhile the process of reserve accumulation went on uninterruptedly; for all banking and insurance institutions fully maintained their old-established conservative traditions. On the whole, however, the period, judged by its results, was more truly "progressive" for the insurance companies than for the banks. For the former all three sets of conditions were, on balance, favourable; whereas, for the latter, the second and third factors were favourable but the first was much less so. The banks, in fact, were driven by circumstances beyond their own control to employ an increased proportion, absolutely and relatively, of their total working resources in some of the less remunerative forms of traffic—the purchase of investments and Treasury bills—and a lower proportion in the more remunerative form of advances to customers. The banks were tending also, like the railways, to lose some of their higher grade traffic to competitors in a period when money was cheap and plentiful, and many of the larger industrial units were tending increasingly to become self-financing or to sell their gilt-edged security holdings, via the market, to the banks instead of pledging them as collateral for loans. But the banks, unlike the railways, had increasing working capital at their disposal, in an era of credit expansion. And a ready demand for their surplus resources came from the Government itself, though at rates which were doubtless not over-remunerative.

To what extent has the war changed this background? The metamorphosis, broadly, has been from a period during which the outlook as a whole was favourable, but more so for the insurance companies than for the banks, to one in which conditions are appreciably more difficult, but rather less so for the banks than for the insurance companies. War necessarily increases the risks inherent in all classes of business. And although the insurance companies can endeavour partially to meet the new situation by refusing to underwrite certain war risks at all, in the absence of Government support, and by quoting increased premiums for other risks, the process of adjustment must in the nature of things be incomplete. In the life branch, for example, mortality experience must clearly be less favourable in wartime. And in other branches a rapid change-over in industry from peace-

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time to wartime production, with increased emphasis on rapidity of output, longer working hours, and increased strain on plant and machinery, are hardly conducive to a normal claims experience. Further, the war has closed virtually every important market on the Continent of Europe for British insurance business, and losses in premium income will not be fully counterbalanced by reduced need to seek reinsurance facilities in certain European countries.

The Government's determination to finance its war expenditure at relatively low interest rates is a matter which closely affects both banks and insurance companies. It was recently pointed out in *The Economist* that a gross rate of 3 per cent. on new investments represented a net rate to the offices of only 2.2 per cent. with tax at 7s. 6d. in the £, and would represent only 1.9 per cent. if the tax were raised to 10s. in the £. This sharp reduction in the net rate of interest earnings for insurance offices was recognised in the recent Budget; for tax on the income of life funds is to be stabilised at 7s. 6d. and not increased to 8s. 6d. Although the insurance companies have a wider scope for investment of their resources than the banks, alternative outlets are, in fact, restricted (particularly in the equity share market, despite the tempting yields obtainable on many industrial shares at present). And the obligation on all financial institutions to subscribe handsomely—and repeatedly—to wartime Government loans is inescapable. The banks, much more than the insurance companies, have the compensatory advantage that expansionist war finance means a progressive increase in earning assets, though the rate obtained on much of the increase may be relatively low. The background of war as a whole is less inimical to the entire conception of banking than of insurance.

Present war conditions, of course, are not a complete guide to the position of bank and insurance shares after the war. The post-war experience of insurance and banking institutions from 1919 onwards was an encouraging story of rapid recovery, but underlying conditions are widely different in this war. Banking profits grew continuously in the 1914-18 period, and after 1918 profits, dividends and allocations to investment reserves bounded ahead. Insurance offices also made a quick recovery after the last war. By 1920, the offices were already enjoying the benefits of a mortality experience substantially more favourable than that assumed in their actuarial tables. The main problem for the life offices between 1914 and 1918 was not the payment of war mortality claims, nor the depletion of interest earnings by war taxation—actually rising interest rates and taxation kept roughly in step. The offices' chief concern was the heavy depreciation on their investments. If the authorities maintain full control over the gilt-edged market, investment depreciation should be far less serious at the end of the present war than in 1918. But this escape from capital losses involves the corollary that interest earnings are kept at a low level, while income tax at the stabilised rate of 7s. 6d. far exceeds the highest levels of the last war. Thus, compared with the last war, the life offices have reversed a situation in which they then earned a reasonable net investment income at the expense of capital security. Moreover, they may have to meet heavy wartime mortality, without any necessary assurance that mortality after the war will show the same superiority over actuarial expectations as in 1919 and onwards. And although the offices are wise to curb new business at present, their policy means that fewer healthy lives are being caught young.

Insurance shareholders, therefore, could hardly be blamed for some feeling of doubt whether insurance business could stage two spectacular post-war recoveries within a generation. At least their main problems at present are different in emphasis from the leading problems which confronted them in the last war, and the post-1918 solutions might not be applicable at the end of the present war. As for the war period itself, the conclusion would seem to be that "traffic conditions" may be easier in wartime for banking than for insurance concerns, but the "reserve factor" is likely to loom large in the policy of representative managements in both classes of enterprise. Both, of course, have immensely strong resources to weather any storm. On the whole, in the absence of totally unforeseeable contingencies, bank dividends may conceivably be maintained or only slightly reduced. But shareholders in insurance companies might do well to reconcile themselves to the need for taking their due part, in company with those who pay insurance premiums and hold policies, in bearing the financial burdens necessitated by adjustment to war conditions.

Finance and Banking

Bank Cash Expanding

The position in the short-loan market has been easing steadily during the past week. The Bank return shows that on Wednesday bankers' deposits had risen to the exceptionally "comfortable" level of £114,091,000, an increase of £7,828,000 on the week. The main factors in this expansion of bank cash were net transfers from public and "Other" accounts of £3,697,000 and £3,438,000 respectively. The reduction in public deposits reflects the rapid increase in expenditure indicated by the last Exchequer returns and the continued abstention of the Treasury from direct borrowing from the banks on six months' deposits. This week has again been devoid of such deposits, but, in view of the latest figures of bank cash and of public deposits, it is evident that the need for renewed recourse to this form of borrowing will soon arise and will readily be satisfied. The transfer of resources from "Other" accounts to bankers' deposits is a more interesting development. The level of these "Other" accounts fluctuated for some years before the war between £34 millions and £39 millions. Soon after the outbreak of the war they began to climb and by last week had reached a peak of £52,271,000. One factor in this expansion has probably been the accumulation of sterling balances on French official account arising out of the working of the now defunct Anglo-French monetary agreement. These balances are to some extent being applied to the settlement of commercial debts incurred by the French purchasing commissions and the reduction during the past week of the total of these "Other" accounts by £3,697,000 may in part reflect this process.

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The week has seen the active note circulation climb by £4,131,000 to the new high record of £613,671,000. As an influence on the credit position, however, this movement has been almost exactly neutralised by an increase in the Bank's holding of Government securities. The further rise in the circulation must in large part be regarded as seasonal, despite the cancellation of the August Bank holiday. The past week's increase in the circulation has reduced the reserve of unissued notes to £17,432,000 and the reserve ratio to 9.5 per cent. If the basic trend in the note circulation remains upward a further adjustment in the fiduciary issue will be required before the end of the year.

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Refugees and Exchange Control

The problem of applying the exchange control regulations to refugees arriving in this country from areas now occupied by the enemy has recently been clarified, and the relevant instructions have been circulated to banks in the United Kingdom. As soon as such refugees reach this country, they will be regarded as residents from the point of view of the Defence (Finance) Regulations. They will, therefore, be compelled to offer their holdings of "specified currencies" and gold to the Treasury, to register their foreign securities with the Bank of England and to refrain from dealings in foreign exchange except with authorised banks. The sale of such refugee gold and specified currencies will not be effected immediately. The assets in question will remain blocked with a United Kingdom bank for six months and be liberated only in order to cover the living expenses of the owners. As the end of six months, however, the sale to the Treasury will be completed. If the refugees subsequently leave this country to take up permanent residence outside the sterling area, they may expect the Treasury to resell to them the specified currencies or the equivalent of any vested securities which may have been sold by them to the Treasury. The sterling balances of refugees will immediately be regarded as held on "resident" account. If they leave the country subsequently they cannot expect that such sterling will be available for conversion into foreign currency, nor that they will be able to sell any sterling securities held by them.

Baltic Currencies Disappear

Following the incorporation of the three Baltic countries, Latvia, Lithuania, and Estonia, in the U.S.S.R., all dealings in their currencies have been stopped and the quotations removed from the list. These rates had been wholly nominal for some time past. The trend of political developments in those countries had arrested the flow of commercial and financial transactions between them and the sterling area. An even more effective barrier to exchange operations with them lay in the reciprocal embargoes on balances and other assets operating between them and this country. The British Treasury's blocking of these Baltic assets in London had coincided with similar countermeasures in the centres concerned. For the time being, therefore, the machinery for effecting payments between these three countries and the sterling area is frozen. It will be one of the subsidiary tasks of the Anglo-Soviet trade discussions, now under way in Moscow, to set that machinery in motion once more.

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Chinese Dollar Rate

Some confusion has been created in the market for Chinese dollars during the past week by reports from Chungking that the exchange rate of the local currency had been fixed at 4½d. As the market rate for the Chungking dollar at the time was 3⅞d., this announcement was at first taken to indicate an attempt by the Chinese authorities, and the Stabilisation Fund with which they work, to force the rate up to this prescribed level. The course of events in the market, however, soon belied this interpretation. The commercial turnover in the currency ceased and remained in abeyance until the intentions of the Government were clear, but there was no evidence either in Shanghai or Hong Kong—the two principal markets for the Chinese dollar—of any official supporting operations designed to lift the rate up to the 4½d. figure. After momentary hesitation, exchange operations began again, but these were at a rate of around 3¾d., the further slight sagging measuring the disappointment of hopes of a higher rate engendered by the official announcement. It has since been ascertained that the official exchange rate of 4½d. is to be used by the Chungking authorities for book-keeping purposes only, rather in the manner of the official rate of 1s. 2¼d., which is so used in Shanghai. The open market rate for Chungking dollars has now reverted to its former level of 3⅞d., where it appears to have found a temporary level of equilibrium. The experience of Far Eastern banks suggests that at this level the Chinese dollar has not needed support from the Chinese Exchange Fund. The Fund continues to control the rate, but in the course of its recent controlling operations in the market it has probably been able to add to its foreign exchange resources.

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Silver at 23½d. Again

The past week has proved of some interest in the silver market where the spot price of the metal has risen by $1\frac{3}{16}$d. to 23½d., the point at which the Indian Government is prepared to sell from its London reserves. Such official sales were in fact required on Wednesday to prevent the price from rising beyond this level. The atmosphere in the silver market has favoured a rising trend of prices. The extension of the war to the shores of the Indian Ocean has inevitably impressed itself on Indian opinion and has accentuated an already marked tendency to hoard silver. This movement has also received temporary encouragement from the decision to lower the silver content of the 8-anna piece. But the principal specific influence in the London market has been the persistent presence of some coinage orders for silver, the coins in question being in all probability destined for the Near East. The size of this demand for silver has been modest when measured in absolute terms, but in a market denuded of supplies its influence on prices has been disproportionately severe. The shortage of spot supplies of silver has been emphasised by the delayed arrival of metal on its way to this country from the Empire, and this helps to account for the further widening in the backwardation, the premium on spot having increased this week to $\frac{11}{16}$d., equivalent to an interest rate of over 17 per cent. per annum. In the circumstances it is not surprising that certain swap operations should in fact be running in the market, earning the very remunerative return which has recently been available. There have been considerable arrivals of metal from the Far East, but these represent special transactions and have no influence whatever on the market. For the time being, the readiness of the Indian Government to sell from its London stocks at 23½d. provides the equilibrating factor in the market.

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It must not be automatically assumed that such readiness can always be relied upon. The rate at which Indian Government reserves of silver both in India and in London have been depleted is a warning of possible diffidence in the attitude of this particular seller. India's remaining reserves are ample, but the risk of their continued depletion must be kept in mind, especially as they can only be reconstituted on a substantial scale by the expenditure of U.S. dollars. It may well be, therefore, that further Indian Government sales of silver at the price of 23½d. will be made subject to certain conditions regarding the character of the demand. The recent silver news from its most vital front, the United States, is utterly colourless. The Townsend Bill has for the time being been submerged by other Congressional concerns. It may suddenly take the stage again; but it seems more likely that the pressure of developments in external policy, and the Presidential elections looming ahead, will keep the Bill dormant for some time to come.

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Hungarian Standstill Renewed

Owing to war conditions, it has been physically impossible to arrange the meetings between representatives of the foreign creditors of Hungary and the Hungarian authorities, which in normal circumstances would have been called to discuss the renewal of the three-year agreements made by Hungary in 1937 with her foreign creditors. In these circumstances an extension of the existing arrangements for three months was suggested by the creditors, and has been accepted by Hungary. The Standstill agreement has been renewed without material change to October 15 and the Hungarian Sterling Treasury Bill agreement to November 14, 1940. Before those dates further negotiations are to take place on the conditions of the short-term debt service. As Hungary is inevitably getting short of foreign exchange—other than Reichsmarks—the British, American and Swiss banking creditors will probably be asked for further concessions in three months' time. The new Standstill agreement was signed on behalf of the British, American and Swiss Banking Committees. Prior to the armistice of Compiègne the French banks had also expressed their agreement in principle to a three months' renewal of these debts.

Investment

Restraints on the Market

The recovery in morale, which carried industrial ordinary shares from 38.9 (as measured by the Actuaries' Index, based on December 31, 1928) to 42.7 between the end of June and the end of July, has since been checked. Partly this is due to the advance publicity which has been given to the prospects of invasion, but more, in all probability, to the military fact of the Italian attack on British Somaliland. This fact has brought home to the investor the increased military difficulty which we now face as a result of the defection of France. Price movements, however, mean little in these days. For the past two or three weeks, the volume of business has been declining, and the substantial recovery in gilt-edged (which continued until the beginning of this week) has been achieved with a limited turnover. In other sections, there is barely sufficient business to keep a market going, and brokers find it scarcely less difficult to buy than to sell, owing to the very reasonable reluctance of dealers to take stock on their books. The accompanying extracts from the Actuaries' Index (given in the table overleaf) measure the comparative movements of gilt-edged, fixed interest and equity securities during the past five months. Old Consols have recovered to the end-May level, but in every other section the casualties are considerable. The best industrial debentures now offer more than 4½ per cent., and industrial preference shares 5½ per cent. These are the

only dependable yield bases now available for investment guidance. Among equities, despite the reduction in two-figure yields caused by the July recovery, returns are still a compound of war fears, air damage, industrial adaptation

ACTUARIES' INDEX MOVEMENTS

Group (and No. of Securities)	July 25, 1939	Aug. 29, 1939	March 26, 1940	April 30, 1940	May 28, 1940	June 25, 1940	July 30, 1940
Prices (Dec. 31, 1928 = 100)							
Fixed Interest							
2½% Consols	118·0	113·9	128·9	132·2	129·3	126·2	129·1
Industrial deb. (44)	109·4	104·5	111·2	111·4	109·0	103·7	103·4
Industrial pref. (101)	93·2	87·7	97·3	97·1	92·9	82·3	82·4
Ordinary Shares							
Aircraft mfg. (5)	72·4	64·4	57·4	55·9	43·4	28·4	34·5
Building materials (6)	64·2	58·9	49·0	49·2	43·1	33·7	40·5
Gas (8)	97·1	93·1	82·4	82·1	74·9	67·8	65·0
Iron and steel (18)	55·0	52·3	55·8	54·7	44·2	31·6	38·7
Home rails (4)	45·0	38·4	59·9	56·9	34·1	25·9	31·0
Breweries & distilleries (20)	116·5	110·6	103·4	101·9	91·3	72·3	83·8
Miscellaneous (20)	60·7	59·4	59·9	58·1	51·2	40·8	45·0
Yields %							
Fixed Interest							
2½% Consols	3·78	3·92	3·46	3·37	3·45	3·53	3·46
Industrial deb.	4·34	4·54	4·26	4·25	4·35	4·58	4·59
Industrial pref.	4·69	4·95	4·64	4·66	4·87	5·52	5·49
Ordinary Shares							
Aircraft mfg.	9·74	11·03	10·48	10·73	13·81	21·21	17·19
Building materials	7·68	8·16	7·35	9·39	10·80	11·63	9·45
Gas	6·14	6·25	5·79	5·75	6·34	7·09	6·64
Iron and steel	6·68	7·02	6·65	6·72	8·14	11·14	9·04
Home rails	0·36	0·44	5·0	5·21	8·68	11·64	10·44
Breweries and distilleries	5·60	5·87	6·23	6·30	7·05	8·76	7·42
Miscellaneous	4·88	4·97	4·86	5·20	5·99	8·15	7·10

to war conditions, 100 per cent. E.P.T., prospects of increased income tax, and the disposition of directors, having faced these charges, to cover further costs by increased reserve provisions. The equity holder's main hope at present is the anti-social hope of inflation; in this expectation he is being powerfully assisted by the absence of adequate financial policy.

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Are Voluntary Savings Sufficient?

Sir Kingsley Wood told the House of Commons on Tuesday that he had never attempted to disguise the magnitude of the gap between revenue and expenditure. He repeated his excellent Budget precepts that the gap must be filled by new taxation or new savings if inflation is to be avoided; he recognised that production planning must go hand in hand with financial measures; and he emphasised the vital importance of a larger savings effort. These exhortations are unexceptionable. But it is achievement, and not wise words or the passive contemplation of our economic resources, which is required. The existing Budget gap of £2,107 millions is certain to be increased long before the end of the financial year is in sight, and not enough is being saved at present from current incomes to avoid a serious depletion of our free capital reserves. The savings total has reached an impressive absolute figure of £758 millions for the first 36 weeks since last November, and subscriptions to the 2½ per cent. National War Bonds since the lists opened on June 25th now amount to £144.4 millions. There are plain indications, however, from the recent trend of the figures, that much better results are required. To stress that fact is not to belittle the importance of the work which the National Savings Committee is doing. But the figures speak for themselves:—

Week to	(£'000s) Savings Certs.	3% Defence Bonds	2½% National War Bonds
July 2	4,728	6,849	61,000
„ 9	5,364	10,635	30,469
„ 16	4,085	6,355	18,187
„ 23	3,718	5,195	11,850
„ 30	3,266	3,889	10,424
Aug. 6	N.A.	N.A.	12,485

The specially large subscriptions to the National War Bonds when the list opened, assisted by the repayment of some £100 millions of dissented 4½ per cent. Conversion stock on July 1st, have not been maintained, and it is evident that 3 per cent. Defence Bonds have also lost the impetus from that repayment. The small savers' contribution appears to be settling down to a weekly total appreciably below £10 millions, and the large savers' subscriptions to 2½ per cent. National War Bonds to little more than that figure. For the latter issue, admittedly, the exaction of 100 per cent. E.P.T. and uncertainty regarding further tax increases may be preventing a ready response in some cases. After the first burst of enthusiasm, tap issues invariably show a dwindling response which is difficult to correct. But the mere swelling of the figures by the exchange of idle bank deposits or free company reserves does nothing to assist the war effort, nor to reduce the risk of inflation. The test is whether we are saving enough from current income to offset the increasing stream of Government expenditure—not whether we change the form in which past savings are held. And on the basis of the recent figures, voluntary savings of the order of £1,000 millions a year are certainly insufficient.

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Arbitrary Mobilisation of Dollar Stocks

Three weeks ago it was disclosed officially that dollar securities held by bankers on behalf of their clients had been silently gathered in by the authorities, and shipped to Canada. It has now become known, though not officially, that a similar procedure has been adopted for currency securities held by brokers on behalf of their clients. With dubious legality, the authorities have ordered bankers and brokers, whose relations with their clients are of a special fiduciary character, to surrender securities without the knowledge of their owners. There can, of course, be no objection to the requisitioning of stocks by the due process of Treasury Order. But there are serious objections, in principle, to the substitution of this process of law by a technique of official housebreaking. It may have been possible to extenuate compelling the banks to hand over their clients' dollar stocks, on the ground that invasion might be imminent and that safe transfer to Canada came before all other considerations. If so, why allow a fortnight's interval to elapse before applying the same illegal process to brokers? And why allow any private investor who holds such securities in his own safe keeping to retain them? In the latest case, the objections to a high-handed order emanating from the Treasury, and addressed to brokers through the Share and Loan Department, to hand over securities without a requisitioning order appear far to outweigh the disadvantage of publishing the news of a more legal form of mobilisation. Moreover, brokers have been put in an invidious position towards their clients, in which *dictum meum pactum* loses its vital meaning. A vast amount of additional work has been placed on their shoulders, in compiling lists of the securities affected. Some of these, though technically "S. I. B." stocks, have no market outside this country and are included among currency stocks owing to the existence of formal options of payment in other centres. Dealings in such stocks as Japan 5 per cent. 1907 have always been largely confined to London; now no dealings are possible even here. Doubtless such decisions are necessary to prevent avoidance of the exchange control. But there can be no excuse, other than that of administrative laziness, for failing to provide a market in such stocks, and in all currency stocks, as between British residents. Since June 17th, dealings in restricted stocks have been prohibited. The reason, plainly, was to obtain possession of such securities from bankers and brokers. But these securities have not yet been requisitioned; their holders will be given a receipt of title; and there is no valid technical reason why a market in such receipts of title should not be organised. It is unfair that particular investors should be unable to realise their assets in this country. It is also harmful to the Stock Exchange, whose earnings of commission assist, in some measure, our invisible exports. These are sufficient reasons for criticising the action of the authorities, without troubling to examine its legal justification.

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Wasting Assets and E.P.T.

In June, a clause was introduced—and as hastily withdrawn—on the third reading of the Finance Bill, providing for higher E.P.T. allowances for extractive industries, such as mines and oil wells. The clause permitted an increase of up to 4 per cent. in the substitute (capital) standard of such companies, if their profits in the standard period were unduly low. This adjusted substitute standard was intended to cover the special wastage of capital assets as a result of increased wartime production, but it met with considerable opposition from the Labour benches. The new clause in the Finance (No. 2) Bill is more carefully drafted. The Board of Referees may increase the substitute standard by an amount not exceeding 4 per cent., but only to the extent which they deem necessary to allow for the exhaustion of the natural source of minerals or oil at a greater rate than the exhaustion of capital expenditure in other trades. The Board of Referees will consider applications for this special relief only from "any class of trades or businesses" in the extractive industries, though these trades may be sub-divided according to their technical features or on a geographical basis. Since most of the opposition to the withdrawn clause was centred on the supposed benefits of the revised standard for the coal industry, it will be important to know on what basis the Board of Referees may consent to sub-division. If the coal industry has to make an application as a whole, it might have difficulty in persuading the Board that its reserves were being consumed more rapidly than the capital expenditure of other businesses, for the general rule applied under E.P.D. provided that any asset with a potential life of 50 years or more was to be regarded as a perpetuity. A large section of the coal industry would not, therefore, be entitled to any relief, though a minority of companies would benefit from the clause. The difficulty is that any special relief given to the coal industry at large (though, in fact, it might be applicable to a small number of special cases) might attract the same unfavourable comment as the withdrawn clause. Investors will note that the relief, in any event, can only apply to companies which would adopt the substitute standard, owing to their unduly low profits in the standard period. The following table is offered as a rough guide to these possibilities for mining companies operating in this country, though it will be realised that ordinary capital and equity earnings are not the determining factors for E.P.T. purposes:—

	Ordinary Share Earnings, Years ending in 1935	1936	1937
PROFITS STANDARD	%	%	%
Coal Companies—			
Bolsover	15·7	19·3	24·3
Butterley	4·3†	7·7†	10·9†
Glass Houghton	Nil	8·6	18·0
Hilton Main	15·8*	26·3	19·3
New Hucknall	6·8	9·8	9·3
Fife Coal	12·4†	15·7†	22·4†
Base Metals—			
South Crofty	...	6·3	24·9
Weardale Lead	4·3	5·4	13·1

	Ordinary Share Earnings, Years ending in 1935	1936	1937
SUBSTITUTE STANDARD	%	%	%
Coal Companies—			
Amal. Anthracite	Nil	Nil	Nil
Carlton Main	3·5	5·4	5·4
Manchester Coll.	2·9	4·3	5·8
Ocean Coal and Wilson's	Nil	2·0	3·6
Chislet Coll.	Nil	1·2†	1·9†
Base Metals—			
East Pool & Agar	Nil	Nil	Nil
Wheal Reeth	Nil	Nil	Nil

* Computed annual rate. † Tax free.

The relief, if any, which any class of businesses in this list may obtain from the Board of Referees will, of course, only be determined after special hearings. It does not follow that the general relief granted to a class would fully provide for the exhaustion of the deposits of a mine with a life of only a few years.

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Bearer Securities in Enemy Hands

After the lapse of nearly two months, the first list of the numbers of bearer securities which are believed to be under enemy control has been prepared by the Bank of England and published by the Share and Loan Department. The list is extremely lengthy, though it contains no more than twenty-five securities, including one—East Anglian Real Property—which is not recorded in the Stock Exchange Official Year Book. Omission from the list is not a guarantee of immunity from enemy taint, on the absence of which the selling broker is still required to satisfy himself.

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Payment and Expropriation

It is easy to distinguish a doubtful debtor from one who makes a reasonable effort to pay. Hungary falls into the latter category. The extension of the Standstill agreement for a period of three months (described on page 191) is part of a larger scheme of postponement necessitated by difficulties of communication and dwindling foreign exchange resources. Under the 1937 agreement Hungary made a permanent settlement for the service of the League Loan of 1924, and resumed payment at an agreed rate on her other obligations, subject to the proviso that her export trade would not appreciably diminish. These agreed payments have been promptly met during the past three years. But, as a result of present export difficulties, Hungary's free foreign exchange resources have deteriorated. A renewal offer has been made on behalf of the Hungarian authorities for the interest service on certain Hungarian loans governed by the 1937 scheme, which expired on July 31st, covering a period of at least three months. Negotiations regarding the future service of these loans will take place concurrently with negotiations regarding the short-term debt. Hungary's attitude is in sharp contrast to that of Brazil, which specialises in unilaterally arranged debt schemes. Brazilian bonds have recently improved on the commodity financing scheme discussed at the Havana conference. But the market appears to have turned a blind eye to the latest arbitrary act of the Brazilian Government in nationalising the Brazilian assets of the Brazilian Railway Company. The decree provides for the taking of inventories, after which the Minister of Finance is authorised to negotiate "amicable liquidation of amounts recognised as legally payable." Such arbitrary treatment of foreign rights does not enhance the Brazilian Government's already weakened credit.

Company Notes

Watney, Combe Reid Report

The rise in Watney, Combe Reid's trading profits provides another indication of generally favourable brewery earnings last year. Trading profit, at £2,067,034, against £1,961,155, reached the highest level since 1930-31. Although income from rents and dividends, at £482,256, showed a further fall, total income amounted to £2,549,290 and exceeded the level of the two previous years. Net equity earnings, at £843,771, are, however, £49,761 lower than in the previous year, and the directors have decided to reduce the cash bonus by 1 per cent., making the total distribution 17, against 18 per cent. The company's current expenses showed a substantial increase from £825,712 to £947,211, which was not compensated by the fall in fees and repairs. The rate of earnings, at 32.2 against 31.9 per cent., is, however, slightly higher. After placing £300,000 to property improvement reserve (against £325,000) the carry-forward shows a slight rise. The accompanying table analyses the company's profits over the past three years:—

	Years to June 30, 1938	1939	1940
	£	£	£
Trading profit	1,978,985	1,961,155	2,067,034
Rents, dividends, etc.	535,963	530,258	482,256
Total profits	2,514,948	2,491,413	2,549,290
Trade and office expenses, etc.	799,188	825,712	947,211
Fees, licence duties and deposit interest	75,246	77,100	75,282
Repairs and depreciation	291,756	238,095	230,617
Debenture interest	249,875	245,310	240,746
Pref. and pref. ord. dividends	211,663	211,663	211,663
Deferred ordinary stock:—			
Earned	*887,219*	*893,532*	*843,771*
Paid	573,374	573,374	541,520
Earned %	*31·6*	*31·9*	*32·2*
Paid %†	18	18	17
To property improvement reserve	325,000	325,000	300,000
Carried forward	314,430	309,588	311,838

† Including a cash bonus of 3 per cent. in 1938 and 1939 and of 2 per cent. in 1940.

Movements in the balance sheet indicate that the company has taken steps to prepare for war contingencies. "Agencies and stores" have risen from £301,600 to £412,505, while stocks of beer and malt, etc., are £263,319 higher at £649,503. Cash holdings are also higher at £361,897, against £230,798. On the liabilities side, the only notable change is a rise in creditors from £1,177,482 to £1,400,049. The general reserve remains at £1,000,000. It would be optimistic to expect that

ROYAL INSURANCE COMPANY LIMITED
FOR ALL INSURANCE NEEDS
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LIVERPOOL North John St. LONDON Lombard St.

the company will be able to maintain last year's level of earnings against higher direct taxation and rising costs, *plus* the effect of higher beer duty on consumption, and the decision to reduce the ordinary dividend was undoubtedly wise. The company, however, is in a strong position to meet more adverse conditions. The £1 deferred ordinary shares, at 44s. 9d. ex dividend, offer the relatively generous yield of £7 12s. per cent.

* * *

Tootal Broadhurst Lee

The 1939-40 profits of this specialist in branded cotton goods are very satisfactory. After allowing for general charges, fees and depreciation, the trading profit of Tootal Broadhurst Lee shows a further increase for the year to June 30, 1940, to £304,429, against £290,256 in the previous year and £257,301 in 1937-38. Taxation provision has been raised from £95,000 to £145,000, and consequently equity earnings are £33,421 lower at £145,237, representing a rate of 16.9 per cent. The company is maintaining the 10 per cent. dividend plus 2½ per cent. cash bonus, which has been paid since 1936-37. The allocation to reserve is raised from £60,000 to £65,000, but the carry-forward, at £99,634, shows a slight fall. The company's profits for the last three years are analysed below:—

	Years to June 30, 1938	1939	1940
	£	£	£
Trading profit†	257,301	290,256	304,429
Taxation	85,000	95,000	145,000
Interest	1,978	2,098	2,192
Preference dividend	14,750	14,500	12,000
Ordinary and employees' shares:—			
Earned	*155,573*	*178,658*	*145,237*
Paid	78,648	79,587	63,668
Earned %‡	*16·4*	*18·7*	*16·9*
Paid %*	12½	12½	12½
Staff bonus	40,000	40,000	40,000
To reserve	25,000	60,000	65,000
Carried forward	123,994	123,065	99,634

† After deducting general charges, fees, depreciation, etc.
‡ After allowing for employees' rights under bonus scheme.
* Including 2½ per cent. cash bonus.

Increased activity is reflected in the rise in stocks from £981,125 to £1,174,775, and cash holdings have advanced from £455,595 to £644,293. "Other investments," however, have fallen strikingly from £204,700 to £4,935. On the other side of the balance sheet, creditors at £971,909 are up by £193,269. The company has emerged from its first war year with a strong capital position and increased income. In view of the cuts in production for the home market and of the incidence of the purchase tax, Tootal Broadhurst Lee have a particular advantage in their American subsidiary, for markets in the New World may offer better prospects for textile companies during the current year. The company's £1 ordinary shares at 41s. 10½d. yield £5 19s. 5d. per cent.

* * *

Furness Withy's Higher Profits

In a year which includes eight months of war, the Furness Withy report for the twelve months to April 30, 1940, shows a remarkable increase in profit, after taxation, from £505,121 to £618,651. In part, this may be due to the inclusion of dividends from subsidiaries in respect of earlier trading periods. Revenue is only £2,030 lower than the level of 1937-38, which set up the record for the past decade. In addition to placing £300,000 to depreciation, as in the previous year, the company has allocated £100,000 to fleet replacement account. Thus, equity earnings at £173,651, against £150,746 are just sufficient to cover the increase in the dividend from 4 to 5 per cent, which absorbs £172,500. Since the outbreak of war, all vessels have been requisitioned by the Government. The balance sheet shows little change. Reserves stand, as before, at £1,500,000. Creditors have risen substantially from £1,838,975 to £2,079,821, as have "debtors, including current accounts of vessels," from £912,714 to £1,338,716. In the absence of a consolidated statement, however, it is impossible to interpret these changes with any accuracy. Meanwhile, the directors have recognised the post-war problem of fleet replacement by the special provision. The shipping agreement published this week will provide an adequate income during the war period, though it does not face up to post-war problems. The yield of £6 19s. 2d. per cent. on the £1 ordinary stock at 14s. 4½d. is not unduly high in these circumstances.

* * *

Outlook for Cotton Companies

Relatively favourable conditions have prevailed for textile companies during the past year. In certain cases, among which Crosses and Winkworth and Tootal Broadhurst Lee are outstanding examples, earnings (supported by a considerable increase in Government contracts) have been highly satisfactory. The prospects of the industry in the immediate future are, however, less encouraging. From October 1st deliveries to domestic retailers are to be curtailed to 25 per cent., as against the existing 75 per cent., of the pre-war level, though it is conceivable that the Order may be modified. Moreover, a decline in civilian consumption is at present causing retailers' stocks to accumulate. The Order was partly designed to free capacity for the supply of the French market, thought to be cut off from the Lille textile district, but in view of the total disappearance, in recent weeks, of export markets in Italy, France and the rest of the Continent, the industry is faced with the prospect of short time. Since it is estimated that not more than one-seventh of total capacity is at present occupied on Government contracts, the 48-hour week and annual holidays have been re-introduced. Clearly, the best hope for textile companies lies in the exploitation of such overseas markets as remain, in particular the Empire, South America and in the United States. In South America, the general fall in purchasing power and the diversion of South American exports to the United States may handicap the prospects of fruitful trade. In the Argentine, the United States has made considerable progress in sales of the coarser counts of cotton yarns since the outbreak of war. European competition has, however, almost completely disappeared and imports from Japan are restricted. Meanwhile, British Overseas Cotton, Limited, a private company with a nominal capital of £100, has been formed to co-operate with the Cotton Board in fostering the export trade. It is expected that revenue amounting to between £200,000 and £300,000 per annum will be derived from the imposition, from August 1st, of a further levy of 5d. per 100 lb. on raw cotton. The company is to experiment in the production of special counts for export to particular markets. There is every prospect that Government claims on the capacity of the textile industry will increase as the war progresses. Meanwhile, the present slackening in home demand for Lancashire products, coupled with the low price of raw cotton, offers an opportunity of regaining, in some measure, the export predominance which the industry lost in the last war. But it marks another phase of hesitancy in the textile share market.

* * *

Olympia's Losses

War conditions had a disastrous effect on the earnings of Olympia, Ltd., during 1939. Net revenue totalled only £2,181, against £94,121 in 1938 and a normal peacetime level of some £150,000. After meeting taxation and £36,200 towards arrears of debenture and mortgage interest, the company shows a net loss of £43,492, including a net loss of £26,036 by the subsidiary, Exhibition Promoters (Olympia). These figures are hardly unexpected, for the company was forced to default on the sinking fund instalment due last October and on the debenture interest due in December. This sudden collapse of the company's revenue—following two uncomfortable peacetime years—is due to the complete cessation of exhibition business. The property was taken over by the Government at the outbreak of war, stood empty between the end of October, 1939, and January 10, 1940, and was then again taken over. The immediate needs of the company for a moratorium and for the provision of working capital to meet such inescapable charges as rates and taxation have been met by agreement with a committee of debenture holders, who have sanctioned a priority bank loan not exceeding £100,000. Borrowing on this account at August 1, 1940, totalled only £25,000, owing to the repayment of part of the balance from sales of property. There can be no hope of recovery in Olympia earnings until the building can again be used for exhibitions. Moreover, the end of the war will find the company heavily indebted, unless it succeeds in reaching a fair compensation arrangement with the authorities. The report, however, makes no reference to any negotiations. The 7 per cent. £1 preference shares, which in happier times commanded a premium, now stand at 2s.

A MESSAGE TO *Leaders of Business and Finance*

THE OWNERSHIP OR CONTROL of money is at all times a grave responsibility. In this war it is a responsibility of deeper significance. It is the imperative duty of us all to place our available money at the disposal of the State in the form in which the Government needs it and at the time when it is required. To withhold it is to weaken the Country's financial fabric and thus to prolong the war. If you have money in your possession or within your control, release it. Lend it now by subscribing to National War Bonds. This is the form in which the country needs the help of its Leaders of Business and Finance—and needs it today.

2½% National War Bonds

(1945-47)

A full Trustee Security — Price of issue £100 per cent — Subscriptions of £100 or multiples of £100 will be received until further notice—Interest accrues from date of purchase—Prospectus and application forms obtainable from Banks or Stockbrokers.

Issued by The National Savings Committee, London

THE STOCK EXCHANGES

London

Note: all dealings are for cash

DEALINGS have been on a small scale in all sections during the past week. A cheerful undertone, which at first predominated in the gilt-edged and industrial markets, gave way later to general weakness. The rubber market enjoyed good business for a few days on improved prospects for the industry. Mining markets were particularly influenced by news of the Italian invasion of British Somaliland. Base metals and tea shares stagnated and business in oil issues was very restricted.

★

On Monday, business was restricted in the *gilt-edged* market by a holiday atmosphere, but prices were firm and demand good. Old Consols gained ⅜, and gains of ⅛ were general. Trading became increasingly dull during the week, when the market was depressed by Italian activities in Africa. In mid-week losses were experienced by most leading issues. All long-term stocks declined by ⅜, while 4 per cent. Consols and both 2½ and 3 per cent. Conversion fell by ¼. In the *foreign bond* market, Brazilian issues continued to attract support, but Argentine and Chilean bonds came on offer. Japanese issues were weak on Monday, but subsequently appreciated on the relaxation of diplomatic tension.

★

The *home rail market* opened dull. On Monday, no price change was recorded. Later, fractional losses were experienced. Ordinary shares were relatively well supported, but Great Western ordinary lost ¾ and Southern preferred one point in mid-week, when London Transport also declined by 1 point. On Monday, Central Argentine issues lost ground after reports of poor traffic prospects.

★

Business in the *industrial* market was also on a small scale, and prices moved irregularly. Gains in the tobacco group early in the week were not maintained, and on Wednesday all leading issues dropped fractionally. "Bats" and "Imps" losing ⅛ and Carreras and Gallaghers losing 1/16. Breweries were dull, though on Tuesday Watney gained 9d. on the report. With prospects of declining retail sales and the purchase tax, the stores section gave way; Woolworth, Marks and Spencer and Harrods were all weak. In the iron and steel group, general gains at the beginning of the week were later reversed on profit taking from the provinces. Tube Investments, however, continued to attract support. Shipping shares received attention on Wednesday after publication of the financial scheme. In the textile section, J. and P. Coats and Lancashire Cotton gained a few pence.

★

Mining markets showed themselves particularly sensitive to news of the invasion of British Somaliland. Though dealers appeared satisfied with the July returns, *Kaffirs* were subjected to small selling during the week. Sub Nigel, Crown Mines, Grootvlei and City Deep were among leading companies which incurred fractional losses. The turnover in *copper* and *tin* shares remained restricted, but, in the *diamond* market, De Beers preference rose by ⅛ on Tuesday.

★

Increased activity in *rubber shares* was maintained on Monday and Tuesday, and small gains were recorded for a number of companies. In mid-week, trading was quieter and Anglo-Dutch, Rubber Trust and Allied Sumatra lost ground. The *oil* market was quiet and turnover small. "Shell," Burmah Oil and Anglo-Iranian lost ground. On Tuesday, Tankers Preference fell 1s. 3d. on the report.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices 30 Ord. shares*	20 Fixed Int.†
Aug. 2 ...	3,308	*4,350*	60·1	120·3
„ 5 ...	2,709	*4,350*	60·4	120·3
„ 6 ...	1,887	*4,705*	60·5	120·3
„ 7 ...	2,530(*c*)	*4,125*	59·8	120·2
„ 8 ...	2,313(*c*)	*4,460*	59·6	120·1

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26). (*c*) Excluding stop press bargains.

New York

DEALINGS on Wall Street have stagnated throughout the week. A small amount of nervous selling was evident on Tuesday following rumours that the attack on Great Britain had reached the last stages of preparation. In the absence of a clarification of the international situation and of the future of taxation in the United States, turnover was extremely restricted and most prices were weak. Motor, steel and aircraft issues generally came on offer in a small way. The motor section reflected disappointment with the General Motors dividend. The outlook for the retail trade was considered favourable, and retail shares were supported. The *Iron Age* estimated the level of steel mill activity at 91 per cent. of capacity against 90.5 per cent. a week ago.

New York Prices

Total share dealings:—Aug. 1, 330,000; Aug. 2, 300,000; Aug. 3, 120,000; Aug. 5, 280,000; Aug. 6, 290,000; Aug. 7, 240,000.

	Close July 31, 1940	Close Aug. 7, 1940		Close July 31, 1940	Close Aug. 7, 1940
1. Railroads			Celanese of A.	29⅞	29[illegible]
Balt. & Ohio..	3⅞	3½	Chrysler	73⅛	72⅞
Gt. Nthn. Pf..	23¾	22¾	Curt. Wr."A"	24⅝	23[illegible]
Illinois Cent.	7½	7¼	Eastman Kdk.	122	124
N.Y. Cent.....	12¼	11⅝	Gen. Elec. ...	33⅝	33¾
Northern Pac.	6¼	6	Gen. Motors..	45¼	45¼
Pennsyl. Rl....	20¼	19½	Glidden.....	12	12
Southern	11½	11⅛	Inland Steel .	82¼	83
2. Utilities, etc.			Int. Harvest .	45½	43
Amer. Tel.....	162	161⅜	Int. Nickel ...	23⅝	23¼
Amer. W'wks.	8⅞	8⅞	Liggett Myers	96	96[illegible]
Pac. Light.....	38½	38	Nat. Dairy ...	14⅛	13½
Pub. Sv. N.J.	36½	36	Nat. Distillers	20¾	20⅝
Sthn. Cal. Ed.	27½	26⅝	Nat. Steel	59¾	58½
United Gas ..	11⅞	11⅞	Proct. Gamble	64⅛	64[illegible]
3. Commercial and Industrial			Sears Roebck.	76	75[illegible]
Amer. Metal..	15	14¼	Shell Union...	8½	8¼
Am. Roll. Ml.	11	10½	Socony Vac. .	8½	8⅝
Am. Smelting	38¾	35⅛	Stan. Oil N.J.	33⅝	33
Anaconda	20⅝	19⅝	20th Cen. Fox	6	5⅞
Briggs	18¾	18½	U.S. Steel	53¾	52⅝
			West'hse El...	98	98[illegible]
			Woolworth....	33¼	33¾
			Yngstn. Sheet	32⅝	31¼

DAILY AVERAGE 50 COMMON STOCKS

Aug. 1	Aug. 2	Aug. 3	Aug. 5	Aug. 6	Aug. 7
97·9	97·8	98·1	98·1	97·0	97·0

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

STANDARD STATISTICS INDICES
(1926 = 100)
WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	July 24, 1940	July 31, 1940	Aug. 7, 1940
347 Ind'ls ...	80·9	111·4	87·0	90·1	89·2
32 Rails	20·7*a*	30·7	24·3	25·2	24·8
40 Utilities ..	71·2*a*	89·4	79·7	81·4	80·8
419 Stocks ...	69·9	94·8	75·8	78·3	77·6
Av. yield* ...	6·61% High	4·30% Low	6·15%	5·87%	5·99%

* 50 Common Stocks. *a* May 22nd.

Capital Issues

Week ending August 10, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	Nil	...	Nil
Nat. Savings Certs.†	3,265,562	...	3,265,562
3% Defence Bonds†	3,889,475	...	3,889,475
2½% Nat. War Bonds‡	12,185,285	...	12,185,285

† Week to July 30, 1940. ‡ Week to August 6, making total since June 25th £144,116,360.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis) ...	1,027,097,768	674,142,635
1939 (New Basis) ...	*103,241,668*	*80,791,022*
1940 (Old Basis) ...	1,012,123,361	659,368,228
1939 (Old Basis) ...	*70,206,941*	*48,776,802*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	673,379,623	763,012	Nil
1939 (New Basis)	*53,741,435*	*24,869,148*	*2,181,004*
1940 (Old Basis)	659,225,772	142,456	Nil
1939 (Old Basis)	*32,616,771*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord £
1940 (New Basis)	658,988,417	1,355,005	13,799,213
1939 (New Basis)	*43,142,145*	*6,212,637*	*31,460,803*
1940 (Old Basis)	658,081,596	77,500	1,209,132
1939 (Old Basis)	*36,183,921*	*2,688,459*	*10,004,482*

"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

Company Results of the Week.—Brewery reports published this week continue to show a general improvement in gross profits. A rise in the gross earnings of TAMPLIN AND SONS from £365,846 to £377,676 is, however, accompanied by a decline in net profits from £59,875 to £55,710, due to an increase in the taxation provision from £25,794 to £45,268. The dividend is lowered from 10 to 8 per cent. The FRIARY HOLROYD dividend is maintained at 13 per cent. despite a slight decline in net income from £138,140 to £133,937. Gross profits were substantially higher at £328,715 against £283,755. Total incomes of rubber companies continue to show a characteristic improvement. TELOGOREDJO UNITED net earnings, at £18,635, are nearly double those of the preceding year. The dividend is, however, maintained at 2½ per cent. The TRAVANCORE dividend is also maintained at last year's level of 8 per cent., although higher taxation is responsible for a small decline in net profits from £7,478 to £6,283. TANKERS, LTD., experienced a fall in gross income from £33,456 to £22,045. The substitution of a net loss of £183 for a net profit of £23,375 is due to the special expenditure of £7,614 on fleet reconditioning, and to a loss on the sale of a vessel amounting to £4,095. As in the previous year, no dividend is to be paid. FODENS, LTD., manufacturers of steam and diesel engines, pay a 7½ per cent. dividend as before. Gross profits rose sharply from £56,154 to £136,261, but an increase in taxation from £1,186 to £91,491 occasioned a decline in net earnings from £54,968 to £44,770.

Commercial Bank of Australia.—Net profits year to June 30, 1940, £264,157 (£262,910). Dividend, 7½ per cent., as before. Bank premises written down by £35,000 (£30,000). Carry forward, £118,706 (£115,910).

Commercial Banking of Sydney.—Net profit, year to June 30, 1940, £389,492 (£365,975). Ordinary dividend again 7½ per cent. Premises account, £35,000 (£35,000). Carry forward, £128,265 (£118,476). Deposits, £55,457,470 (£53,713,813). Bills and debtors, £40,488,340 (£42,114,245).

Industry and Trade

Increase in Unemployment

Between June 17th and July 15th the number of registered unemployed in Great Britain rose by 68,000 to 835,000. A slight seasonal increase in unemployment usually takes place in July in times of peace; but, as our index of unemployment on page 199 shows, the increase last month was bigger than usual. There are two specific explanations for the deterioration in individual industries. First, the entry of Italy into the war and the collapse of France, in June, have led to an abrupt cessation of exports to these countries. This is reflected in the sharp rise of unemployment in coal-mining, shown in the accompanying table. Secondly, production for the home market has been curtailed in a number of consumption goods industries, such as clothing, furniture and carpet manufacture. It is inevitable that more and more people should be thrown out of work in non-essential industries. But they must be absorbed into training or into war work as quickly as they fall out. There is no excuse for the increase in total unemployment at a time when the country is threatened with invasion and when every available pair of hands and every brain is urgently needed for the production of munitions and for the defence of the country. The tempo of the munitions drive must be increased, not by lengthening hours of work but by the speedy training and absorption of all the available labour. Nothing would be more dangerous during the present lull in military operations than a relapse into lethargy.

CHANGES IN UNEMPLOYMENT BETWEEN JUNE 17TH AND JULY 15TH
(Industries chiefly affected)

Decreases			
Building	6,300	Dressmaking, millinery	8,100
Distributive trades	5,200	Footwear	5,400
Public works contracting	3,900	Hosiery	4,900
		Cotton	3,200
		Furniture, upholstery ...	3,100
Increases		Shirts, collars, underwear	2,700
Coal-mining	25,900	Carpets	2,500
Tailoring	9,100	Leather tanning, dressing	2,500

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Recession in the Cotton Trade

The figures in the table below, which give a fair indication of the consumption of raw cotton during June and July, reveal a distinct falling off in manufacturing activity since the middle of June:—

RAW COTTON DELIVERED TO SPINNERS
(Thousand Bales)

June 7	65·7	July 5	69·9
„ 14	85·1	„ 12	66·6
„ 21	78·8	„ 19	55·2
„ 28	77·2	„ 26	58·5
		Aug. 1	60·8

This coincided with an increase of 3,200 in the numbers unemployed in the cotton industry between June 17th and July 15th, and suggests that the loss of so many of our European markets during the spring, and the restriction of domestic sales of cotton goods to 75 per cent. of those of last year, were beginning to make themselves felt. Happily indications are not wanting that Japan, one of our principal competitors, has her own difficulties to meet. There are several openings for increases in our cotton exports which must be seized, and seized at once.

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The Egyptian Cotton Crop

The British Government has responded to the representations of the Egyptian Government by undertaking to purchase before next April as much of the 1940 cotton crop as may be offered to it, and all commercial cotton seed. A commission, to which Egypt will nominate a representative, is to be set up for this purpose and the prices agreed upon are: $14.25 per kantar for f.g.f. Ashmouni; $15.25 for f.g.f. Giza; cotton seed at 65 piastres per ardeb franco warehouse Alexandria. The Government will bear any net loss that may accrue, but will share any net profits with the Egyptian Government, on the understanding that such profits will be used for the relief of cultivators according to a plan to be agreed on between the two Governments. Lancashire, especially the Bolton district, welcomes this announcement as it secures supplies of raw material for many months to come. The phrase "as much as may be offered to it" seems, however, to leave some uncertainty as to whether this sense of security is really justified.

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The Diamond Industry

But for the control exercised by the selling organisation of the mining companies, the diamond trade would at present offer the paradoxical spectacle of a boom in the finished product coupled with a slump in the raw material. Belgium and Holland, as the centre of the diamond industry, constituted the world's chief market for rough diamonds, and with their occupation by Germany a large part of the demand for rough diamonds was extinguished. That this did not lead to a corresponding fall in prices was due to the control exercised by the syndicate, which regulates strictly the flow of rough diamonds to the market. At the same time there has been an increase, estimated at 50 per cent. since the beginning of May, in the price of polished diamonds. Stocks are very small, and though it is no longer legal for people leaving this country to use precious stones as a means of evading the restrictions on the export of currency, there is still a demand for them as a means of investment. Prices of polished diamonds are likely, therefore, to remain high. Attempts are being made to enlarge the cutting and polishing industry in Great Britain. In the polishing of diamonds for ornamental purposes, however, labour costs play a very important part, and the advantage of Antwerp over other centres was due to the availability of a large force of highly skilled cutters and polishers ready to work for about 25s. a week. Even if it were possible to train an adequate supply of British labour, it would scarcely be possible to expect it to accept even double that wage. In any case, it would be difficult to train the necessary workers, with a nucleus of only a few hundred refugees from the Dutch and Belgian industries, and with

The United Kingdom Fire and Accident Insurance Co., Ltd.

The United Kingdom Fire and Accident Insurance Company Limited has been registered to take over the business of the Dominion of Canada General Insurance Company hitherto done in the United Kingdom. The Dominion of Canada General Insurance Company will cease to do business in the United Kingdom, and the whole of its existing Fire, Accident, Employers' Liability, Motor and General business will, subject to the approval of the Courts, be transferred to the new Company.

The Capital of the United Kingdom Fire and Accident Insurance Company Limited is being subscribed by the United Kingdom Provident Institution.

The Directors of the new Company are the Rt. Hon. Isaac Foot, P.C., *Chairman*, Mr. Frank H. Elliot, J.P., Mr. P. G. Leveritt and Mr. K. H. Ritchie, all of whom are associated as Directors and Officials with the United Kingdom Provident Institution. There is, therefore, the closest association between the two Offices, which are now able to offer, between them, almost every class of cover except Marine. The United Kingdom Fire and Accident Insurance Company Limited will operate under the general management of Mr. Nelson Baldwin who, in recent years, has been responsible for the conduct of the British business of the

Dominion of Canada General Insurance Company.

The Offices of the new Company will be at

195, Strand, London, W.C.2.

the munitions industries exercising a paramount claim on all potential trainees suitable for their purposes. Since, however, labour costs in the cutting and polishing industries in the United States are even higher than here, the project does seem to offer a chance of swelling the stream of exports to the United States upon which our war effort so greatly depends. If it were merely a question of supplying diamonds to the home market to meet the demands of investors who ought to be buying war loan, the establishment of such an industry would be contrary to public policy. If it is possible to train workers unsuitable for the munitions industries into valuable workers for the American market, then it should be encouraged. In contrast to the reduction in the new supply of polished stones, there will be no shortage of industrial diamonds which require little treatment but are vital to the munition factories.

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Retail Trade

The value of retail turnover, as revealed by the statistics compiled by the Bank of England, continues above last year's level in Great Britain as a whole. In February-June—the first five months of the current retail year—the average daily value of sales was 5.2 per cent. higher than during the corresponding period last year. Sales of food and perishable articles are up by 5.4 per cent. and those of other goods by 4.9 per cent. In June, however, the average daily value of sales was only 2.0 per cent. higher than a year ago; sales of foodstuffs showed an increase of 5.1 per cent., but those of other goods were actually 1.7 per cent. smaller than in June, 1939. In Central and West End London, exceptionally, the value of sales has shown a marked decline; in February-June sales were 20.1 per cent. smaller than a year ago, and in June they showed a drop of no less than 38.4 per cent. The maintenance of the value of sales suggests that, except in London and certain smaller areas, the retail industry has as yet suffered little from the war, for from its point of view it is the value rather than the volume of the turnover that matters. And this fact is no doubt partly responsible for the slowness with which the industry is releasing labour for absorption into more essential occupations. The volume, as distinct from the value, of retail trade has, of course, shown a downward trend. The volume of food sales in the first six months of this year (calculated by adjusting the Bank of England's returns for changes in the official cost of living index) was 11 per cent. lower than during the corresponding period a year ago, though it should be noted that it was still 11½ per cent. higher than in the depression year of 1932. Non-food sales have probably fallen more sharply in volume, but they are still appreciably above the minimum necessary to ensure the health and well-being of the population.

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The New Doomsday

The nationwide survey of farms which is now being undertaken by voluntary officers of the County Agricultural Committees is a most valuable piece of national service. It should result in an upgrading of most of those half-worked, half-stocked and weed-infested farms which, although few in number, are sometimes very conspicuous in the landscape and which are in wartime a waste of potential production. The powers of the Committees to eject bad farmers are also a welcome innovation, since, in spite of the bad husbandry clauses of the land tenure Acts, it has in the past been impossible to remove inefficient tenants. But in one respect this survey of agriculture's productive capacity has been unnecessarily handicapped by politics. There is no doubt that much of the bad farming of recent years has been due, not entirely to lack of knowledge or initiative, but also to lack of financial reserves which has led to progressive understaffing. The sudden imposition of a national minimum wage of 48s. per week—a rise of 10s. to 12s. in some counties, has had the primary effect of depleting still further the cash reserves of farmers who employ hired labour and of making it still more difficult for farms on the borderline of understaffing to engage an additional man. Farmers judge, probably correctly, that the Ministry of Food cannot allow a direct rise in food prices sufficient to meet their increased labour costs, and profits dependent on further Treasury grants are an inadequate incentive to induce farmers to replace lost workers. Mr Bevin's heroic remedy for the flight from the land—a wage high enough to tempt men back from competitive jobs—has killed the willingness and reduced the ability of farmers to employ the labour so paraded. Since the minimum wage is politically irrevocable, the remedy seems to lie partly in an extension of contract work—ploughing, harvesting, root lifting and vegetable picking—either by private firms or under the ægis of the Agricultural Committees, and partly in the employment of more machines — tractors, milking machines, potato diggers and the like. But these remedies will be slow to act, and it is probable that this year's food production will be limited more by the arbitrary increase in labour costs than by an actual shortage of labour.

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Suez Canal Shipping

The publication of the Suez Canal Returns for 1939 has something of the nature of an obituary notice, since the Suez Canal as a shipping route is, for the time being, dead. How much more nearly this touches Great Britain than any other country is shown by the following table of vessels passing through the Canal:—

TONNAGE BY FLAGS

Flag	No. of Vessels	Per cent. of Total	Net Tonnage (000's)	Per cent. of Total
British	2,627	49·78	15,209	51·43
Italian	884	16·75	4,267	14·43
Dutch	411	7·79	2,446	8·27
German	326	6·18	2,065	6·98
French	235	4·45	1,613	5·45
Norwegian	246	4·66	1,285	4·34
Greek	149	2·82	548	1·86
Japanese	79	1·50	544	1·84
Danish	93	1·76	486	1·64
American	70	1·32	447	1·51
Others	157	2·99	663	2·25
Total	5,277	100	29,573	100

About half the shipping which passed through the Suez Canal last year was British. What proportion this formed of total British shipping traffic is difficult to ascertain, but some idea of the relationship may be formed from the fact that the average net tonnage of vessels with cargo entered and cleared at British ports during the years 1936-38 was 74 millions. The Suez Canal figures include vessels in ballast and British vessels trading between foreign countries; but even allowing for this, their proportion of the British total must be substantial. The deflection of this shipping to roundabout routes amounts in effect to a considerable reduction in our carrying power, since the number of journeys each ship can make in a given period is very much reduced. There is, however, some small compensation to be found in the fact that the next largest user of the Canal was an enemy country, and that the closing of this route is a great embarrassment to Italy in her attempt to maintain supplies to Abyssinia.

COMMODITY AND INDUSTRY NEWS

THE coal industry is experiencing a fairly heavy inland demand, and in some districts where holidays had interrupted production supplies were inadequate to meet it. Export business is extremely limited; there have been some orders from the Peninsula and South America, and it was reported that South Wales was negotiating some large business with Spanish customers. The condition of the iron and steel industry is still governed by the supply of raw materials. A survey of all public and privately owned potential scrap iron is to be made with a view to utilising any that is now being put to unessential uses.

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Cotton (Manchester).—The cotton trade is waiting to hear from the Cotton Controller and the Ministry of Shipping how much freight space will be available for American cotton from September. Deliveries to spinners have recently been far greater than shipments from the United States, and stocks in this country have been reduced. The Government's purchase of the Egyptian crop has been welcomed in Lancashire, where large quantities are being used for aircraft and balloon fabrics. Supplies are thus adequate for 12 months, provided the difficulty of shipping them through the Mediterranean can be overcome. There has been very little improvement in either export or home trade during the week.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended July 26, 1940	Week ended Aug. 2, 1940	From Aug. 1 to Aug. 4, 1939	From Aug. 1 to Aug. 2, 1940
American	26·6	31·0	10	5
Brazilian	10·4	9·8	5	1
Peruvian, etc.	4·1	3·3	3	1
Egyptian	4·5	4·6	3	1
Sudan Sakel	0·8	0·9	2	...
East Indian	7·3	6·8	3	1
Other countries	4·8	4·4	3	1
Total	58·5	60·8	29	10

Source: *Liverpool Cotton Association's Weekly Circular.*

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Metals. — The prices of antimony and quicksilver showed a sharp fall on the week, but other non-ferrous metals were unchanged. Zinc production in America was 52,000 tons in July, against 49,200 tons in June. Deliveries were 57,700 tons, against 53,500 tons, and stocks fell from 70,700 tons at the end of June to 59,100 tons a month later.

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Tin.—The visible supply of tin is reported to have increased by 5,112 tons during the month to 32,530 tons at the end of July. Stocks in the United Kingdom amounted to 2,313 tons, against 2,211 tons at the end of June. Buyers showed little interest in the market during the week, and both American and British prices are lower.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
June 22	61·69	66·70
,, 29	64·09	67·64
July 6	70·93	65·73
,, 13	71·52	60·31
,, 20	70·22	62·55
,, 27	72·98	57·82

★

Grains.—Revised prices for home-grown wheat were prescribed by the Wheat (Prices) Order, which came into force on August 1st. Growers are now to be paid 14s. 6d. per cwt. for home-grown millable wheat; this is the same as the new "standard price" prescribed under the Wheat Acts. No deficiency payments will be made for the year 1940-41. The Ministry of Food has arranged to purchase 100 million bushels of Canadian wheat during the 12 months beginning August 1, 1940.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended July 27, 1940	Week ended Aug. 3, 1940	From Aug. 1 to Aug. 5, 1939a	From Aug. 1 to Aug. 3, 1940b
N. America	494	428	30,626	26,765
Argentine, Uruguay	418	449	15,032	22,158
Australia	...*	...*	12,522	4,546†
Russia	...	...	4,624	114
Danube and district	56	26	9,914	10,564
Other countries	...	...	2,389	345
Total	968	903	75,107	64,492

* Unobtainable. † Shipments up to February 29, 1940. (a) 52 weeks. (b) 53 weeks.
Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended July 27, 1940	Week ended Aug. 3, 1940	From Apr. 1 to Aug. 5, 1939	From Apr. 1 to Aug. 3, 1940
Argentina	124	105	7,813	4,341
Atlantic America	165	78	423	893
Danube Region	46	18	998	648
S. & E. Africa	...*	...*	893	705†
Indo-China, etc.	...	...	552	91
Total	335	201	10,679	6,678

* Not received. † Incomplete since June 8th.
Source: *The Corn Trade News*

★

Oils and Oilseeds.—Under the revised schedule of vegetable oils and feeding stuffs prices the principal oils remain unchanged, but some acid oils have been reduced and most feeding stuffs advanced. The new linseed crop is now being shipped from India, but Plate exports have ceased. Exports from Argentina during the first seven months of 1940 were 711,000 tons, against 981,300 tons during the corresponding period of 1939. The Government is introducing a national scheme to produce 1,000,000 tons of silage this autumn and so save 170,000 tons of oilcakes.

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Rubber.—In the first six months of this year exports from producing countries amounted to 672,231 tons, against 430,656 tons in 1939. Almost all the increase was from quota countries. World consumption in the same period totalled 559,083 tons, against 537,141 tons in 1939. The American Rubber Reserve Company is reported to have bought 11,000 tons of rubber for stock.

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Export Groups.—The formation of the following export groups has been announced:—

Aluminium Foil.
Brewing and Mineral Water Machinery and Allied Plant.
Bulb Growers.
Chest.
Dyestuffs.
Electricity Meter Manufacturers.
Furniture.
Hat.
Jute.
Ladies' and Children's Light Clothing.

Export Groups—*Cont.*:—

Malleable Castings.
Paper Converting.
Patent Glazing Bar.
Printers.
Sewage Disposal Machinery.
Spring Makers (Upholstery and Bedding).
Steel Castings.
Steel Wire Rope.

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

	Average Daily Sales 1940 Apr.	May	June	Stocks (at cost) end June
(a) By Commodities				
Non-Food Merchandise:—	%	%	%	%
Piece-goods	+38·5	+ 7·7	−26·0	+57·1
Women's wear	+ 1·7	+ 0·8	−10·3	+40·5
Men's and boys' wear	+ 4·0	− 1·9	− 4·9	+30·7
Boots and shoes	+ 2·1	+11·1	+ 9·5	+16·6
Furnishing departments	+ 0·8	− 7·7	−14·6	+33·6
Hardware	+ 3·7	− 2·9	−10·9	+27·2
Fancy departments	− 3·1	+ 8·0	+11·6	+47·6
Sports and travel	−13·5	−13·0	− 9·1	+36·9
Miscellaneous	+ 6·6	+14·0	+27·0	+52·7
Total — Non-Food Merchandise	+ 3·4	+ 2·9	− 1·7	+36·8
Food & Perishables	+ 1·3	+ 6·0	+ 5·1	+59·9
Total — All Departments	+ 2·3	+ 4·5	+ 2·0	+38·6
(b) By Districts				
Scotland	+12·1	+13·5	+ 7·2	+30·0
North-East	+ 9·9	+ 9·2	+ 8·4	+42·6
North-West	+10·4	+ 8·9	+ 5·5	+41·9
Midland & S. Wales	+ 8·8	+ 9·7	+10·3	+40·0
South England	+12·7	+10·4	+ 6·6	+51·0
Central & West End London	−10·6	−24·9	−38·4	+30·5
Suburban London	+ 3·3	+ 3·5	+ 4·2	+30·4

Source: *Board of Trade Journal.*

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture) Total: Number	Total: Index, adjusted for seasonal variations	Of whom wholly unemployed	Percentage of insured persons (aged 16–64) unemployed (incl. agriculture)
	'000	1935 = 100	'000	%
1939				
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	8·8
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	6·3
May 20	881	44·3	731	5·8
June 17	767	39·4	648	4·8
July 15	827*	41·0	637	...

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.

* From July 1940 excludes unemployed persons attending training centres; their inclusion raises the total to 835,000.

Source: Ministry of Labour.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to August 3, 1940, total ordinary revenue was £20,174,000, against ordinary expenditure of £72,823,000, and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £741,354,000, against £197,226,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1940–41	Receipts into the Exchequer (£ thousands) Apr. 1, 1939, to Aug. 5, 1939	Apr. 1, 1940, to Aug. 3, 1940	Week ended Aug. 5, 1939	Week ended Aug. 3, 1940
ORDINARY REVENUE					
Income Tax...	450,500	34,454	61,180	7,213	8,268
Sur-tax.....	75,000	8,010	8,730	240	660
Estate, etc., Duties	85,100	31,090	31,750	2,450	1,410
Stamps.....	19,000	6,220	5,120	110	170
N.D.C..... }	70000	8,180	7,490	570	410
E.P.T. ..... }		...	15,290	...	1,550
Other Inland Revenue ...	1,000	300	170	...	10
Total In. Rev.	700,600	88,254	129730	10,583	12,478
Customs	302,050	87,717	98,670	5,352	4,972
Excise	164,050	37,588	51,995	815	573
Total Customs and Excise...	466,100	125305	150665	6,167	5,545
Motor Duties	35,000	8,118	7,515	1,519	...
P.O. (Net Receipt) ...	13,291	5,274	6,900	1,210	2,150
Crown Lands	1,150	530	450	...	...
Receipts from Sundry Loans	5,000	2,802	515	1,289	...
Mis. Receipts	13,250	1,726	6,264	2	1
Total Ordinary Revenue ...	1234391	232009	302040	20,771	20,174
SELF-BAL.					
Post Office and Broadcasting	86,222	25,776	26,350	1,040	800
Total	1320613	257785	328390	21,811	20,974

Expenditure	Estimate, 1940–41	Issues out of the Exchequer to meet payments (£ thousands) Apr. 1, 1939, to Aug. 5, 1939	Apr. 1, 1940, to Aug. 3, 1940	Week ended Aug. 5, 1939	Week ended Aug. 3, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	97,674	101284	8,409	8,030
Payments to N. Ireland ...	9,400	2,557	2,345	298	120
Other Cons. Fund Serv.	7,600	3,209	3,282	...	87
Total	247,000	103440	106911	8,707	8,237
Supply Serv.	2419790	323503	934134	21,956	64,586
Total Ordinary Expenditure	2666790	426943	1041045	30,663	72,823
SELF-BAL.					
Post Office and Broadcasting	86,222	25,776	26,350	1,040	800
Total	2753012	452719	1067395	31,703	73,623

The 1939 figures include expenditure out of defence loans.

After reducing Exchequer balances by £494,365 to £2,452,451, the other operations for the week (no longer shown separately) raised the gross National Debt by £52,318,930 to about £9,685 millions.

(£ thousands)

OTHER ISSUES (NET)		OTHER RECEIPTS (NET)	
Overseas Tde. Guar.	78	Tithe Act	240
P.O. & Teleg. Acts...	200		
Anglo-Turkish Agt.	2		
	280		240

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to August 3, 1940, are :—

(£ thousands)

Ordinary Exp..	1,041,045	Ord. Revenue ...	302,040
Misc. Iss. (net	4,382	Gross borr.	745,793
Inc. in balances	57	*Less*— Sinking fds.	2,349
		Net borrowing ...	743,444
	1,045,484		1,045,484

FLOATING DEBT

(£ millions)

Date	Treasury Bills Tender	Tap	Ways and Means Advances Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
Aug. 5	510·0	568·5	46·9	...	1125·4	615·4
1940						
Apr. 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
„ 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0	„	„			
„ 20	815·0	„	„			
„ 27	826·0	906·5	43·6	...	30·0	1806·2
Aug. 3	831·0	Not available				

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate %		Per Cent. Allotted at Minimum Rate
1939				s.	d.	
Aug. 4	35·0	67·9	30·0	13	7·9	21
1940						
Apr. 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
„ 21	65·0	97·6	65·0	20	4·97	60
„ 28	65·0	110·3	65·0	20	5·22	51
July 5	65·0	105·4	65·0	20	5·10	55
„ 12	65·0	112·3	65·0	20	4·97	48
„ 19	65·0	118·8	61·0	20	4·45	37
„ 26	65·0	125·8	60·0	20	4·44	31
Aug. 2	65·0	122·1	65·0	20	4·86	42

On August 2nd 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 42 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 August 9th.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
July 23	3,718	3,683	11,850
„ 30	3,266	3,889	10,424
Aug. 6	...	...	12,485
Totals to date	131,333*	135,418*	144,416†

* 36 weeks. † 7 weeks.

Interest free loans received by the Treasury up to August 7th amounted to 7,171, of a total value of £14,416,127. From the beginning of the campaign up to July 27th, principal of Savings Certificates to the amount of £19,322,000 has been repaid.

BANK OF ENGLAND RETURNS

AUGUST 7, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued :		Govt. Debt	11,015,100
In Circultn.	613,671,334	Other Govt. Securities	615,146,922
In Banking Dept.	16,565,424	Other Secs.	3,326,779
		Silver Coin...	511,199
		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

	£		£
Props.' capital	14,553,000	Govt. Secs....	157,327,838
Rest	3,452,660	Other Secs.:	
Public Deps.*	19,212,525	*Discs., etc...*	*3,128,441*
		Securities ...	*22,024,521*
Other Deps.:			*25,152,962*
Bankers ...	*114,691,002*	Notes	16,565,424
Other Accts.	*48,373,934*	Gold & Silver Coin	866,897
	162,664,936		
	199,913,121		199,913,121

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Aug. 7, 1940	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	613,671	+ 4,131	+ 91,794
Deposits : Public	19,243	+ 3,438	- 12,603
Bankers'.....	114,091	+ 7,828	+ 32,437
Others	48,574	+ 3,697	+ 12,645
Total outside liabilities..	795,579	+ 4,824	+ 124273
Capital and rest	18,006	+ 23	+ 110
COMBINED ASSETS			
Govt. debt and securities†	783,490	+ 4,726	+ 369489
Discounts and advances	3,128	- 145	- 2,827
Other securities	25,351	+ 272	+ 3,698
Silver coin in issue dept.	511	+ 1	+ 199
Gold coin and bullion	1,104	+ 5	+ 246000
RESERVES			
Res. of notes and coin in banking department...	17,432	+ 137	- 7,795
"Proportion" (reserve to outside liabilities in Bankg. dept.)	9·5%	- 2·4%	- 7·3%

COMPARATIVE ANALYSIS*

(£ millions)

	1939 Aug. 9	1940 July 17	July 24	July 31	Aug. 7
Issue Dept. :					
Notes in circ..	521·9	608·9	607·6	609·5	613·7
Notes in banking dept.	24·8	21·9	22·6	20·7	16·6
Govt. debt and securities†....	299·2	625·9	625·8	625·9	626·1
Other secs. ...	0·1	3·6	3·7	3·6	3·3
Silver coin ...	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	210·4 *148·50*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*
Deposits :					
Public	31·8	56·0	30·3	22·7	19·2
Bankers'.....	81·7	79·2	104·0	106·3	114·1
Others	35·9	51·2	51·0	52·3	48·6
Total	149·4	186·4	185·3	181·3	162·7
Bkg. Dept. Secs.					
Government...	114·8	155·9	154·1	152·9	157·3
Discounts, etc	6·0	3·0	3·1	3·3	3·1
Other	21·5	23·0	22·2	21·5	22·0
Total	142·3	181·9	179·4	177·7	25·2
Banking dept. reserve	25·2	22·4	23·7	21·6	16·4
"Proportion"	16·8	12·0	12·7	11·9	9·5

* Government debt is £11,015,100; capital £14,553,000 † Fiduciary issue raised from £508 millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; Roumania, of June 1st; France, of June 8th; Bulgaria, Prague, Switzerland and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Estonia, Mellie Iran, and Sweden, of June 22nd; Greece, Jugoslavia, Latvia and Lithuania, of June 29th; India, Australia, Argentina, New Zealand, Federal Reserve Member Banks and Portugal, of Aug. 3rd.

BANK OF CANADA.—Million Can. $

	July 19, 1939	June 3, 1940	July 10, 1940	July 17, 1940
ASSETS				
†Reserve : Gold.....	205·4	...	...	...
Other	36·6	2·8	5·5	3·0
†Securities	163·9	541·0	540·8	498·9
LIABILITIES				
Note circulation.....	169·2	279·1	284·7	286·6
Deposits : Dom. Govt.	24·8	33·9	41·9	12·3
Chartered banks ...	202·5	216·7	209·1	188·0

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. BANKS	Aug. 10, 1939	July 18, 1940	July 25, 1940	Aug. 8, 1940
RESOURCES				
Gold certifs. on hand and due from Treas.	13,914	18,028	18,114	18,274
Total reserves	14,272	18,406	18,507	18,646
Total cash reserves ...	349	368	380	359
Total U.S. Govt. secs.	2,443	2,450	2,450	2,446
Total bills and secs. ...	2,460	2,461	2,462	2,458
Total resources	17,430	21,779	21,744	21,839
LIABILITIES				
F.R. notes in circn. ...	4,551	5,230	5,223	5,281
Excess mr. bank res....	4,530	6,880	6,570	6,330
Mr. bank reserve dep.	10,509	13,863	13,565	13,286
Govt. deposits	844	278	643	923
Total deposits	11,950	15,440	15,535	15,596
Total liabilities	17,430	21,779	21,744	21,839
Reserve ratio	86·5%	89%	89·2%	89·3%
BANKS AND TREASURY : RESOURCES				
Monetary gold stock ...	16,270	20,256	20,367	20,568
Treas. & bk. currency	2,897	3,016	3,020	3,025
LIABILITIES				
Money in circulation...	7,070	7,872	7,854	7,929
Treas. cash and dep....	3,198	2,477	2,872	3,199

BANK OF JAPAN.—Million yen

	July 1, 1939	June 8, 1940	June 15, 1940	June 29, 1940
ASSETS				
Coin & bullion : Gold	501·3	501·3	501·3	501·3
Other	45·0	35·7	36·8	36·7
Foreign exch. fund ...	300·0	300·0	300·0	300·0
Discounts and advances	485·0	544·0	550·3	978·5
Government bonds ...	1741·0	2610·1	2482·6	2546·9
Agencies' accounts.....	201·4	230·7	258·2	280·4
LIABILITIES				
Notes issued	2490·2	3188·9	3220·7	3597·2
Deposits : Government	455·7	673·0	581·1	595·9
Other	113·0	101·3	103·4	152·2

SOUTH AFRICAN RESERVE BANK

Million £'s

	July 14, 1939	June 28, 1940	July 5, 1940	July 12, 1940
ASSETS				
Gold coin and bullion	26·64	36·66	35·37	36·03
Bills discounted	5·66	1·66	1·58	1·58
Inves. & other assets ...	16·26	25·12	32·59	33·28
LIABILITIES				
Notes in circulation ...	17·25	22·76	22·30	21·57
Deposits : Government	1·83	1·89	1·88	2·25
Bankers' ...	23·43	38·28	37·50	39·62
Others	3·99	8·42	7·47	7·11
Reserve ratio	57·1%	52·5%	51·1%	51·1%

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between August 2nd and August 8th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers 4·43–47¼. Sw. frs. (25·22½) 17·70–80. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), 99·80–100·20.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ⅝ cent pm.-par. Canada, ½ 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 £	Aug. 2, 1940	Aug. 3, 1940	Aug. 5, 1940	Aug. 6, 1940	Aug. 7, 1940	Aug. 8, 1940
Tallinn, Ekr. .	18·159	14⅛*‡	14½*‡	14½*‡	14⅝*‡	14¾*‡	Unq't'd
Riga, Lats. ...	25·22½	19⅛*‡	19⅛*‡	19⅛*‡	19¼*‡	19½*‡	Unq't'd
Budapest, Pen.	27·82	18½*‡	18½*‡	18½*‡	18⅝*‡	18⅞*‡	18⅞*‡
Kovno, Lit ...	48·66	21⅛*‡	21⅛*‡	21⅛*‡	21½*‡	21¾*‡	Unq't'd
Belgrade, Din.	276·32 {	150*	150*	150*	150*	155*	155*
		190*(g)	190*(g)	190*(g)	190*(g)	200*(g)	200*(g)
Sofia, Lev.....	673·66	305*	305*	305*	305*	310*	310*
Helsingfors, Mk	193·23	180–200	180–200	180–200	180–200	180–200	180–210
Alexandria, Pst	97½	97 1/16–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝
		37⅛*	37⅛*	37¼*	37¼*	37¼*	37¼*
Madrid, Pt. ...	25·22½ {	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Istanbul, £T	110 {	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr. ...	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup. ...	†18d.	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16
Kobe, Yen.....	†24·58d.	14⅞–15 1/16	14⅞–15 1/16	14⅞–15 1/16	14 13/16– 15 1/16	14⅞–15 1/16	14 13/16–15 1/16
Hongkong, $..	† ...	14⅞–15 1/16	14⅞–15 1/16	14⅞–15 1/16	14⅞–15 1/16	14⅞–15 1/16	14⅞–15 1/16
Rio, Mil.....	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (e).	17·38	23½– 26 1/16‡	23½– 26 1/16‡	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡
Montevideo, $	† 51d.	21–24	21–24	21–24	21–24	20¾–23¾	21–24
Singapore, $ ..	‡ 28d.	28 13/16–29 1/16	28 13/16–29 1/16	28 13/16–29 1/16	28 13/16–29 1/16	28 13/16–29 1/16	28 13/16–29 1/16
Shanghai, $ ..	† ...	3⅝–4 1/16	3⅝–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16
Bogota, Pes. ..	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † Pence per unit of local currency.
(b) Official rate for payment at the Bank of England for Clearing Offices. (e) 90 days.
(c) Voluntary rate for payment at the Bank of England.
(g) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Aug. 5, '39	Week ended Aug. 3, '40	Aggregate January 1 to Aug. 5, '39	Aggregate January 1 to Aug. 3, '40		Week ended Aug. 5, '39	Week ended Aug. 3, '40	Aggregate January 1 to Aug. 5, '39	Aggregate January 1 to Aug. 3, '40
Working days :—	6	6	183	183	Newcastle	1,881	1,233	47,563	42,142
Birmingham	3,447	2,764	75,709	71,747	Nottingham	690	535	15,502	13,445
Bradford ...	1,256	1,996	26,567	50,976					
Bristol	1,443	2,525	41,144	54,618	9 Towns...	27780	29056	705090	816759
Hull	858	731	24,794	24,485					
Leicester ...	922	894	22,281	23,706	Dublin.....	...	...	...	...
Liverpool ...	4,936	5,432	154731	179379	Sheffield* ..	1,758	999	33,690	21,029
Manchester	12347	12946	296799	356261	Southampton†	...	91	...	1,324

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between August 2nd and August 8th :— Bank rate, 2% (changed from 3% October 26, 1939). Discount rates : Bank Bills, 60 days, 1 1/32%; 3 months, 1 1/32%; 4 months, 1 1/16–1⅛%; 6 months, 1⅛–1¼%. Treasury bills : 2 months, 1–1 1/32%; 3 months, 1 1/32%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows :—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
Aug. 2	22 5/16	22 1/16	Aug. 7	23½	22 15/16
„ 5	22½	22¼	„ 8	23½	22 15/16
„ 6	23	22 11/16			

NEW YORK EXCHANGE RATES

New York on	Aug. 1, 1940	Aug. 2, 1940	Aug. 3, 1940	Aug. 5, 1940	Aug. 6, 1940	Aug. 7, 1940
London :—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	387½	386½	387¾	389	394¼	394½
Switzerland, Fr.	22·74	22·74	22·74	22·74	22·74	22·74
Italy, Lire.....	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·05	40·05	40·05	40·05	40·05	40·05
Stockholm, Kr.	23·87	23·87	23·87	23·87	23·84(b)	23·81
Montreal, Can. $	87·750	87·625	87·000	87·000	87·000	86·750
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $.....	6·03	5·95	5·93	5·75	5·77	5·70
B. Aires, Peso. (mkt. rate)	22·15‡	22·15‡	22·15‡	22·15‡	22·30‡	22·45‡
Brazil, Milreis.....	5·10	5·10	5·10	5·10	5·10	5·10

‡ Official buying rate 29·78. (b) Offered. (c) Nominal.

AMERICAN WHOLESALE PRICES

	July 31, 1940 Cents	Aug. 7, 1940 Cents
GRAINS (per bushel)—		
Wheat, Chicago, Sept.	75⅝	74½
„ Winnipeg, Oct.	71⅜	73⅝
Maize, Chicago, Sept.	62⅛	61⅞
Oats, Chicago, Sept.	30⅜	29⅝
Rye, Chicago, Sept.	44⅝	42⅛
Barley, Winnipeg, Oct.	33⅝	34⅝
METALS (per lb.)—		
Copper, Connecticut	11·50	11·50
Tin, N.Y., Straits, spot	52·75	52·12½
Lead, N.Y., spot	5·00	4·85

	July 31, 1940 Cents	Aug. 7, 1940 Cents
METALS (per lb.)—*cont.*		
Spelter, East St. Louis, spot ..	6·25	6·25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	3·97	4·06
Coffee, N.Y., cash—		
Rio, No. 7	5¼	5¼
Santos, No. 4	7·00	6⅞
Cotton, N.Y., Am. mid., spot	10·39	10·22
Cotton, Am. mid., Aug.	9·54	9·47
Cotton Oil, N.Y., Sept.	5·96	5·62
Lard, Chicago, Sept.	5·45	5·12½

MISCELLANEOUS (per lb.) —*cont.*	July 31, 1940 Cents	Aug. 7, 1940 Cents
Petroleum, Mid-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	19¾	19½
Do. do. Sept.	19⅛	19¼
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·63	2·63
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·91½	0·76½
Moody's Index of staple commodities, Dec. 31, 1931 = 100	151·6	150·7

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 High	Low	Prices, Jan. 1 to Aug. 7, 1940 High	Low	Name of Security	Price, Aug. 7, 1940	Ch'ge since July 31	Yield Aug. 7, 1940 £ s. d.
				British Funds			
71⅛	61	76¾	68⅛	Consols 2½%	73¼	½	3 8 5
107⅞	98	110⅝	103⅛	Do. 4% (aft. 1957) ...	108	½	3 14 1f
...	...	98¾	98½	Conv. 2% 1943–45 ...	98⅝	...	2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49 ...	99	...	2 13 9
99⅛	92⅞	103	97¾	Do. 3% 1948–53 ...	101	¼	2 17 2
99½	87	102¼	94	Do. 3½% after 1961	100¼	...	3 10 4f
112⅛	103¾	112	107½	Do. 5% 1944–64 ...	109¼	½	2 14 6
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	91	¼	3 2 8
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	97	1	3 0 0
95⅛	87½	99½	95	Fund. 3% 1959–69 ...	97½	½	3 3 2
109½	100½	113¾	105⅜	Fund. 4% 1960–90 ...	111	½	3 5 7
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	101	¼	2 8 5k
96⅞	91½	101¾	95⅛	Do. 3% 1954–58 ...	100½	¼	2 19 4
...	...	100¾	100	War Bds. 2½% 1945–47	100¾	½	...
108⅝	102	111½	105 13/16	Victory Bonds 4% ...	110¼	¾	3 5 9j
...	...	100⅞	98	War L. 3% 1955–59...	100½	...	2 19 2
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	99¾	...	3 10 5f
83⅞	73	89⅛	80¼	Local Loans 3%	85½	...	3 10 4
99	91	100	97½	Austria 3% 1933–53...	98	...	3 4 5
64	55½	71¼	59¾	India 2½%	67½	...	3 14 3
90	78	97¼	82¼	Do. 3½%	91¾	...	3 16 5
115¼	104½	115	105¼	Do. 4½% 1958–68...	109½	...	3 16 0
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austrla. 5% 1945–75...	102	...	4 11 6
112½	103	110⅞	106	Nigeria 5% 1950–60	107	...	4 3 3
105½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4 14 8
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4 0 5
				Corporation Stocks			
111⅛	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4 3 0
81⅝	72	85	78	L.C.C. 3%	79xd	¾	3 15 11
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3 12 4
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3 13 4
				Foreign Governments			
91⅛	73¾	92¾	77¼	Argen. 4½% Stg. Bds.	79½	...	5 13 2
65⅛	34	58½	22	Austria 4½% 1934–59	30	5	11 5 0l
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23⅛	6½	35½	20	Brazil 5% Fd. 1914...	25	...	10 0 0p
19	9	23	9	Chile 6% (1929)	12	1½	12 10 0n
55⅛	23⅛	45¼	12	China 5% (1913)	18	...	...
72	30	63	25	Czecho-Slovakia 8%...	*	...	...
86¼	58	79¾	50½	Egypt Unified 4% ...	55	3	7 5 6
12⅛	9	10⅛	8	French 4% (British) ...	*	...	...
44	4	7⅝	5	German Dawes 5%	5½	...	...
33⅛	3	6⅛	3¾	Do. Young Ln. 4½%	4	...	...
30	15	24½	12½	Greek 6% Stab. Ln....	*	...	...
35⅛	15	28	17	Hungary 7½%	10½xd	–4¼	...
61⅛	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to Aug. 7, 1940 High	Low	Last two Dividends (a) (b) %	(c) %	Name of Security	Price, Aug. 7, 1940	Ch'ge since July 31	Yield Aug. 7, 1940 £ s. d.
				Railways			
10	3¼	Nil	Nil	B.A. Gt. Sthn. Ord. ...	4	...	Nil
9½	4⅞	Nil	Nil	Can. Pac. Com. $25 ...	*	...	...
52	22	3½ c	1½ a	Gt. Western Ord.......	28	...	12 10 0
80	34½	5 c	2½ a	LNER 5% Pref. 1955	50	...	10 0 0
60	20	4 c	2 a	Do. 4% 1st Pf.	31½	½	12 14 0
24	9	Nil c	1½ c	L.M.S. Ord.	11½	½	13 0 0
60½	21½	4 c	2 a	4% Pf. 1923	32½	1½	12 6 0
70½	35	2 b	2 a	4% Pf.	48	⅞	8 6 9
65¼	24	1½ c	¾ a	Lon. Trans. "C" ...	30	...	5 0 0
22	7	Nil c	1¼ c	Southern Def.	9¾	¼	12 16 0
79	35½	5 c	2½ a	Do. 5% Pf. Ord. ...	47	1	10 12 9
104	58½	2½ a	2½ b	Do. 5% Pf............	78	...	6 8 0
				Banks and Discount			
67/9	51/-	10 b	7½ a	Alexanders £2, £1 pd.	52/6	1/6	6 13 6
342½	316½	6 a	6 b	Bank of England......	325	...	3 13 10
£51	£43½	8 c	8 c	Bk of Montreal $100...	*	...	...
30/9	19/-	5 a	5 b	Bk. of N. Zealand £1	21/3	+1/3	7 10 9e
73/3	46/6	7 b	7 a	Barclays Bank £1 ...	63/-	...	4 8 9
9½	5¼	5 a	5 b	Chtd. of India £5......	6⅞	–⅛	7 5 8
58/-	45/-	5 b	5 a	District B. £1 fy. pd.	47/6	...	4 4 0
£95	£52	£2½ b	£2½ a	Hongkong and S. $125	£62½	–£4	8 0 0
54/6	30/-	6 b	6 a	Lloyds £5, £1 pd.......	41/6	+2/-	5 15 9
8¾	5 17/32	7½ b	7½ a	Martins £20, £2½ pd.	6⅝	+⅛	5 13 3
85/-	68/-	8 b	8 a	Midland £1, fy. pd....	75/6	+6d	4 4 10
5⅝	4	5 b	5 a	Nat. Dis. £2½ fy. pd.	4⅝	...	5 8 0
32½	23⅛	8 a	8 b	N. of Ind. £25, £12½pd	25¾	–1½	7 15 6
69/9	39/-	7½ b	7½ a	Nat. Prov. £5, £1 pd.	50/-	+2/6	6 0 0
444	385	8½ b	8½ d	Royal Bk. of Scotland	395	...	4 6 0
48/6	29/-	6¼ b	3¾ a	Union Discount £1 ...	35/-	+1/3	5 14 3
85/-	46/-	9 b	9 a	Westmtr. £4, £1 pd....	62/-	+1/6	5 16 0
				Insurance			
24⅝	15¾	40 a	50 b	Alliance £1, fully pd.	19	+1	4 14 8
13⅛	8⅜	4/6 a	6/- b	Atlas £5, £1¼ pd. ...	8¾	...	6 0 0
16⅝	8 25/32	†25 b	†22½ a	Pearl (£1), fy. pd. ...	11¼	+¼	4 4 6†
15 5/16	9 5/16	6/- a	6/- b	Phœnix £1, fy. pd. ...	10½	...	5 14 0
28⅝	6¼†	†84·075c		Prudential £1 A	20	...	4 4 0†
8¼	5	11 a	19 b	Royal Exchange £1 ...	6¾	...	4 8 8
7	4¼	†10 b	13¾ a	Sun Lf. Ass. £1 fy. pd.	5	...	5 10 0
				Investment Trusts			
498	475	11 a	14 b	Alliance Trust	475	15	5 9 2
187½	180	3½ a	8½ b	Anglo-Amer. Deb. ...	180	...	6 13 4
188	153	6 b	4 a	Debenture Corp. Stk.	150	4½	6 13 6
187	165	5 a	8 b	Invest. Trust Def. ...	165	5	7 17 6
145½	139	3 a	7 b	Trustees Corp. Ord....	147½	...	6 15 0
175	140½	6 b	4 a	United States Deb. ...	152½	2	6 11 0
				Breweries, &c.			
128/6	96/3	†20 b	†5 a	Bass Ratcliff Ord. £1..	105/-	+6d	4 15 2†
57/6	36/3	6 a	11 b	Courage Ord. £1	45/-	–1/3	7 11 2
70/3	46/-	6¼ a	10 b	Distillers Ord. £1 ...	55/6	...	5 17 0
83/-	45/-	14 b	11 a	Guinness Ord. £1 ...	60/7½	+7½d	8 5 0
76/6	47/-	16 b	7½ a	Ind, Coope & Allp. £1	62/6	...	7 10 3
53/9	30/6	6 a	11 b	Watney Combe Def. £1	45/-xd	+2/2	7 11 0
				Iron, Coal and Steel			
6/6	3/-	10 c	10 c	Baldwins 4/-	3/9	...	10 13 3
34/7½	13/1½	†5 a	†10 b	Brown (J.) Ord. 10/-......	20/-	...	7 10 0†
8/9	3/6	4 a	6 b	Cammell Laird 5/- ...	5/-	–3d	10 0 0
24/7½	11/3	3 a	5 b	Colvilles Ord. £1 ...	15/7½	...	10 4 0
28/1½	12/6	10 c	10 c	Dorman Long Ord. £1	15/7½	...	12 16 0
28/1¼	13/6	†2½ a	†4 b	Guest Keen &c.Ord. £1	20/7½	+7½d	6 6 0†
27/9	13/1½	15 b	7½ a	Hadfields 10/-	17/6xd	+9d	12 17 0
22/7½	11/3	2 a	5½ b	Powell Duffryn £1 ...	12/6	...	12 0 0

Prices, Jan. 1 to Aug. 7, 1940 High	Low	Last two Dividends (a) (b) %	(c) %	Name of Security	Price, Aug. 7, 1940	Ch'ge since July 31	Yield Aug. 7, 1940 £ s. d.
				Iron, Coal, &c.—cont.			
34/6	20/-	10 c	12 c	S. Durham Ord. £1 ...	21/3	...	11 5 9
54/9	33/9	†7½ b	†2½ a	Staveley Coal, etc. £1	38/9	–1/3	5 3 2†
47/6	26/-	12½ c	12½ c	Stewarts & Lloyds £1	34/4½	–7½d	7 5 9
39/-	17/6	10½ b	4 a	Swan, Hunter £1	23/9	–1/3	12 4 0
24/3	11/6	5½ b	2½ a	Un. Steel Cos. Ord. £1	16/10½	–7½d	9 10 0
21/10½	9/6	4 a	6 b	Vickers 10/-	13/-	...	7 13 6
				Textiles			
8/10½	2/6	Nil	Nil	Brit. Celanese 10/- ...	4/-	...	Nil
38/6	21/3	5 a	5 b	Coats, J. & P. £1	26/9	+6d	7 9 9
39/10½	20/3	7 c	2½ a	Courtaulds £1	27/-	+9d	5 3 9
35/9	23/1½	2½ a	5 b	English Swg. Ctn. £1	22/6	–1/10½	6 13 6
24/4½	11/9	Nil c	7½ c	Lancs. Cotton Corp £1	14/4½	...	10 8 6
61/3	42/6	†10 c	†8½ c	Patons & Baldwins £1	44/4½	+1/3	3 16 9†
				Electrical Manufactg.			
43/1½	26/3	10 c	10 c	Associated Elec. £1 ...	36/3	...	5 10 6
92/6	66/3	5 a	15 b	British Insulated £1 ...	72/6	...	5 10 0
69/-	46/3	5 a	10 b	Callenders £1	50/-	...	6 0 0
20/-	11/6	12½ b	7½ a	Crompton Park. A 5/-	15/-	...	6 13 3
33/9	16/3	10 c	10 c	English Electric £1 ...	22/6	...	8 18 0
83/-	52/6	20 c	20 c	General Electric £1 ...	68/9	...	5 16 0
				Gas and Electricity			
38/3	23/6	3 a	5 b	Clyde Valley Elec. £1	28/9	...	5 11 9
42/6	20/6	10½ c	10½ c	County of London £1	27/6	...	7 12 6
27/-	18/-	2½ a	3½ b	Edmundsons £1	21/6	...	5 12 0
18/3	11/6	1 7/10 b	2¼ a	Gas Light & C. £1 ...	13/9	...	5 16 0
83½	29	2 a	4 b	Imp. Cont. Gas Stk. ...	37½	...	16 0 0
32/6	23/6	2½ a	5 b	Lancashire Elec. £1 ...	26/3	+1/3	5 14 2
21/-	12/-	2½ b	Nil a	London Ass. Elec. £1	13/9	...	3 12 6
31/4½	17/6	2½ a	4½ b	North-East Elec. £1...	21/3	1/3	6 11 10
42/3	22/-	6 b	3 a	Northmet Power £1 ...	28/11½xd	...	6 8 0
38/7½	24/-	2½ a	5½ b	Scottish Power £1......	28/1½	...	5 13 6
39/6	24/-	5 b	3 a	Yorkshire Electric £1	28/9	...	5 12 0
				Motor, Cycle and Aircraft			
17/6	7/6	30 c	15 a	Austin 5/-	13/9	...	5 9 0
16/4½	6/-	7½ b	4 a	Bristol Aero. 10/-	9/9	+1/-	11 16 0
36/3	17/3	12½ c	12½ c	De Havilland Air. £1	21/3	+2/6	11 15 0
16/9	7/-	†15 c	†12½ c	Fairey Aviation 10/-...	10/-	+6d	12 10 0†
18/7½	12/4½	5 c	6 c	Ford Motors £1	15/3	...	7 17 3
15/7½	6/-	17½ b	15 a	Hawker Siddeley (5/-)	9/-	+9d	18 0 0
60/7½	39/4½	12½ b	2½ a	Lucas, J. (£1)	46/3	+3/9	6 10 0
88/3	28/9	25 c	20 c	Leyland Motors £1 ...	51/3	...	7 16 0
27/7½	16/9	45 c	40 c	Morris Motors 5/- Ord.	18/9	...	10 13 3
4 21/32	2⅛	5 a	15 b	Rolls-Royce £1.........	2⅞xd	+9/32	6 19 0
12/3¾	6/-	22½ c	25 c	Standard Motor 5/- ...	10/3	+1/3	12 4 0
				Shipping			
22/7½	12/3	4 c	5 c	Furness, Withy £1 ...	14/6xd	+2/-	6 18 0
23/9	13/6	4½ b	2 a	P. & O. Def. £1.........	17/-	...	7 14 0
20/-	13/-	5 c	5 c	Royal Mail Lines £1...	14/6	...	6 19 0
10/9	4/-	Nil c	Nil c	Union Castle Ord. £1	5/6	+6d	Nil
				Tea and Rubber			
16/7½	5/9	6 c	4 c	Allied Sumatra £1......	8/9	...	9 2 9
27/3	14/-	2 a	4 b	Anglo-Dutch £1	15/7½	...	7 13 0
32/10½	20/-	2½ a	7½ b	Jokai (Assam) £1	23/9	...	8 8 0
3/11¼	2/3	4 a	6 b	London Asiatic 2/- ...	3/-	+3d	6 13 3
34/9	20/-	4 a	6 b	Rubber Trust £1	24/4½	+7½d	8 4 9
3/3	1/7½	9 c	5 c	United Serdang 2/- ...	2/-	+1½d	5 0 0
				Oil			
60/3¾	23/1½	20 c	5 c	Anglo-Iranian £1	28/9	+1/3	3 9 6
27/7½	14/6	17½ b	12½ a	Apex (Trinidad) 5/- ...	21/3	+2/6	7 1 0
73/6	35/-	5 a	16 b	Burmah Oil £1	43/9	+1/3	9 12 0
81/10½	28/9	†20 c	†5 c	Shell Transport £1 ...	32/6	...	3 1 6†
80/-	45/6	7½ b	7½ a	Trinidad Leaseholds £1	62/6	+3/9	4 16 0
				Miscellaneous			
62/6	38/9	7½ a	7½ b	Assoc. P. Cement £1	52/6	+1/3	5 14 3
44/3	23/9	5 a	5 b	Barker (John) £1	26/3	...	7 12 3
44/6	27/6	m29 c	30·9c	Boots Pure Drug 5/-...	35/-	...	4 8 0
56/-	28/9	4 a	8½ b	Brit. Aluminium £1 ...	33/1½	...	7 10 6
107/6	53/1½	†20 c	†19⅛ c	Brit.-Amer. Tob. £1...	75/-	+3/9	5 2 2†
60/-	42/6	7 a	10 b	British Oxygen £1 ...	53/9	+1/3	6 6 6
52/6	32/6	12½ b	7½ a	Brockhouse (J.) £1 ...	32/6	...	12 6 0
65⅛	27	4 c	4 c	Cable & Wir. Hdg. ...	41½	+2½	9 12 9
6 5/16	3⅛	15 b	11⅔ a	Carreras 'A' Ord. £1	4	...	6 13 4
38/9	19/9	9 c	12 c	Dunlop £1...............	27/-	+3d	6 13 3d
10/11½	4/-	5 c	Nil c	Elec. & Mus. Ind. 10/-	6/-	6d	Nil
28/3	16/3	15 a	25 b	Ever Ready Co. 5/- ...	22/-	+1/3	9 2 0
6 5/16	3¼	7½ a	20 b	Gallaher Ltd. Ord. £1	3¾	...	7 6 6
28/6	17/-	25 b	15 a	Gestetner (D.) 5/- ...	18/9	+1/3	10 13 0
93/9	64/4½	20 b	5 a	Harrison & Cros.Df. £1	65/-	...	7 14 0
40/6	26/-	5 a	5 b	Harrods £1	27/6	...	7 5 0
33/9¾	17/6	3 a	5 b	Imp. Chem. Ord. £1...	24/9	+6d	6 9 2
13/9	5/-	5 c	Nil c	Imp. Smelting £1......	6/9	+6d	Nil
6 11/32	3 5/16	†15½ b	†7½ a	Imp. Tobacco £1	4 9/16	+3/16	5 1 0†
$49 9/16	$30¼	$2·25 c	$2·00c	Inter. Nickel n.p.	*	...	...
12/3	9/-	5 a	7 b	International Tea 5/-	9/9	...	6 3 0
34/3	15/-	4¾ a	5¼ b	Lever & Unilever £1...	19/4½	7½d	10 7 0
32/9	24/6	20 c	10 c	London Brick £1	31/3	+1/3	6 8 0
87/6	67/6	5 a	15 b	Lyons (J.) Ord. £1 ...	77/6	+2/6	5 3 3
54/4½	25/-	15 a	23⅛ b	Marks & Spen. 'A' 5/-	33/9	+1/3	5 13 6
4 1/32	2¾	5 a	12½ b	Metal Box £1	3	...	5 16 8
87/6	45/-	12½ b	7½ a	Murex £1 Ord.	67/6	+2/6	5 18 8
23/7½	13/9	4 a	6 b	Pinchin Johnson 10/-	14/6	–1/-	6 18 0
17/6	12/6	15 b	3 a	Ranks Ord. 5/-	15/-	...	6 0 0
61/6	36/3	2½ a	12½ b	Spillers Ord. £1	48/9	+2/6	6 3 0
57/9	35/-	10 b	3½ a	Tate and Lyle £1	43/9	...	6 3 0
45/6	29/6	5 b	5 a	Tilling, Thos. £1	33/9	...	5 19 0
26/3	16/-	25 c	20 c	Triplex Safety G. 10/-	18/9	...	10 13 3
96/9	59/9	13¾ b	10 a	Tube Investments £1	77/6	+3/9	6 2 8
68/-	41/3	11¼ b	3¾ a	Turner & Newall £1...	53/9	...	5 12 0
52/6	38/9	7½ b	5 a	United Dairies £1......	43/9	+1/3	5 14 3
28/3	15/-	22½ c	28⅛ o	United Molasses 6/8...	20/-	...	7 10 0g
66/3	38/9	50 b	20 a	Woolworth Ord. 5/-...	53/9	...	6 0 0g
				Mines			
65/7½	26/3	95 c	95 c	Ashanti Goldfields 4/-	40/-	+1/3	9 10 0
11/9	6/3	i3½ a	i3½ b	Burma Corp. Rs. 9 ...	7/3	+3d	9 1 0†
51/3	22/6	10 b	3¾ a	Cons. Glds. of S. Af. £1	28/9	...	9 10 0
15	11½	95 b	95 a	Crown Mines 10/- ...	12¼	+¼	7 15 0
8¼	2 17/32	Nil c	Nil c	De Beers (Def.) £2½	3½	...	Nil
41/6¾	25/3	11¼ b	11¼ a	Randfontein £1.........	31/3	+1/3	14 8 0
11 5/16	5⅝	25 b	25 a	Rhokana Corp. £1 ...	6¼	+¼	8 0 0
16/-	7/-	5 b	10 a	Roan Antelope Cpr. 5/-	10/6	...	7 2 0
10⅛	6⅞	75 b	75 a	Sub Nigel 10/-	7½	...	10 0 0
7 11/16	5	2/6 a	5/6 b	Union Cp. 12/6 fy. pd.	5⅝	...	7 2 0
88/9	30/-	Nil	Nil	W. Witwatersrand 10/-	40/-	+1/3	Nil

(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 75⅛% 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 per cent. out of capital reserve. ...

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia-tion, etc.	Net Profit after Deb. Interest	Available for Distribu-tion	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or –)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	
Breweries													
Clarkson's Old Br.	June 30	47,120	1,732	14,303	21,947	3,900	6,500	10	...	+ 3,903	41,790	10,442	10
Friary Holroyd	June 30	328,715	...	133,937	160,203	20,936	77,018	13	40,000	– 4,017	283,755	138,140	13
Tamplin and Sons	Apr. 30	377,676	21,666	55,710	90,291	38,400	11,218	8	5,000	+ 1,092	365,846	59,875	10
Watney Combe Reid ...	June 30	2,549,290	230,618	1,055,433	1,365,021	211,663	541,520	17	300,000	+ 2,250	2,491,413	1,105,195	18
Wells' Watford Brew. ...	Apr. 30	10,330	1,785	3,061	8,836	2,796	...	...	...	+ 265	8,619	2,921	...
Rubber													
Telogoredjo Utd.	Dec. 31	58,948	...	18,635	36,858	...	15,439	2½	...	+ 3,196	50,579	9,509	2½
Travancore	Dec. 31	12,805	...	6,283	16,928	...	3,836	8	2,000	+ 447	11,051	7,478	8
Shipping													
Furness Withy	Apr. 30	618,651	300,000	218,651	407,079	45,000	172,500	5	...	+ 1,151	505,121	205,121	4
Tankers, Ltd.	Mar. 31	22,045	...	Dr. 183	5,147	...	...	...	...	– 183	33,456	23,375	...
Textiles													
Tootal Broadhurst Lee...	June 30	264,429	...	117,237	240,302	12,000	63,668	12½	65,000	– 23,431	250,256	153,158	12½
Trusts													
Edinburgh and Dundee	June 30	150,810	...	40,109	62,104	19,546	21,896	7½	...	– 1,333	138,774	48,960	7½
Other Companies													
Brit. Coated Bd. & Paper	Mar. 31	Dr. 8,516	...	Dr. 14,420	Dr. 22,797	...	...	...	...	– 14,420	Dr. 7,585	Dr. 8,377	...
Eagle Transfer	June 30	10,122	...	5,422	8,179	...	3,019	7½	2,000	+ 403	10,032	6,832	10
Fodens, Ltd.	May 31	136,261	...	42,670	70,306	...	13,256	7½	30,000	– 586	56,154	54,967	7½
Fowler, D. and J.	Mar. 31	10,138	...	5,988	14,225	8,250	...	...	...	– 2,262	7,973	3,761	...
Gale Lister	Feb. 29	34,663	891	9,091	13,373	...	5,390	12½	4,000	– 299	19,397	12,321	15
Olympia, Ltd.	Dec. 31	2,285	...	Dr. 43,492	5,743	...	...	...	...	– 43,492	94,236	36,938	...
Owen and Robinson ...	May 31	13,139	...	5,844	18,196	2,100	3,500	10†	...	+ 244	10,198	5,354	8†
Wolseley Sheep Shearing	Dec. 31	12,923	4,361	7,862	18,638	...	6,325	11	...	+ 1,537	13,315	12,527	10
Totals (£'000's):	*No. of Cos.*												
Week to Aug. 10, 1940	*19*	*4,652*	*561*	*1,682*	*2,541*	*365*	*945*	...	*448*	– *76*	*4,384*	*1,888*	...
Jan. 1 to Aug. 10, 1940	*1,513*	*305,372*	*24,814*	*166,729*	*236,740*	*36,673*	*102,854*	...	*19,704*	+ *7,498*	*280,532*	*169,843*	...

† Free of tax.

Dividend Announcements, Overseas Weekly Traffic Receipts and Unit Trust Prices will be found on page 204.

BRITISH WHOLESALE PRICES

	July 30, 1940	Aug. 6, 1940
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Mt.	30 6	30 6
Eng. Gaz. av., per cwt.	[illegible]	14 6
Flour, per 280 lb.—		
Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	17 3	16 [illegible]
Oats " " " "	11 8	12 3
Maize, La Plata, 480 lb., f.o.b.	13 9	13 4½
Rice, Burma, No. 2, per cwt. f.o.b.	9 6	9 6
MEAT—Beef, per 8 lb.—		
English long sides	4 8 / 6 0	4 8 / 6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English ...	4 4 / 8 0	4 4 / 8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)—		
Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)—		
Accra, g.f.	35 0 / 36 0	35 0 / 36 0
Grenada	55 0 / 59 0	55 0 / 59 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	44 0	44 0
Costa Rica, medium to good ...	65 0 / 95 0	65 0 / 95 0
EGGS (per 120)—English (Std.)...	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English, New	5 0 / 6 6	5 0 / 6 6
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
REFINED London—		
Granulated, 2 cwt. bags	36 10	36 10
West India Crystallised	36 9 / 37 9	36 9 / 37 9
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	0 7 / 2 4	0 7 / 2 4
Rhodesian, stemmed and unstemmed	1 0 / 2 6	1 0 / 2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·87	7·74
" Giza, F.G.F.	11·46	11·56
Yarns, 32's Twist	14·26	14·25
" 40's Weft....................	15·51	15·50
" 60's Twist (Egyptian) ...	26·35	26·35
	s. d.	s. d.
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's ..	24 0	24 0
COTTON—continued.	s. d.	s. d.
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's ...	35 0	35 0
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 2	13 2
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 2	12 2
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26/0/0	26/0/0
JUTE (per ton)—		
Native 1st mks., c.i.f. London	27/10/0	26/10/0
Daisee 2/3, c.i.f. Dundee, Sept.-Oct. (new)	27/0/0	26/5/0
SISAL (per ton)—African, Aug.-Oct. —No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	14 0 / 14 [illegible]	14 0 / 14 9
China fil	15 9	15 9
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—		
64's warp	42½	42½
56's super carded................	36¾	36¾
48's average carded	29¼	29¼
44's prepared....................	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3 / 28 9	28 3 / 28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14×20) ...	26 0	26 0
NON-FERROUS METALS (per ton)—		
Copper (d)—Electrolytic.........	62/0/0	62/0/0
Tin—Standard cash	268/10/0 / 268/15/0	266/10/0 / 266/15/0
Three months	268/0/0 / 268/5/0	266/10/0 / 267/0/0
Lead (e)—Soft foreign, cash ...	25/0/0	25/0/0
Spelter (e)—G.O.B., spot.........	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0 / 195/0/0	190/0/0 / 195/0/0
Antimony, Chinese	98/0/0 / 99/0/0	90/0/0 / 92/0/0
Wolfram, Chinese ......per unit	...	...
Platinum, refined ....per oz.	9/10/0	9/10/0
Quicksilver .... per 76 lb.	58/0/0 / 60/0/0	54/10/0
	s. d.	s. d.
GOLD, per fine ounce	168 0	168 0
SILVER (per ounce)— Cash	1 10⅜	1 11
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(b)	s. d.	s. d.
4-ton loads and upwards per ton	44 6	[illegible] 6
CHEMICALS—		
Acid, Oxalic, net ....per ton	60 0 0	60/0/0
	s. d.	s. d.
" Tartaric, English, less 5%	1 6½	1 5½
Ammonia, Sulphate ... per ton	9 6 0	9/6/0
Nitrate of Soda .... per ton	9 10 0	9/10/[illegible]
Potash, Sulphate ...... per ton	11 18 0	11/18/[illegible]
Soda Bicarb. .... per ton	10 15 0 / 11 0 0	10/15/0 / 11/0/0
Crystals .... per ton	5 5 0 / 5 10 0	5/5/0 / 5/10/0
COPRA (per ton)—S.D. Straits, c.i.f.	12 15 0	12/[illegible]/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland 40/50 lb.	0 4½	0 [illegible]
Cape, Jo'burg Ord.	0 4⅞	0 [illegible]
Dry Capes, 18/20 lb.	0 6	0 5⅞
English & Welsh Market Hides—		
Best heavy ox and heifer	0 7 / 0 8⅝	0 7 / 0 [illegible]
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 9 / 3 0	1 [illegible] / 3 [illegible]
Shoulders	1 0 / 1 10	1 [illegible] / 1 10
Insole Bellies	0 9 / 1 3	0 [illegible] / 1 [illegible]
Dressing Hides	1 11 / 2 3	1 10 / 2 [illegible]
PETROLEUM PRODUCTS (per gal.)		
Motor Spirit, England & Wales	1 8	1 8
(c) Kerosene, Burning Oil	0 10½	0 10½
" Vaporising Oil ...	0 10¼	0 10¼
(c) Automatic gas oil, in bulk, ex road tank waggons	1 5½	1 5½
Fuel oil, in bulk, ex instal. Thames—		
Furnace........................	0 7¼	0 7¼
Diesel	0 8	0 [illegible]
ROSIN (per ton)—American	25 0 0 / 30 0 0	25/0/0 / 30/0/0
RUBBER (per lb.)—	s. d.	s. d.
St. ribbed smoked sheet	1 0 9/16	1 [illegible]
SHELLAC (per cwt.)—TN Orange	80 0	[illegible] 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)—		
Linseed, raw	44 0 0	[illegible]
Rape, crude	44 5 0	[illegible]
Cotton-seed, crude	31 2/6	[illegible]
Coconut, crude	28 2/6	[illegible]
Palm	18 15 0	[illegible]
Oil Cakes, Linseed, Indian	7 5 0	[illegible]
Oil Seeds, Linseed—		
La Plata	...	...
Calcutta	16/12/6	16/12/6

... bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (c) Higher Pool prices in some zones. (d) Price is at buyers' premises.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
BANKS	%	%		%
Comm. Bk. Australia	...	7 12	...	7 12
Comm. Bkg. of Sydney	3¾†	7½	...	7
TEA AND RUBBER				
Anglo-Java Rbr.	...	4	...	2
Deltenne (Ceylon) Tea	...	3	...	5
Kawie (Java) Rbr.	...	7½	...	5
MINING				
Ariston	5*	15(a)	...	20(b)
INDUSTRIALS				
Batchelor's Peas	...	15	...	15
Belfast Ropework	4†	7(c)	...	5
Caledonian Trust	2½*	...	...	2½*
Cornercroft	9†	15	...	15(d)
Edinburgh Sec.	2*	...	Sept. 2	2*
Electric Furnace	3½†	7	...	7
Engineerg. Compnnts.	10*	...	Aug. 13	10*
Fife Coal	3*‡	...	...	3*‡
Fodens	...	7½	...	7½
Friary Holroyd	8†	13	...	13
Greengate and Irwell	7 13/16*	...	...	7 13/16*
Hillhead Hughes	4*	...	Aug. 14	5*
Holden, Isaac	10†	15	Sept. 2	7½
Hulett, Sir J. L.	...	7½(c)	...	7½
Humber Graving Dk.	2*	...	Aug. 30	2*
Hunters (Teamen)	...	10‡	...	8½‡
Ipoh Tin	18¾†	31¼	...	9½
Kelsall and Kemp	5†	10	...	7½
Liverpool Dks. P.	10*	...	Aug. 31	10*
Metal Indust.	2 ††	5	...	5
Norton & Biddulph	5*	...	...	5*
Perry & Co.	2*	...	...	2½*
Richardsons Westg'th	...	7½	...	7½
Sec. Clydesdale Inv.	3†	5	...	5
Sec. Scottish Am. Tr.	6*	...	Sept. 2	6*
Shop Investments	6†	10	...	10
Spratt's Patent	5*	...	...	5*
Tilling-Stevens	...	10	...	7½
Tootal Broadh'st Lee	...	12½	...	12½
Viscose Developm't	3*	...	...	3*
Walker (P.) R. Cain	2*	...	Aug. 31	2*
Watney Combe Reid	11†	17	...	18
Young Accum.	...	5	...	5

‡ Free of tax. (a) Two intetim dividends. (b) Total for year. (c) On larger capital. (d) On smaller capital.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week ‡ 1940	Gross Receipts for Week ‡ + or −	Aggregate Gross Receipts 1940	Aggregate Gross Receipts + or −
B.A. and Pacific	4	July 27	‡1,168,000	+ 59,000	4,416,000	− 716,000
B.A. Gt. Southern	4	27	‡1,927,000	+ 41,000	7,654,000	− 274,000
B.A. Western	4	27	‡646,000	− 89,000	2,492,000	− 426,000
Canadian Pacific	30	31	†$5,353,000	+ 1276000	90,688,000	+ 17223000
Central Argentine	5	Aug. 3	‡1,591,550	− 572,500	7,305,100	− 3,801,400

‡ Receipts in Argentine pesos. † 10 days.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	Aug. 7, 1940	Name	Aug. 7, 1940	Name	Aug. 7, 1940
For. Bond.	Unquoted	National D.	9 1½–10/1½	Key. Gold	6 10½xd bid
Limited Inv.	10/6–12 –	Century	10 1½–11/7½	Br. Ind. 4th	8 10½–10/7½xd
New British	6 7½–7 7½	Scottish	9 –10/6	Elec. Inds.	11/3–12/7½
Invest. Tr.	8 9–10/9*	Univ. 2nd	11 4½–12/10½	Met. & Min.	8/6–10/–
Bk. & Insur.	11 9–13/9*	Inv. Flex.	7 9–9/–	Rub. & Tin	Unquoted
Insurance	11 4–13/9*	Inv. Gen.	11 –12 –	Producers	4/7½–5/7½
Bank	12 9–14/9*	Key. Flex.	7/4½ bid	Dom. 2nd	3/9–4/9
Sct. B.I.I.T.	9 6–11/6xd*	Key. Cons.	7 – bid	Orthodox	5/6–6/6

* Free of commission and stamp duty.

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Safety and Sanctuary

THE reasons which caused the Government, with the general approval of the people, to take special steps a few months ago to immobilise any possible Fifth Column of aliens or renegade Britons become daily more evident, as the assault against England spreads. The further stage of mass attacks from the air upon communications and inland towns may not be far off, and sorties or attempted invasion by the enemy's land troops would not be unexpected at any hour. If Hitler cannot rely upon a chain of agents to double confusion and panic or to give aid to his invaders, he will lack those sinister, scattered "bridgeheads" which gave the thrust to his offensive against Norway, the Low Countries and France; and we cannot risk their fate by ill-timed clemency.

There is no disagreement about this argument. *Salus populi suprema lex.* Yet a storm of growing violence has been battering for weeks against the complacence of the Government concerning the safeguards they have taken in the matter of aliens, and it has not abated even now. The root of the trouble is that the bulk of "enemy aliens" in this country are not enemies at all. They are refugees from Nazi oppression, who fled to England for sanctuary. They came to reside under the free rule of a democratic law. Two years ago, by the 1938 Convention on Refugees, to which this country subscribed, they were promised the enjoyment of civil rights, access to the courts, security of employment, facilities to exercise their profession, and admission to schools and universities. Rendered Stateless by events, they were given by our word what they were no longer guaranteed by the diplomatic protection or the new barbaric habits of their native country.

It was only reluctantly that these rights were taken away. In the early months of war, the Government relied upon the process of individual investigation, reinforcing the rigorous inquiries made earlier when the refugees came streaming into our ports, to sort the harmless from the suspicious. It was only when the lesson of treachery was written indelibly into the history of Western Europe last May and June that this policy of treating refugees as innocent until they could be proved guilty was reversed. A policy of general internment was introduced; and the nation approved it, believing that efficient machinery for releasing aliens who could give satisfactory earnest of their innocence would be swiftly introduced—and understanding that the period of internment for men and women who were more likely to be our friends than our enemies would be made mentally and physically as tolerable as possible. For years it had been an occasion for national pride that the persecuted could find succour here. It was regarded as an historic privilege to give shelter to the great men of science, art and letters driven out by the new pagans of the Third Reich.

Then slowly the dismal truth spread abroad. By muddle and mismanagement, unsavoury conditions of internment were speedily created; refugees and unmistakable Nazis, old and young, sick and healthy, were herded together underfed and in unhealthy surroundings. From being the paragon of fair play, England threatened to become a clumsy betrayer in the eyes of many of its new and deeply loyal friends. Invalids and mere boys and girls were deported overseas without warning. Nazis and refugees were sent off together in the exodus that won notoriety through the tragedy of the *Arandora Star*. Sick people went uncared for. Old people were neglected. Husbands and wives were ruthlessly separated with maddeningly slow and infrequent chances of communicating with each other. Communications with friends and the outside world were rendered inexcusably dilatory. And, worst of all, no real machinery for releasing proved friends or persons with businesses or ability valuable to the State was devised. Important undertakings run by aliens languished. Aliens in Government employment were carried off

Experts whose knowledge and advice on European matters were of great use to the Press and to Ministries were not only incarcerated: they were also given no opportunity to carry on their work, even their reading, under supervision. They were left to bitter idleness.

This fantastic state of affairs was very probably not deliberate. It was certainly not the fault of officials on the spot. It was due in the main to extreme haste, severe shortage of staff, blundering improvisation and lack of imagination and common sense. The difficulty was that refugees, unlike prisoners of war, had no one to speak for them, no neutral legation to represent their interests. They had to rely simply on the word and understanding of the Government. Now the Government is pledged to set matters right. Machinery for ensuring the welfare of internees, their care in sickness and health and the provision of ordinary amenities, has been set up. The second *desideratum,* machinery to release the young, aged, sick and useful refugees, is being created, too. This is narrowly conceived. There is no provision for releasing proved friends and the sworn and unmistakable opponents of Nazism and Fascism. No refugee, however ill, aged or useful, is guaranteed release; and the machinery is still likely to be slow and reluctant, setting only very few at liberty.

The call for a new attitude has been heard, but it must not now be made too insistent. There is danger in lenience in times like these, and agents of the enemy there assuredly will be under refugee masks. It is not possible at the border line to distinguish friends from enemies, and in all cases of appreciable doubt, internment must still be the rule. But there are sure friends and helpers who should be freed at once; and every internee, by reason of his helplessness and our own traditions, has a title to fair treatment and a decent humane life. He has a right to work even when shut away, to use his talents for our cause and so prove his honesty. We have a duty to press him into service and, in every possible way, to justify our actions, not only in the eyes of all the free world, but also in our own.

Food for Europe

SOONER or later the question of food supplies for the starving peoples of Europe was bound to be raised, and it was almost as inevitable that the United States, whose record in Europe has always tended to combine great-hearted humanitarianism with a misapprehension of the issues at stake, should be the first to bring the matter up. Mr Cudahy, the United States Ambassador in Brussels, set the ball rolling by his appeal on behalf of the people in occupied Belgium. Mr Hoover, famous for his relief work in Europe during the last war, followed with his warning that 27 million innocent civilians in Norway, Holland, Belgium, Poland and possibly France were faced with "starvation, death and disease" and his plea that a neutral non-governmental organisation should be set up to distribute food to the value of $28 millions a month at first, rising to $40 millions before the winter was over.

The issue raised is obviously a delicate one. The presumption that Britain, by refusing to raise the blockade, is responsible for the misery of Europe is already the first article of Nazi propaganda, and the opinion of so eminent a neutral as Mr Hoover lends the cruder Nazi statements a certain colour. Both Mr Cudahy and Mr Hoover have seen fit to pin responsibility directly on the blockade, and we cannot afford to treat our case as self-evident. The charge must be quickly and adequately met.

First, let it be said that there need be no starvation even in a Europe cut off from overseas supplies. On a three-year average (1936 to 1938) the Continent was entirely self-sufficient in potatoes and virtually so in rye, barley, oats, beans and sugar; against a production figure of some 42 million tons of wheat, 19 million tons of maize and a million tons of rice, import figures were about 3 million tons of wheat, 4 million tons of maize and a million tons of rice. Taking these basic foodstuffs together, their average yearly production was over 278 million tons, and imports were only 10 million tons. Uniformly bad harvests, due to the hard winter, the calling of agricultural labourers to the Colours and the actual destruction of warfare will have increased Europe's dependence upon outside supples—but there are large reserves to draw on. Livestock can be killed off, tinned foods and Germany's own stocks consumed. The Nazi leaders boast that over 7 million tons of grain are stored away in the Reich, a figure which all but covers Europe's normal deficit, and although the peoples of the Continent must inevitably go short of tropical foods and certain luxuries, and suffer from a deficiency of fats, the forecast of starvation is not warranted by the actual quantities of food likely to be available. The problem, in short, is one of distribution, not of actual supply.

Indeed, the Nazis themselves bear out this estimate. Speaking at Koenigsberg on August 11th, Dr Funk assured his listeners that whereas "England's position was catastrophic, particularly in food supplies, Germany's food supplies were absolutely assured"; and he went on to claim that "the British blockade was so thoroughly broken that a food scarcity in Germany was now impossible."

Yet to point out that there need be no starvation, using German statements as corroborative evidence, is not enough. The Nazis may blandly disregard the misery at their gates. We cannot do so. There is evidence of severe shortage. There is every likelihood that Europe is facing a winter of terrible privation. Stringent rationing is already in force in Norway, Denmark, Holland and Belgium. Further rationing is about to be introduced in unoccupied France. However obviously there *need* be no famine, the danger of famine is there. Where, then, are we to pin the responsibility?

The British blockade is no new thing. It has been in operation for nearly a year, and for over six months it did not interfere with the flow of foodstuffs into Norway and the Low Countries. Not until these small States were transferred from the protection of their own neutrality to the "protection" of the Reich did any danger of shortage arise. Where neutrality is still operative, as in Portugal, or even where a semblance of it remains, as in Spain, the blockade does not interfere with supplies of food. Clearly, therefore, it is no action of ours, but rather Germany's violation of these various States' neutrality which has led to the present situation. The Nazis must take full moral responsibility for cutting off the peoples they have conquered from the sources of world supply; and, at the same time, they must fulfil the obligation, fully recognised in international law, of securing the well-being of the territories they have occupied. The obligation should be especially binding upon them since, in almost every case, they professed to come, not as invaders, but as "protectors."

Could Hitler feed his subject peoples? The problem is pre-eminently one of distribution. Balkan surpluses—where they exist—could be bought up and transferred to the needy West. Russia's help could be enlisted; Germany bought over a million tons of maize last winter from the Soviets. Then there are the German reserves of grain and the German nation's "iron ration" of tinned foodstuffs. Another immediately available source would be the large stocks reserved for use in the armament industry. It is estimated that the Nazis are using a million tons of potatoes in the production of fuel alcohol; milk is used for casein; and the chronic shortage of fats in Germany is largely due to the amounts swallowed up in the production of glycerine and nitro-glycerine.

Thus Germany could, by buying at higher prices in the great markets open to her, by sharing her own food reserves and by limiting her armament output, feed the

peoples of Europe without any difficulty, save in the spheres of transport and administration. But Germany has made it clear that she will not do so. The *Völkischer Beobachter* asks us whether we "really imagine that Germany's food supplies, which are indeed great, are destined to feed the friends of England this winter?" We should indeed need a powerful imagination to do so, in face of the evidence that the Nazis' policy, in every country they have occupied, has been that of plunder and loot.

Holland lost 90 per cent. of her butter reserves in one week. Denmark's pigs and poultry are being compulsorily slaughtered and the meat despatched to Germany. Belgian farmers have been warned that a large percentage of their grain and livestock is to be "nationalised." Norway's entire catch of fish is reported to have been swallowed up for canning in the Reich. And, by raiding the grain reserves of the West, Germany has raised her own supplies by two million tons. At the same time, the unfortunate "protectorates" have relieved Germany of the feeding of the thousands of soldiers in the armies of occupation.

The Germans do not submit to the same conditions as their unwilling hosts. In Poland there are two scales of rationing, for Germans and non-Germans; in Holland the Germans are exempted from a rationing system which has fixed the weekly allowance of all oils and fats as low as 4 ozs. In Belgium those buying food in German marks secure their orders at a 20 per cent. discount.

That Hitler should wish to give his own people a tangible proof of victory in the shape of more fats and more meat is understandable. That he should strip conquered territories of everything that can feed his armament industries is hardly unexpected. That he should mobilise the conquered peoples into a forced labour system, and that he should give them starvation wages and keep them at work by threatening to deprive them of their ration cards is altogether in keeping with his treatment of his own people. "Guns and not butter" is, after all, not a new thing—only now it is being applied on a continental scale. What is incomprehensible, unjust and entirely ludicrous is the suggestion that kindhearted but misguided enthusiasts should now undertake to underpin this system of organised destitution by relieving Hitler of the responsibility of keeping his helots in working trim. No kind of neutral organisation or supervision could overcome this basic injustice, that the feeding of Hitler's subject peoples by anyone but the Nazis sets free food for the German army and fats for German armaments. Under the guise and with the honest intention of helping the enslaved peoples of Europe, the Hoover scheme or any other scheme would, by assisting the German war machine, actually prolong their enslavement.

In fairness to ourselves and to the cause of freedom we defend, we must steadfastly refuse to allow the passage of food ships. But this refusal is not enough. As the darkness of famine descends and the Nazi propaganda machine drums home the alleged guilt of Britain, it is no adequate reply, however often we repeat it, to say that it is the Nazis' duty, not ours, to feed Europe. We have to prove much more forcibly our concern for Europe and define the Nazis' responsibility for starvation in far more unmistakable terms. The most promising proposals suggest that Britain, if possible in collaboration with the United States, should set up large food reserves and work out an efficient scheme of distribution to be put into practice the instant the occupied territories emerge from captivity. The existence of such reserves and such machinery could be the basis of our propaganda to the Continent and would powerfully press home the identification of the Nazi system with privation and misery. At the same time, the purchase of a great part of the growing surpluses of South America—it is estimated that the expenditure of £100 millions would cover the transaction—would nullify Nazi propaganda in the New World, while the policy we have already embarked on of buying up large stocks in our own Empire, in order to secure the livelihood of hard hit producers, could be linked to the larger scheme.

The whole organisation might well have important post-war repercussions. The original reserves, later adapted as buffer pools, could help to stabilise the economic conditions of the primary producers. Above all, we must purchase surpluses for a constructive purpose. Nothing would fit more completely into the Nazis' picture of the "hunger blockade" than a British policy of buying up surpluses to destroy them. We must buy for distribution, not destruction.

Yet even a fully advertised scheme of reserves is not enough. Their distribution has to be made dependent upon the withdrawal of the German army and the withdrawal of the Germany army depends upon our ability to turn it out. We are asking Hitler's victims to suffer privation now on the assurance of our final victory. If we are going to lose the war, they would rather see the blockade broken at once and a term put to their misery. We have to ask ourselves in sober earnest whether we are putting as much sacrifice into our efforts to win as we are asking Europe to endure in the period before victory. Inadequate budgets, unemployment and luxury living, all suggest that we are not, and will be fully exploited by the Nazis to point the moral that Britain is still fighting the war to the last European, and now that the Continent's military resistance is broken, is trying to use its very misery as a weapon of defence. We are asking a total sacrifice from those who, though defeated, are still our allies. They ask nothing less of us.

The Commonwealth at War

ONLY a few days ago the opinion was stirring in some parts of the Press that the defence of Britain was being carried too far after all. The same newspapers that used to attack the strictness of A.R.P., simply because no serious air raids had taken place, now started to criticise the concentration of men and war material at home, on the ground that the enemy still seemed unwilling to embark upon the Battle of Britain. The invasion of British Somaliland, the massing of Italian troops in Libya, the arrival of Germans at Dakar and the aggressive attitude of Japan—all these signs were taken to show that we were too strong at home and too weak abroad.

It is unlikely that the Battle of Britain, which has now started with massive attacks on ships and ports and increased enemy activity on and under the water, will show the High Command's estimate of the strength needed to repel the assault to have been over-large. That our strength abroad is by no means so great as could be desired is, admittedly, true. But this unfortunate state of affairs is due, not to any waste of forces at home, but to the collapse of France and the failure of this country in earlier months to mobilise its resources to the full. Not sufficient strength has yet been deployed by Britain and the British Empire to make possible the defence of all threatened points with equal confidence.

To fall into that "fortress mentality" which deluded France behind her Maginot Line would, of course, be fatal. To forget that this is a world war, imposing upon Britain the task of resisting the aggressors' bid for world domination wherever it may take shape, would be plain folly. There is every need, admittedly, to hasten to Africa all the trained and equipped men and all the equipment that can be spared from the basic requirements of home defence, and, more than that, it is imperative to take the offensive on a world scale as soon as possible—to gather up sufficient force to strike at aggression wherever it is vulnerable. The perverted notion that defence is the best form of attack is a pernicious heresy.

But the time to strike has unfortunately not yet arrived, not because unduly strong forces are being kept back for home defence, but simply because forces strong enough for attack far afield are not yet available—except, in part, in the air, where our battering of Germany and, this week, of Northern Italy promises better things to come, when

our defence has triumphed. Even at sea our resources are limited in relation to all needs. The immediate and urgent task, therefore, is to create a striking force; and the task is not Britain's alone. It is the responsibility of the British Commonwealth in co-operation to furnish the men, the materials, the aircraft, the bases and the arsenals that are needed to keep the Empire safe at every joint and to destroy its enemies. The time is opportune to re-examine the pattern of Imperial defence to see how best a world Empire can win a world war—if need be, alone.

This is no question simply of summoning the Dominions or India, or even the Colonies, to the aid of Britain. It never was, for the war is their war. As Mr Semple said for New Zealand: "We can do nothing else but help Britain, and we are going to help her to the maximum. If she goes under, God help us! We will be under the foreign yoke in six months"—and that was before large-scale warfare had started. Loyalty and the plainest self-interest require the fullest co-operation from all parts of the Empire wherever they may be situated, now that aggression walks abroad in three continents.

Co-operation has not been lacking. A quarter of Canada's active service force of 133,000 is already overseas. Over 70,000 of Australia's total land defence forces are in the Australian Imperial Force. The New Zealand Expeditionary Force numbers more than 60,000; and some part of South Africa's defence army of 56,000 is serving in East Africa. There are 12,000 men in the Royal Australian Navy and over 6,000 in the Royal Canadian Navy, both of which are co-operating with the British Navy over wide areas of ocean. About 125,000 men have volunteered for the Royal Australian Air Force and 20,000 have been enrolled in the Royal Canadian Air Force. Here again there is close co-operation; units from these air forces and from South Africa have been serving in the theatres of war; and the Empire Air Training Scheme, centred in Canada with some stages of instruction in both New Zealand and Australia, provides a common forcing house for airmen and mechanics.

The Dominions are free. As Lord Tweedsmuir once argued before a slightly surprised meeting of the Canadian Institute of International Affairs, they have control of their own foreign policy and their first allegiance is to themselves. But they have gone to war, all except Eire, and they have thrown men and resources into the struggle. Canada's nickel, asbestos, copper, lead, zinc, timber, wheat and dairy produce; Australia's wool, lead, zinc and meat; New Zealand's meat, wool and dairy produce; South Africa's gold; Southern Rhodesia's chrome and asbestos—all these have been on the counter for the British Government to buy in bulk. The Ministries of Supply and Food have enjoyed first lien upon a great part of the world's essential raw materials and foodstuffs.

From the outset, however, it was plain that Britain could not manufacture for the entire Empire. Canada and Australia are industrial countries. South Africa has been building up steel and secondary industries. It was common sense to scatter war output among the partners at war, and the acid test of the Commonwealth's war effort is precisely this power to produce the finished goods of war.

This dispersal of war manufacture also tunes in well with the agreed *motif* of Imperial Defence. The first call on each Dominion is to defend its own coasts and territories, and it is the task of its industry to supply arms and munitions, as far as possible, to meet that call. Canada and Australia manufacture aircraft, military vehicles, small arms, ammunition and other equipment for the use of their own forces; and, for Britain, Canada makes aircraft, under an ambitious production plan just under way, rifles, Bren guns, vehicles, munitions and (since June) tanks, and Australia makes rifles, ammunition, machine guns, bombs and depth charges. Neither New Zealand nor South Africa can supply their own needs, though they are both producing a certain amount of arms and munitions.

At sea the prime duty of Imperial defence rests upon the British navy. But Canadian vessels were in action at Dunkirk; the New Zealand Division of the Royal Navy was prominent in the *Achilles* at the Battle of the Plate; Australian warships have won victories in Mediterranean waters; and every Dominion has the task of patrolling its own coasts and guarding its own harbours. In Canada the construction of over 100 warships, patrol vessels and minesweepers is planned. Australia is building patrol ships and anti-submarine craft for use in European waters. With the loss of France's navy, the promotion of Italy to full belligerency and the harsh outcries of Japan, the naval question has a new importance, and the need for guardships, escort vessels and small craft of all kinds, on all Imperial trade routes, is greater than ever.

The pattern of independent action, local defence and co-operation in theatres of war is plain. The question is: how much further can the mobilisation of the joint resources of the Commonwealth be carried? Until the Germans showed their power in active warfare in Western Europe, a principle of limited liability was evident in the Empire's war effort. For many months, it was only too plain here in Britain, and it was fostered in the Dominions by their remoteness and by local politics. Tendencies seen at their most extreme in the clash between the loyal belligerency of Northern Ireland and the intransigent neutrality of Eire were in conflict in almost every Dominion. In Canada there were many Canadians who, afraid of wasting Canada's resources, wished to set a limit to the drain of men and materials. In Australia, the Opposition was opposed to "full participation" in the war. In South Africa the Opposition desired neutrality, and was steadily obstructive.

There is no doubt, however, that in every Dominion at war, including South Africa, a large majority has been strongly in support of belligerency. But the lack of "action" for nine months made the need for strenuous efforts appear unreal, as indeed it widely did in Britain; and in the Dominions there were strong practical reasons why unbounded commitments should not readily be accepted. In South Africa, after Mr Pirow's vaunted planning, every branch of the Union's defence forces was seriously deficient; of £6 millions voted for defence before the war only £500,000 had been spent; there was, and is, a general opinion that South Africans should not serve out of Africa. In Australia, the Labour Party's great fear was that the Commonwealth would be left inadequately protected against direct assault. In none of the Dominions, not even in Canada, were the armament industries sufficiently expanded before the war for industry as a whole to be placed quickly on a war basis when the conflict started.

The slowness of the war effort, so far—measured by the needs of total warfare and the world-wide menace of aggression—is thus a reflection, not simply of the Commonwealth's disinclination to depart brusquely from the ways of peace, but also of their military weakness at the outset. Too much of the pre-war planning for new defence measures, such as the Empire Air Training Scheme, the project to produce aeroplanes on a large scale in Canada and the plan to extend and recondition the defences of South Africa, existed very largely on paper only. There were differences about the division of the cost, and there were long delays, There was the same unwillingness to make ready boldly that ate away the months and years in London. And, as the centre and mainspring of the Empire, Britain was not without a direct responsibility. Even after September last year the purchasing of arms and aircraft in Canada was sluggish and maladroit. But this is changed. The time has come now to throw everything into the fight. The Battle of France and the new Battles of Britain and Africa have opened eyes, not only in London, but in Ottawa, Canberra, Capetown and Wellington.

We are all fighting for our lives now. "For us (Mr Eden told the English-speaking world over the wireless on Wednesday) the real war, the war in which the British Empire will put forward the whole of its strength, has hardly begun." The first steps have been taken. In three Dominions powers have been taken by the Governments to mobilise men and property as they will. The realisation that total warfare means turning over a large part of national resources from peace to war, that war output is not an extra but a grim and necessary alternative to civilian manufacture, is biting deep there as in Britain. Probably, in economic terms, Canada's war effort is

greatest; but even the share of Canada's national income which is being devoted to the war, over a quarter, does not measure Canada's capacity. The possibility of restrictions on consumption even in the furthest parts of the Empire is not rejected; in Australia it is proposed to cut down non-essential imports. A *Blitzkrieg* teaches war economics very quickly.

This is the first task: to raise industrial production for war purposes to the highest possible pitch. The leadership must be Britain's, to place orders firm enough to merit the expansion of plant and to work out plans to meet loss of industrial demand and redundancy of equipment when the war ends. But the responsibility is the Dominions', if they are to remain Dominions, and not become foreign "protectorates." It is not a question of their "squandering" their resources on foreign fields. In a war of this kind the distinction between local and Imperial defence is only hazy. Self-defence for South Africa does not end at the borders of the Union. It runs up to Kenya, the Gold Coast and Egypt. Self-defence for Australia cannot exclude New Zealand, the Dutch East Indies and Singapore. Self-defence for Canada, like self-defence for the United States, cannot really stop short of the English Channel. Imperial Defence is regional self-defence; and the ideal pattern of preparedness would see each region of the Commonwealth capable of furnishing its own needs, not only of men and materials, but of munitions and machines as well—the Anglo-American region, the African and Middle Eastern region and the Far Eastern region. Each region must depend upon British fleets at sea and in the air and on armies drawn from Britain's millions, just as Britain must depend upon the Empire's materials and foodstuffs. But it is within the capacity of each region to make a much bigger contribution of arms, munitions, ships and aircraft to its own striking power than is yet the case. The character and scope of modern warfare demand centres of war industry in the Empire as numerous and as productive as possible.

Nor is it only the Dominions that have the responsibility, with Britain, of putting their industries on a war basis. India, the next Dominion-to-be, holds a pivotal place in the plan, looking west to Africa and the Middle East and east to Australasia and the Pacific. Her vast reserves of raw materials, jute, cotton, wool, hides and skins, timber, oilseeds, rubber, manganese and chrome, are well known. The great variety of her industrial products are not so readily realised; her iron and steel industry with a capacity already of about a million tons of finished steel; her leather trades; her electrical manufactures; her locomotive building. Already India manufactures nine-tenths of her war requirements, rifles, machine guns, propellants, guns, howitzers and ammunition. Here are the foundations of a great arsenal set at a vital spot.

No Englishman can possibly complain of the Commonwealth's contribution to the war so far. Nor, however, can anyone doubt the much vaster effort that can still be made to break up world aggression with all the material and spiritual resources of a free world Empire.

Mr Bevin

ONCE again the Minister of Labour has shown that he does know what has still to be done if the arms industries are to be furnished with sufficient labour. His new Industrial Regulation Order requires the registration of all men in the engineering and certain other key industries who are not at present engaged in Government work. More important, any men who have worked in these industries for at least twelve months in the past twelve years must also register. The object of the measure is obviously to find and use the nation's reserve of industrial skill and experience.

The immediate shortage of skilled and experienced labour in the arms industries, that is, the shortage in relation to actual work now in hand, is estimated by some observers to be about 30,000. Inevitably this gap will quickly become very much wider as output gathers speed; and perhaps ten times this number are likely to register under the new Order. Very many of them will not be fit to start on war work without some preliminary training, and a large number will prove incapable of taking responsibility in key positions on speeded-up processes. The total shortage of *all* kinds of labour in these industries, however, measured by the need to develop the nation's capacity to produce to the utmost, is very much greater than any of these figures, and some authorities (including the whole range of arms and metal trades) have put it as high as two millions.

The new Order can serve as the prelude to making full use of the experienced workpeople who cannot be created simply by intensive instruction. Provided it is followed up by steps to press these skilled men when found into training or essential employment, this registration will ease the tightest of the bottlenecks in the expansion of the war output. But it will still not make that expansion possible. That can only be done, as *The Economist* has urged for nearly a year of war, by putting into training for semi-skilled and routine tasks five or six times more men and women than the 250,000 to be turned out, under Mr Bevin's present plans, by Government training centres and technical colleges. And that, in turn, can only be done if the numbers needed for this mass training and transfer can be prised away from non-essential work.

It would be unfair to deny to Mr Bevin the credit for seeing the labour needs of war economy for the first time from the Front Bench. The two central requirements are, admittedly, explicit in all his speeches, appeals and regulations: first, the need to economise real skill by leaving no craftsman on unnecessary work or half-idle, and by promoting men with the necessary foundation of varied and practical experience to responsible jobs; and, secondly, to train great numbers of men and women from other trades to do the work that does not call for years of previous practice. By undertaking to pay the cost of training in private firms—the great bulk of it must be done in actual workshops—Mr Bevin has recognised the fundamental responsibility of the Government; and the first steps towards the goal, the registration and classification of the types of labour available, have been taken.

It is the further vital steps in the chain of policy, transfer, training and employment, that are still dangerously tentative and inadequate. The test of Mr Bevin's achievements is going to be very simple. Will the men be forthcoming to deliver the goods? Will sufficient extra labour come forward, month by month, to fulfil the maximum programme of war production that this country, by reason of its known resources, should be capable of carrying out? Will enough arms, munitions and aircraft be turned out in time to win the war?

At present there is no certainty that any of these questions can be answered in the affirmative, because the answers are largely being left to hope and chance. The obvious plan would be to say: we shall need, say, two million extra hands by a specified date in the future; in every month between now and then so many new trainees must pass into employment; and the best way to do this is for factories or groups of factories to take on and train set quotas of fresh labour in proportion to their existing staffs and facilities. There would be a total target, a target for each industry and region, a target for each factory and a target for every month. There might be bonuses to reward successes and fines for failures. There would surely be pride in successful achievement and keen competition in rendering this most essential national service.

This training can only be done on the spot; but it can only be planned and the targets set by the Government. It is a responsibility that cannot be delegated; to see that the labour needed is trained in sufficient numbers and with sufficient speed; and to ensure that the necessary labour is made available for training, from non-essential work. Training and transfer: both these require orders

and instructions from the Government, as well as a readiness on the part of the Government to recompense individual employers and workpeople for unavoidable costs and losses; and it is this question of "compulsion" that makes Ministers shy of the obvious way to proceed. It is argued that conscripted employers and workpeople will be less willing to work than casual volunteers. In fact, the old weary debate is on again, the debate that some people had thought settled when conscription for military service was freely chosen by Parliament in peacetime. The glib fallacy that as soon as men are given orders they become reluctant and resentful is being bandied about again, at a time when the vast majority of citizens are crying out to be told what to do to serve their country best. The indefensible distinction between mobilisation for war and mobilisation for war work is being clung on to, in the name of "democracy," when for the first time in our modern history soldier and worker are standing actually shoulder to shoulder in the front line.

Mr Bevin knows that this is wrong. He knows that "his army" is anxious to get on with the job; he has shown in a hundred ways how anxious he is himself. He knows that "the worker's pennies" are no more important than the soldier's shot and shell and the airman's 'planes. Everyone knows that his men in the unions have proved it by the long hours they have worked and by their readiness to agree in principle to dilution. There is no reason at all for holding back now. In the early years of the last war enlistment was voluntary, and in June, 1915, Mr Lloyd George pointed out a curious contrast:—

> The refusal of unenlisted labour to submit to discipline contrasts strangely with the position of the voluntary army at the front. . . . The enlisted workman cannot choose his locality of action. He cannot say "I am quite prepared to fight at Neuve Chapelle, but I won't fight at Festubert or Wipers."

The moral is still sound, not indeed for the workers, but for Mr Bevin. The Government has been given a mandate to plan production. Mr Bevin must plan labour, too—and, if he does, he will find both workers and employers waiting with eagerness for their marching orders. No police force or Gestapo will be needed to "compel" them.

NOTES OF THE WEEK

Blitzkrieg Begun

The large-scale air raids that were forecast before the war as its chief feature, and which have been expected in this country ever since the German victories in Western Europe, have now started. For over a week, hundreds of German bombers have come in daylight to dive upon shipping, ports, aerodromes and industrial establishments all along the South Coast. The sky has been crowded with raiders. At night many enemy planes have ranged widely over the whole island dropping bombs in widely scattered places. This is air-warfare on the grand pattern for the first time. The chief feature of these mass raids so far has been the losses sustained by the German air force. In the seven days between August 8th and August 14th, 283 German planes were brought down. On four days sixty or more were lost, on one as many as seventy-eight. British losses by the side of these have been relatively small and damage to land objectives does not appear to have been sufficiently large to justify the cost of these raids to the Germans not only in machines but in trained and experienced pilots as well. This, of course, is the test. The German losses, though great, are not appreciably higher than might perhaps have been expected when formations of three, four, or five hundred machines are flung *en masse* against powerful air and land defences. The question is whether the Germans have managed to attain their aim of dislocating shipping and disorganising air bases sufficiently to merit their expenditure of men, materials and fuel. In spite of the damage done in some places they have not yet succeeded in doing this; but it is still clear that these are only the first stages of a vast and skilfully devised programme for the subjugation of this island. Whether large-scale invasion will prove to be a part of this plan probably depends upon the course it takes. At present, the idea of the enemy is to blockade and dislocate our economic life. The next phase, unless he is deterred by his losses, is to strike inland—where the losses will be greater still—at the morale and industrial activities of the urban population; and it is only when there is some certainty in the enemy's mind that this project to create confusion and chaos is moving towards success that there is likely to be, as a final coup, the movement of large bodies of men in ships to attempt the seizure of the battered island. There is no reason to suppose that the enemy's calculations are likely to be realised in fact, but there is no reason either to imagine that the losses yet inflicted upon him are sufficiently grievous to deter him from further and more intensive effort.

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The War with Italy

The Italian attack on British Somaliland has been launched on a grand scale with mechanised columns, supporting dive-bombers and the full paraphernalia of *Blitz* warfare. Against this full-dress offensive the British troops have retreated towards Berbera. The Italians, after capturing Oadweina, pushed forward, took Adadleh in a fierce encounter, during which their colonial troops proved their excellent quality, and are, at the time of writing, attempting to force the Jirato Pass. Another column advancing from Hargeisa has been held on the Jugargan Pass. If the Italians can force these points, their advance to Berbera seems fairly secure. What use they will make of the coast if and when they come to control it is less clear. Italian troops advancing from Zeila have been shelled by British ships, and it is a painful reminder to the Italian high command that, if Aden is their objective, there are rather more enemy ships and rather more miles of sea between Berbera and their goal than between Aden and Assab. The important offensive in the Near East will be launched, according to all the evidence, from Libya against Egypt. While Italian troops mass, Egyptian temper is rising, and it is fairly clear that an invasion would bring Egypt into the war on our side at once. In this context, the boldly conceived and brilliantly executed raids on the Caproni and Fiat works in Milan and Turin by a large squadron of British bombers flying out from England will have a heartening effect. The more the British can demonstrate their superiority in the air and on the sea by offensive tactics, the more the doubts raised by their inevitable inferiority on the land (since the collapse of France) will be offset.

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Daut Hoggia: Albanian "Patriot"

It is difficult to say what Italy is up to in Greece. The claim that the Greeks are responsible for the murder of an "Albanian patriot," one Daut Hoggia, that they have treated his corpse with indignity and that they are further oppressing the Albanian "majority" in the Greek province of Thesprotia, has been combined with significant hints that the British guarantee violates Greek neutrality and that the time has come to "return" to strict neutrality—and, though this is only a report, cede Corfu as a sign of neutral good faith. Italy may be picking a quarrel as the preliminary to an offensive on Greece—in which case the Daut Hoggia story is as good as any, in spite of the well substantiated Greek retort that the murder was done by Albanians who fled to Greece and for whose extradition Greece had already opened negotiations with Italy—and that, in any case, Hoggia was a "patriot" on the lines of Al Capone. Yet it is difficult to believe that Italy will launch a Balkan war when Berlin is at such pains to keep the Balkan peace. Italy can hardly hope to pull off "a little war," for Turkey is bound by a close agreement, and the British Navy is on the spot. It is therefore possible that Italy is trying to divert attention from a rather ugly revolt which has broken out among the Albanian hillsmen. The Albanians are "bonny fighters" and their resentment at the attempts made to mobilise themselves and their animals has flared up in local fighting in which the Italian soldiers have not had it all their own way.

While the Albanians are busy fighting their "protector," Italy's claim to protect the perfectly contented Albanians in Greece looks a trifle foolish. But the Italians are not trying to be consistent. They are bent on frightening the Greeks into concessions, with possibly the proviso imposed from Berlin that they must stop short of actual war.

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The Balkan Negotiations Drag On

The Axis plan for the Balkans continues to hang fire. Hitler's overriding need for peace is still the key to the situation. If he were more certain of Russia's attitude and if he did not fear an outburst of nationalist feeling, he would doubtless bring far more pressure to bear than he appears to be doing. The Russian difficulty is as great as ever and the publication this week of the Bulgarian Communist Party's manifesto in which Axis plans for the Balkans are openly attacked is the first clear indication of Russia's views on her Balkan sphere of influence. The manifesto attacks Germany for attempting to bring up the Macedonian question. The inference is that the Nazis are tempting the Macedonians to form an autonomous State linked federally with Jugoslavia. Such an addition to the Jugoslav State could be achieved only at the expense of Bulgaria and Greece since Macedonia is divided between these three Balkan States. Germany may well be considering some such manœuvre. Bulgaria's affinities with Russia and Greece's British guarantee make them unpromising allies. It would suit Germany's books to strengthen Jugoslavia at their expense and at the same time to secure a lien on Jugoslavia's doubtful loyalty. Macedonia has been in the past one of the active points of eruption of the Balkan volcano and an attempt to settle the question would be in line with Germany's general aim of keeping the peace by imposing a settlement. But, as the case of Roumania illustrates, it is easier to think of a cut and dried scheme for the Balkans than actually to achieve it. Bulgaria cannot be coerced into surrendering her Macedonians, for they are of Bulgar stock and by ethnic right should be linked federally with Bulgaria, not Jugoslavia. And in making a stand, Bulgaria would have Russia's full support. The Macedonian Revolutionary Party (the I.M.R.O.) was for a time under its leader Michailoff strongly impregnated with Communism and preached, as the Communist solution of the Balkan problem, a Balkan Federation of Soviet Socialist States within which Macedonia would enjoy autonomy. Russia would not be willing at this point to see Germany filch the valuable trump of Macedonian irredentism.

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The Debatable Lands

The extent to which Russia is backing Bulgaria in the Roumanian negotiations is more doubtful, but Roumania's acceptance of sub-Axis status makes it certain that she will get no sympathy from the Soviets. Bulgaria is demanding the South Dobrudja frontier of 1912, while the Roumanians cavil at the loss of the Roumanian town of Silistria. In point of fact, the real difficulty is not the negotiation itself, which is a straightforward transfer, but the repercussions in Hungary if Bulgaria's demands are fully met. The Hungarians, who claim much more on much more unreasonable grounds, will demand a full settlement by analogy and it is increasingly obvious that the Roumanian people will not tolerate anything like a complete satisfaction of Hungary's claims. It is even doubtful whether the stalwarts who are rallying to the stand made by M. Maniu and M. Vaida Voevod for the National Peasants, M. Bratianu for the Liberals and by the once pro-Nazi Iron Guard will tolerate any concessions at all. The Iron Guard's veer in policy is significant of the change of temper in Roumania as a whole. The disillusion which the terms of Germany's "protection" has entailed has led to a strong reaction against the Axis Powers, so strong that the Iron Guard even resurrect the vain hope of restoring Britain as protector. Carol is in his old dilemma, of preserving Germany's interest in his country's survival by fulfilling Germany's commands and at the same time preserving the unity of his country, which is almost certainly bound to disintegrate if Germany's commands are fulfilled. The Axis *Diktat* appears to have imposed a solution in which transfers both of territory and population play their part. Roumania is to cede the frontier districts of Crisana and Maramures in which the half-million Magyars are in a great majority, together with enough land to accommodate the half-million Szeklars from the Carpathians. Their place would be taken by Roumanian plainsmen living across the frontier in Hungary. The scheme has the heartless symmetry and complete disregard for personal but inconvenient rights we have come to expect from the Dictators. The Szeklars are woodsmen and a mountain people. The Roumanians only know the plain. Their economic readjustment to a totally new environment would be a painful business. And it is doubtful whether they would consent without resistance to leave farms and hillsides which have been theirs for generations. Thus, with external pressure and internal uncertainty, the fact that negotiations have actually opened between Roumania, Hungary and Bulgaria is no guarantee that they will be peacefully concluded.

* * *

The Future of India

Enough time has now elapsed since Lord Linlithgow's statement on India's future for the reaction of Indians to be summarised. The Congress Party, to whose intransigence the double offer—to take representative Indians on to the Viceroy's Council and a new War Council now, and to set up a constituent assembly of Indians after the war to make a new Constitution—was directly addressed, is in no way mollified. Pandit Jawaharlal Nehru has spoken of "an unbridgeable gulf"; and the Congress demand for a National Government and a constituent assembly at once has been restated. The President of Congress has refused to take part in the conversations between the Viceroy and Indian political leaders. Actually, however, the omens are not altogether inauspicious. Both the Hindu Mahasabha, which does not recognise the right of Congress to speak for Hindus, and the Moslem League are willing to talk things over, and the most they want in addition to the Viceroy's statement is a promise of Dominion status twelve months after the war ends. The Congress complaint that the statement did no more than repeat the old pledge of freedom "sometime" is not true. The coming of peace, according to the statement, will see Indians charged with the responsibility of working out their own salvation. That is a new and specific promise, and, despite bitter Congress criticism, even Pandit Jawaharlal Nehru does not rule out the possibility of an understanding. Congress objects to Britain's restatement of her obligation to protect India's minorities. But this, surely, is the essence of the present deadlock. If the Indian parties could agree without strife there would be no need for British reservations. That is India's task—to agree. And, as Mr Amery has pointed out, the time to start is now, to work out an agreed constitution for a free India, fair to all Indians, so that when the work of constitution-making is handed over, the constitution will be there ready-made—and Britons might well help at once in this preliminary process.

* * *

The Spiral at Work

In February, the railways reached an agreement with the Government which gave the companies a guaranteed minimum revenue, insured them against war damage up to £10

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millions in any year, and entitled them to increased rates, fares and charges "to meet variations in working costs and certain other conditions arising from the war." An agreement with the unions for higher wages followed within a few days. Within two months the Minister of Transport had ordered a 10 per cent. increase in charges, to cover estimates of increased costs totalling £22¼ millions for the period of 19 months to March, 1941. This increase, made by Order and without public inquiry, was estimated to produce £18 millions in a full year. It was the signal for consequent increases in coal prices and steel prices, which in turn were bound to affect railway costs. Moreover, wages were increased by 3s. a week in June, at an annual cost of £4 millions or more. Such possibilities were not unforeseen by *The Economist,* though they were hardly touched upon by Parliament when the agreement was debated last February. Now the spiral receives another twist. A public inquiry (this, at least, is an improvement) is to be held before the Charges Consultative Committee on August 26th to advise the Minister on the best method of securing an increase in charges from October 1st to yield by September 30, 1941, a further £15 millions, in addition to the estimate of £29½ millions from increases in charges already authorised. This further increase is, in fact, equivalent to 7½ per cent. of pre-war charges, and under the terms of the railways' agreement, the companies are entitled to it, if they can prove their cost estimates.

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The late Minister of Transport made much of the necessity for putting railway charges on an economic basis, but an increase of 17½ per cent. in railway charges in the brief space of five months will hardly strike railway users as the most economic method of fixing charges. The results of the agreement are proving far from economic for the community, for nothing imparts a more vigorous impetus to rising prices than a general increase in transport charges. The railways and the Government are, in plain terms, in an economic conspiracy, in which neither party has any financial interest in the level of railway charges which the user is compelled to pay. Rising costs and the undefined "other conditions arising from the war" are automatically covered by the right of the railways to exact increased charges. One "condition arising from the war"—that is, a substantially increased volume of traffic—is evidently not taken into account at the quarterly reviews of railway costs. But the division of railway operating costs between the direct expense of moving traffic, and the overheads which must be met, irrespective of the volume of traffic passing, is commonplace. Under the present agreement, the companies are protected against rising direct costs, and have the advantage of falling indirect costs, due to increased traffic. They have no incentive to resist applications for increased wages, and no financial interest in the prices which they pay for materials. Every application for increased charges merely breeds another familiar cycle of rising prices and wages which go to form the basis for another application. Whatever advantage this system may provide for the companies, their stockholders and their employees, is inflicted as a multifold disadvantage for the community. Enough has been established of the uneconomic working of the agreement in six brief months to suggest that its inflationary effects are "a cause of a major character" which, in the terms of the White Paper, would justify its revision at the end of this year.

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Whittling the Purchase Tax

"Knowledge" is to go untaxed. More accurately, newspapers, books and periodicals are to escape the Purchase Tax. So also are account books, which perhaps are held to represent knowledge in the making, though diaries, by some administrative caprice, will pay. The publisher of Pepys will escape; but who knows if some modern Evelyn may be dissuaded from purchasing his stock-in-trade when its price is increased by one-third of its wholesale value? The case against the application of the Purchase Tax to periodicals was treated to some light cynicism by Sir Kingsley Wood on Tuesday, but, after discounting some of the more extreme arguments, he nevertheless accepted its main contentions. For the rest, the concessions were of minor importance; household brooms and brushes, certain china and porcelain articles, surgical and medical appliances will attract tax at a reduced rate or escape altogether. But the Chancellor was adamant on the question of relief for dress materials and fabrics, which are used in home dressmaking. The sum total of the concessions (apart from the exemption of papers and periodicals) is not important from the revenue aspect. As for the exemption of papers, this journal—though it will admittedly benefit considerably by it—is not appeased. A fortnight ago it recorded that the Purchase Tax was not a good tax; in this particular, it has been weakened by whittling down, and special pleading has succeeded.

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Objection to War

The time is due for some assessment of the position of conscientious objectors in the nation's life. It is in line with the British tradition of free opinion that there should be provision in statutory law for the fair treatment of pacifists; and it is well known that the intention of Parliament in embodying this provision, first in the pre-war Militia Act and then in the measure to enlist a wartime army on the basis of conscription, was to make sure that the excited sentiments of war should not be permitted to deprive genuine conscientious objectors of a just hearing and reasonable treatment. Unfortunately, it is not enough to lay down in law how these ends shall be achieved. The work done by the tribunals set up to investigate conscientious objection has varied startlingly from tribunal to tribunal; and in several cases there has been an unfortunate tendency for tribunals to depart from their first and only task, which is simply to establish or refute the fact of conscientious objection. This has been largely a matter of personalities, but after the tribunals have done their work there are still more serious defects. The law provides that men proved to have a conscientious objection to participating in the war shall have the opportunity of working, either at their old employment or in work of national importance; but it does not make any further provision to see that in fact such work will be available. Employers have taken to dismissing conscientious objectors on their own responsibility. The ringleaders have been local authorities, and close behind them have come some of the largest industrial and commercial undertakings in the country. Several employers in charge of work of national importance have refused to admit conscientious objectors to the occupations permitted to them by the tribunals. Local A.R.P. services have dismissed or refused admittance to conscientious objectors. Some local authorities have run riot and are attempting to get rid of women known to have pacifist opinions—a procedure which is no less than the inexcusable persecution of opinion.

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It must be said, however, that a strong body of public opinion is behind these attempts to oppress conscientious objectors, but the point that is too little realised is that what most people want is not to treat pacifists in Nazi fashion, but simply to prevent them from obtaining financial and economic advantages from the mere effect of their being unwilling to engage in military service. This point is understandable, and might well be catered for by the provision that conscientious objectors actually registered and called up should in no circumstances receive more than the pay and allowances which would have been theirs had they actually been drafted into the armed forces. Some people may justly cavil at this, with the criticism that men exempted from military service by reason of being in reserved occupations are permitted to continue earning high rates of wages or salaries; and this too could be dealt with, to some extent, by recourse to the pre-Armistice French plan, whereby mobilised men on war work paid a contribution out of their earnings to assist the families of men actually called up. The position as far as conscientious objectors are concerned is this: since the law allows them to object, they must be permitted to work if their objection is sustained; secondly, they must not receive, as a result of their objection, rewards which seem large when set beside those of the fighting men. The large block of conscientious objectors would heartily endorse this view; and it is for Parliament now to make quite certain, not only that the law allows conscientious objection, but also that pacifism shall go unpersecuted and unexploited.

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Distressed Areas

The outcry for steps to aid the local authorities and business undertakings hard hit by the evacuation of coastal defence areas is growing. This is not a single theme. It is part of the general call for the State to undertake responsibility for the unavoidable cost, to individuals and institutions, of the reshaping of national economic life that war economy and military exigencies require. The Government cannot see the separate symptoms straightly because it has not yet seen the problem as a whole. What to do about the distress of people evacuated or left behind is only one instance. What to do with people thrown out of work, or out of business, by the cutting down of non-essential activities is another and even more obvious instance. The answer is simple in every case: to maintain individuals and families thrown into destitution; to train them and put them to war work as soon as possible—the success of the entire war effort depends upon this; and to compensate individuals and firms for the loss of business goodwill or capital assets in circumstances out of their control. There are firms and individuals and local authorities who have gained from the reshuffling of England. It is on their behalf, and with their contributions, that the Government should succour the indigent, employ the idle, compensate the deprived and provide for the maintenance of important closed-down concerns, as well as of local government.

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Withdrawals in the Far East

Britain's decision to withdraw her troops from North China and Shanghai completes a move initiated last November, when a first reduction of forces was announced and only those troops remained which were "necessary to protect property and maintain order." Now all troops are to be withdrawn. The decision is inevitable, for the ugly situation developing in East Africa and the Near East requires all the reinforcements we can muster. Nevertheless, it is unfortunate that a withdrawal which, if it had taken place under a Chinese regime, could have been interpreted as a gesture of recognition of China's sovereignty may now be twisted by the Japanese to signify a recognition of their effective hold on North China and the Chinese coast. Japan is obviously anxious that our withdrawal should herald a general withdrawal by all non-Eastern Powers. The United States' attitude is not yet clear. At Shanghai, Colonel Peck, Commander of the 4th United States Marines, is reported to be in favour of keeping "open the last crack in China's open door," but with the arrival of Admiral Hart negotiations pass to higher quarters. The United States attitude towards Japan has stiffened in recent weeks, and it is doubtful whether the State Department is willing to allow Japan a cheap diplomatic victory at this point. However, what Japan cannot get from the Americans she is likely to get from the French. Negotiations with the Pétain Government on the future of Indo-China will produce no results unfavourable to Japan. In a sense, a much closer economic connection between Indo-China and Japan is not only inevitable, but would also be in Indo-China's best interests. A very high percentage of this "assimilated" colony's trade had been diverted to the Mother Country. Now that the British blockade cuts France off, Indo-China's natural market and source of supply is Japan. Japan may, under the circumstances, permit Indo-China to preserve a semblance of political autonomy. It will only be a semblance.

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Bewildered France

Germany is determined that for the time being at least no effective unity shall be restored to France. *Divide et impera* is the guiding principle of Germany's present manœuvres, and it is hardly extraordinary that the Nazis should continue in victory a technique which brought them such astonishingly successful results while the struggle still continued. First, then, there is the wedge that Germany has managed to drive between Paris and the Vichy Government. With a sound instinct for the essential structure of France, Marshal Pétain pleaded with Germany that the Vichy Government should be allowed to return to Paris. The Germans agreed in principle but placed administrative obstacles in the way, and Marshal Pétain has been obliged to stay at Vichy. In the meantime, the German-inspired Press of Paris, such as *La France au Travail,* and the German controlled broadcasts attack the Vichy regime in bitter and insulting terms and accuse the Pétain regime of being the same old gang of corrupt politicians seeking salvation in a totalitarian shirt roughly cut out of the old parliamentary garment—a view with which it is hard to quarrel. In the provinces confusion reigns. While foodstuffs rot in Brittany and Normandy (provinces with a normal export trade to Britain) other districts are at the point of famine; but communications are so broken and administrative contacts so futile that little is being done to restore any flow of goods or ideas between the various departments. In many districts the Prefects have no idea whether they still hold office. Finally, the Riom trials, in which the most discreditable side of French politics will be manifest, are a further instrument of division and disloyalty. Old scores and old vendettas will be paid off, new wounds created and old ones reopened, suspicion sown, hatred fanned, resentment brought to the pitch of violence. And from all this one Power and one only profits, the German Reich.

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Control of War Industries

On August 2nd Mr Justice Bennett granted an injunction against two controllers appointed by the Ministry of Supply, under the Defence Regulations, restraining the defendants from interfering with the control and management of E. H. Jones (Machine Tools), Limited, or with the company's banking account. In this decision the Court was actuated by the fundamental principle of English law, that the subject should be protected against arbitrary acts of the Executive, for it was held that the Ministry of Supply had gone far beyond the authority which Parliament had conferred upon it, and the relevant Defence Regulation under which action was taken was accordingly invalid. This regulation has since been revoked, and a revised regulation substituted, covering the substantial points of criticism. The managers are no longer to act as agents of the company, but as agents of the Crown; further, their powers have been substantially restricted. On this basis, the managers have been working as from August 8th on terms acceptable to the company. The revised regulation should not weaken the power of the Ministry of Supply to act promptly and effectively in cases where the efficient prosecution of the war demand their intervention. But it will no longer be possible for the controllers to hold out that they are acting as the agents of the business which has been taken under control. The responsibility for their acts is now placed where it properly belongs—with the executive Ministry concerned.

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Correction

In a Note of the Week under the title "Recruits for War Work" on page 183 in the issue of *The Economist* dated August 10th, certain statistical arguments about the cutting down of consumption goods industries were attributed to Mr G. D. N. Worswick. Actually, these arguments, which appeared in the Bulletin of the Institute of Statistics (issue No. 4, price 1s.), were the work of Mr G. H. Daniel.

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THE WORLD OVERSEAS

Foreign Armies in Britain

(By a Correspondent)

GREAT BRITAIN has for the first time in history formed foreign armies on her soil. Five armies are now standing side by side with the British forces. Though under British command, they have preserved their national and political character and are fighting as independent Allied armies.

The largest foreign army in Great Britain is the Polish. Immediately after the invasion and occupation of Poland by Germany and Russia, General Sikorski—the Polish Prime Minister and Minister for War—started to reconstruct the Polish forces on French soil. Tens of thousands of Polish soldiers who crossed the Roumanian, Hungarian, Latvian and Lithuanian frontiers last September managed to escape from the internment camps and made their way to France, where they joined the Polish forces. Poles living in France and Great Britain were partly conscripted and partly volunteered to the newly formed army of General Sikorski, and already at the beginning of the current year Polish forces in France amounted to nearly 80,000 men. At the same time the Polish Air Force and Navy joined the Royal Navy and Royal Air Force in Great Britain. Thousands of pilots who took part in the Polish campaign and were already acquainted with the methods of German aerial warfare formed the Polish units of the R.A.F.

Thanks to intensive training, Polish divisions were able to take up different positions along the Maginot Line, and the battalions of the Polish Mountain Brigade—the so-called Brygada Podhalanska—fought bravely in Norway. When the French Government began negotiations for an armistice General Sikorski ordered the Polish formations to concentrate in the Atlantic ports or in Southern France. The units on the French Eastern frontiers which could not possibly reach the Atlantic were directed to proceed towards Switzerland. One division was interned, another destroyed, but the remainder managed to reach ports in time and were embarked for England. Considerable numbers of the Polish forces are still left in unoccupied France, whence they are, in spite of enormous difficulties, making their way to England.

Anglo-Polish Military Agreement

The Polish Government, which came over with its army to England, started immediately to work on the reconstruction and reorganisation of the fighting forces. An Anglo-Polish Military Agreement was signed this month, under which the Polish Army will be organised from the Polish troops in Great Britain and in the Middle East and completed by a mobilisation of Polish citizens living in the United Kingdom, as well as by drafting volunteers from other countries. Polish regimental colours and all distinctions of rank and badges of the Polish Army will be retained. The forces will be organised and employed under the British command, in its character as the Allied High Command. The British Government also undertook to guarantee the necessary credits and to finance the cost of maintaining the Polish forces. Re-equipment and training have already begun.

The position of the Polish Navy, which has been collaborating with the Royal Navy for some time, was defined at the beginning of the war. The Polish naval units were then incorporated in the British Navy, and the exploits of these units have already become famous.

The Polish Air Force which was already in training in this country will now be reorganised, and its ranks will be considerably enlarged by the officers and men from France. A joint British-Polish Board will select the men suitable for different air services. The Polish Air Force will be on the same footing and will be used in the same manner as the R.A.F. The supply, maintenance, and training of the Polish units will be organised through the R.A.F., and Polish airmen will wear the same uniforms as British, with distinctive Polish symbols and badges.

The Czech Army

The Czechoslovakian army is smaller than the Polish, but it has a similar history. The Czech forces are composed partly of members of the old Czechoslovakian army who left their Fatherland after Prague was occupied by Nazi Germany and partly of Czechs who lived in France and were conscripted during the first months of the present war.

The Czech army in France proved itself of first class fighting quality. General Ingr's army fought its way out to the Mediterranean coast and came back here by sea after a very risky journey. Czech pilots, too, flew to this country in face of great difficulties. All these units are now in training. The official recognition of the Czech National Committee as the Czechoslovakian Government was the first step in the preparation for an Anglo-Czechoslovakian military pact which will probably be similar to that signed with Poland.

The French Volunteers

The position of the French Force of Volunteers is different. General de Gaulle was recognised by the British Government as leader of all free Frenchmen, and was empowered in this capacity to organise the force of French volunteers willing to carry on the struggle side by side with Great Britain.

The status and position of this force were officially settled in the letters and memoranda exchanged between the Prime Minister and General de Gaulle. The recruiting to the French army on a volunteer basis is going on well, Frenchmen who managed to escape from France and many who lived in Great Britain before the war are now joining the French units. The army is being equipped by Great Britain and, at the same time, General de Gaulle's forces have first claim on all weapons, aircraft and supplies brought by Frenchmen into British territory. The volunteers enlist for the duration of the war for the purpose of fighting the common enemy; they receive pay on a basis to be settled separately by agreement between General de Gaulle and the Departments concerned. The volunteers and their dependants will be granted pensions and other benefits in the event of disablement or death. The British Government have undertaken to do all in their power, at the time of the conclusion of peace, to help the French volunteers to regain any rights, including national status, of which they may have been deprived as a result of their participation in the struggle against common enemies.

The same agreement deals with the organisation of the French fleet; the French force will commission and operate as many vessels as it is able to man. The allocation of the vessels to be commissioned and operated by the French force will be a matter for agreement between General de Gaulle and the Admiralty.

The other Allied nations—Holland, Norway, Belgium—have also recruited units of their armies. Their numbers are comparatively small, and they have been incorporated into the British forces as separate national units of the countries concerned.

August 14th.

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The Foreign Trade of U.S.A.

[FROM OUR NEW YORK CORRESPONDENT]

FOREIGN trade figures for May, June and the first six months of 1940, compared with the previous year's figures, are reported as follows:—

(In thousands of dollars)

	June, 1939	May, 1940	June, 1940	6 Months, 1939	6 Months, 1940
MERCHANDISE					
Exports	236,164	325,306	350,458	*1,416,011*	*2,067,734*
Imports	178,866	211,393	211,390	*1,094,458*	*1,283,807*
Excess of exports	57,298	113,913	139,068	*321,553*	*783,927*
GOLD					
Exports	19	3,563	1,249	*435*	*4,939*
Imports	240,450	438,695	1,164,224	*2,021,077*	*2,750,537*
Excess of imports	240,431	435,132	1,162,975	*2,020,642*	*2,745,598*
SILVER					
Exports	303	177	884	*8,614*	*3,063*
Imports	14,770	4,589	4,673	*55,527*	*30,026*
Excess of imports	14,467	4,412	3,789	*46,913*	*26,963*

Both the $25 millions increase in exports in June compared with May this year and the similar increase in the past six months were accounted for largely by imports of war materials, especially munitions, aircraft and steel manufactures. The rise in imports was due to a great extent to imports of strategic materials, especially crude rubber, tin, ferro-manganese, nickel and wool. These items accounted for $118 millions of the increase.

The influence of the war on United States trade is even more strikingly shown by comparison with the first half of 1937, when business in this country was also at a high level. In that period merchandise exports were approximately half a billion dollars less than in the past six months, while imports were about $400 millions more. Income payments to individuals were very slightly higher in the 1937 period than in the first six months of 1940, though the lower cost of living this year makes real income better. For the first half of 1940, therefore, the higher exports approximately offset a slightly lower level of domestic activity than prevailed during the first half of 1937. The lower level of general commodity prices and the cost of living reflect the same situation. The stimulus of specialised export demand has not spread far in the economy, and the indication of this fact given by the trade figures for the first half-year still continues.

Lost Markets

The trade figures for the first half, of course, include business with a number of areas now inaccessible. Shipments must show some diminution in coming months unless the fewer countries take more or the area of trade is enlarged. Offsetting this possibility, however, is the certainty that the re-armament programme here will be causing an increasing volume of output and employment. The other chief question in the domestic outlook appears to be whether the high level of activity in consumers' goods which has been maintained for some time will be sustained in the face of the many existing uncertainties.

Large Gold Imports

The excess of merchandise exports, large as it was for the first half of this year, accounts for only a small part of the enormous total of gold imports. Capital movements, including the large amount of gold held here under earmark and not a part of domestic monetary gold stock, continue to be the major factor. Both the character and volume of this movement will presumably be substantially altered during coming months compared with recent months as a consequence of recent war developments. In fact, it appears not unreasonable to suppose that the gold movement may diminish substantially before much more time has passed. However, additional releases from earmark may cause monetary gold stocks to continue to rise for some time after exports fall off.

August 2nd.

Swiss Isolation

[FROM OUR GENEVA CORRESPONDENT]

AFTER the Franco-German armistice, the President of the Swiss Confederation broadcast a message which appeared to foreshadow the establishment of something approaching an authoritarian regime, as the only means of dealing with the new situation. So far, however, no great changes have taken place, except that the Press, in compliance with the wishes of Berlin, no longer criticises the Nazi regime, but expresses admiration for Germany and contempt for Britain. The publication of news of British origin, even when official, is cut down to almost nothing. The only drastic economic measure has been the passing of an Act providing for a capital levy ranging from 1½ to 4½ per cent.

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Economic Difficulties

The anxiety which was felt about the food supply at first has been diminished by the maintenance of Italy's friendly attitude. Imports through Genoa are, however, impeded by lack of rolling stock. Imports through France, after an interval of several weeks, are being slowly resumed. Meanwhile stocks are said to be sufficient for a year and food rationing has so far only been applied to edible oils.

The fuel situation is a much greater cause for anxiety. The petrol ration has been reduced by two-thirds and the price is double that of a year ago. Domestic coal rationing is extremely drastic and the use of hot water is only allowed once a week. By this means industrial supplies are fairly well maintained.

There was at first a tendency to hoard bank notes, and a consequent rise in money rates, but an appeal to the public has met with a very satisfactory response and large sums have been returned to the banks.

Germany's Hopes

The older men, representing about one-fifth of the army, who have already been demobilised, have for the most part been absorbed into industry, but it is feared that, as demobilisation proceeds, a severe economic crisis may arise. Export trade is at a very low level, since Switzerland is cut off from most of her markets. Italy has concluded a trade agreement with Switzerland, and negotiations are being opened with Germany, with a view to readjusting the system of payments, transfers and commercial exchanges. These are likely to be accompanied by German demands for the delivery to the Reich of goods imported into Switzerland and for an artificial rate of exchange. The Swiss, however, are confident that they have certain bargaining advantages which they intend to press home to the full. The Germans, on the other hand, who are watching the difficulties of the Swiss with interest, feel that it is only a matter of time before Switzerland will so far lose her economic dependence that she will be compelled to "join the new European system." The next few months will probably decide this issue.

July 26th.

Palestine at War

[BY A CORRESPONDENT]

THE war in Palestine has started in full earnest. The second air raid on Haifa caused about one hundred casualties among the civilian population, of which 46 were fatal. Arabs and Jews alike were the target of Italian aircraft, and both peoples were victims of bombs rained on the Holy Land by the "Protector of Islam."

Until Italy entered the war, Palestine enjoyed comparative tranquillity. Life in the Middle East was not much disturbed by the war in Western Europe. The Mediterranean was open for shipping, and British convoys assured safety on the open seas. Syria was an ally and fully participated in the exchange of goods with Palestine. The latest developments in Europe have, however, very much affected Palestine's economy, for France, Poland, Czecho-Slovakia, Germany, Holland and Scandinavia were all consumers of Palestine exports, especially citrus fruit. To some extent, however, the loss of European markets has been offset by the increase in trade with Great Britain and also by bigger domestic consumption owing to the large garrisons stationed in Palestine since the outbreak of war.

Trade during 1939 showed an increase; imports (excluding military stores) rose from £11,500,000 in 1938 to £14,633,000 in 1939, but exports valued at £5,117,000 showed only a small rise over 1938. Export figures, both for last year and this, will suffer from the disappointing results of the citrus season; because of the shortage in shipping space only 7,000,000 cases of fruit were shipped in 1939-40, this being about a half of the previous season's exports.

Jewish immigration to Palestine, another important factor in Palestine's economy, continued for a time, and during the first eleven months of the war 16,000 Jewish immigrants entered the country. In spite of enormous difficulties, Jewish immigration continues even to-day, although it is impossible to reach the country, except in a roundabout way via India.

The chemical industry, based on the products of the Dead Sea, expanded last year. The production of potash, magnesium, chloride, sulphur, rock salt, sea salt, gypsum and cement rose to 191,380 tons, valued at £P656,354, against 160,681 tons, valued at £P530,941 in 1938, and the prospects of further development are very good, especially as nearly all the products are used for the production of different war materials.

The Palestine Government took steps to meet the emergency, and special subsidies and loans were made available for the small industries and trades which were hit by the war. The Jewish Agency for Palestine also placed special funds at the disposal of the different trade organisations, and plans for the raising of a loan of a million pounds from Zionists in the United States were put into operation.

Effects of the Mediterranean War

The comparatively calm situation has now, however, been greatly disturbed. Italy changed Palestine into a main theatre of war in the Near East, and the port of Haifa with its naval base and pipe line is an attractive air target. But Palestine is fully prepared, and the first weeks of Italy's alleged belligerency have shown that the Holy Land is not an easy target. A.R.P. measures are being extended and improved. More air raid shelters are being built; first aid, fire-fighting and special constable squads are being trained, and hospital facilities have been more than doubled. Stocks of essential foodstuffs have been steadily laid in during the past year, and industries have also been storing essential raw materials. A Food Controller has been appointed, and it is expected that the country will have to go without, or go short of, some commodities. The chief shortages will be of butter, cheese, fish, tinned milk and other preserved foodstuffs, although local products like shemen and olive oil will be available to make up for the deficiency in fats.

The Palestine Government, in accordance with the principles of the Mandate, has not introduced conscription, but the High Commissioner is empowered to make regulations requisitioning persons and property to carry out exceptional measures to meet the war situation. The call for volunteers to serve with the colours met with a good response from both the Jewish and Arab populations. Two separate mechanical transport companies for Jews and Arabs are being formed by the Royal Army Service Corps, and more companies are being raised for the Palestinian Auxiliary Pioneer Corps, one of which has served in Flanders and is now in Great Britain. There is a keen desire in Palestine to take part in the defence of the Homeland, and dissatisfaction was expressed that more use was not made of the numerous offers by tens of thousands of volunteers to enlist in the Forces.

Events in Syria have largely affected Palestine, as both countries are economically interdependent. The evacuated Polish Legion and the French units which decided to fight on were warmly welcomed in Palestine. The military and civil authorities are still doing their best to keep normal relations with Syria and to preserve the *status quo*, but the situation becomes more complicated from day to day.

Anti-British Propaganda

In the meantime, Italy and Germany have started an intensive campaign to incite the Palestinian Arabs against Great Britain and the Jews. The Italian radio from Bari and the Italian Press have lately increased their propaganda. A plan for the absorption of Syria, Palestine and Cyprus into the Italian Empire has been put forward. Apparently the Italian plan, should the war be won by the Axis Powers, is to rule Palestine under the nominal sovereignty of the Vatican State with the real control in the hands of Italy. To please the Arabs, Italy promises them that Germany and Italy would break up the Jewish National Home and send all the Jews living in Palestine to Abyssinia.

The Palestine Arabs and their leaders do not trust Mussolini and his promises. They know that Mussolini's Moslem policy has merely been a phase of his foreign policy. They know that Italy's aim is only to cause trouble for Great Britain, by inflammatory broadcasts in Arabic from the Bari radio station, by disseminating seditious pamphlets, and by encouraging agitators and Fascist agents.

The Jewish workers have through their trade unions placed their services at the Government's disposal, and Palestine Jews have full support in their struggle from Jews all over the world, especially from the United States. Palestine has the moral support of the neighbouring States, particularly Saudi Arabia. Italy and Germany have tried different ways and means to influence Ibn Saud to change his friendly attitude towards Great Britain, but their efforts have been in vain. Saudi Arabia remains officially neutral, but its ruler's real feelings about the conflict are well known.

July 31st.

THE BUSINESS WORLD

Shipping and Ports

FOR the second time Germany is attempting to starve us into submission. In 1914-18 she relied chiefly on the sinking of ships by submarines. This time her chief weapon is the bomber, allied to the submarine and the mine, and, according to reports, long-range guns commanding the Straits of Dover. While continuing to harass our shipping on the high seas by raiders, she now bases her main hopes on bombing ships in and near ports, handling and storage capacity in ports and railway tracks and roads leading out of ports. This second attempt to cut us off from the rest of the world will fail, if we can clear the air around Britain of German bombers *in time*, just as we cleared the sea of submarines in the last war before our food and raw materials supplies gave out. We must be prepared for terrific attacks, for Germany will press them to the limit of her power, knowing that in aircraft production time is on our side. We must be prepared for increased shipping losses, for growing difficulties in loading and in discharging ships in ports, for hold-ups in the distribution of commodities inland.

As regards the shipping capacity at our disposal, there is no need for immediate concern. The virtual cessation of our short-distance trade with Continental Europe, which, in the past, accounted for 30 per cent. of our total trade, and the virtual closing of the Mediterranean to our ships, by lengthening the average voyage per vessel, has considerably reduced the carrying capacity per gross ton of merchant shipping. But the ocean-going tonnage at our disposal has been substantially augmented by the accession of the greater part of the vessels owned by the countries defeated by Germany and by the new vessels completed in our shipyards. The increase in the merchant fleet available to us far exceeds the tonnage sunk by the enemy. Indeed, taken all in all, our capacity to import and export is now as great as it was at the outbreak of the war, in spite of the considerably greater average length per voyage.

Since July, it is true, the rate of loss has tended to increase with the intensification of bombing attacks on convoys. Between September 3, 1939, and June 2, 1940, 19,614 gross tons of merchant shipping were lost per week; during the four weeks ended July 28th the average weekly rate of loss was 52,993 gross tons. At the rate of those inflicted in July, our losses would reach about 2,755,000 gross tons per annum, which exceeds our annual building capacity by about 1,250,000 gross tons. But, in addition to the new vessels built in this country, we can draw on the output of overseas shipyards, and we can buy and charter additional foreign vessels, while further enemy ships will no doubt also fall into our hands. During the next few months, therefore, even a still higher rate of loss would not seriously impair our war effort. So far as shipping capacity is concerned we therefore have a substantial margin of time for the defeat of the Nazi bombers before our position becomes serious.

It is impossible to foresee at this early stage the effect of Germany's bombing attacks. The Nazis are already trying hard to drive our shipping out of the Channel and to render the southern and south-eastern ports unusable. Their plan of campaign may be to attempt to make us give up the use of certain ports easily accessible to them and then to smash them and their rail and road approaches if they are no longer seriously defended. Next, they may intend to concentrate on some of the remaining and by then congested ports and to repeat the same tactics there until our ability to carry on trade is seriously impaired. Moreover, by forcing the coastal traffic on to rail and road they may hope to congest our inland transport with the final intention of rendering us unable to carry on.

Fortunately, the coast of this island is dotted with ports, and, as the tables below show, both our overseas and coasting trades are well distributed.

NET TONNAGE OF VESSELS (000's omitted)

(*a*) Foreign Trade

Principal Ports of England, Scotland and Wales	Arrived with Cargo			Departed with Cargo		
	1929	1938		1929	1938	
			Per cent.			*Per cent.*
Eastern ports	14,562	15,699	*18·5*	22,930	16,802	*24·8*
Southern ports (inc. London)	33,505	39,496	*46·5*	21,846	25,350	*37·6*
Western ports	25,285	27,205	*32·1*	32,903	24,151	*35·7*
Ports not shown separately	2,667	2,448	*2·9*	2,382	1,314	*1·9*
Total	76,819	84,848	*100·0*	80,061	67,617	*100·0*
London	18,814	19,369	*22·8*	11,230	9,755	*14·9*
Liverpool	10,897	11,189	*13·2*	9,253	7,824	*11·6*
Southampton	6,764	8,232	*9·7*	7,230	7,787	*11·5*
Hull	4,419	5,122	*6·0*	2,432	1,858	*2·8*
Newcastle & N. & S. Shields	1,571	2,672	*2·4*	6,677	4,145	*6·1*
Cardiff	1,295	1,215	*1·4*	7,230	3,537	*5·2*
Dover	1,576	2,983	*3·5*	1,578	3,247	*4·8*
Glasgow	3,422	4,107	*4·8*	4,291	3,736	*5·5*

(*b*) Coasting Trade

			Per cent.			*Per cent.*
East	2,699	2,770	*11·6*	8,233	9,767	*38·9*
South	8,822	10,559	*44·2*	3,240	4,334	*17·3*
West	4,833	5,698	*23·8*	6,064	7,553	*30·2*
Ports not shown separately	2,974	4,872	*20·4*	3,496	3,419	*13·6*
Total	20,328	23,899	100·0	21,033	25,073	100·0
London	6,088	7,352	*31·6*	1,795	2,144	*8·5*
Liverpool	1,660	1,987	*8·3*	1,645	2,074	*8·2*
Glasgow	902	856	*3·6*	894	803	*3·2*
Southampton	761	668	*2·8*	501	535	*2·1*
Aberdeen	617	732	*3·1*	408	501	*2·0*
Newcastle	385	426	*1·8*	1,869	2,108	*8·4*
Sunderland	102	91	*·4*	1,487	1,637	*6·5*
Cardiff	194	183	*·8*	517	901	*3·6*

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In an emergency the volume of goods handled in individual ports can be increased quite appreciably. Similarly, the carrying capacity of our railways is at least as big as in 1929, since when they have been consistently underemployed. The number of steam locomotives has declined from 23,368 in 1929 to 19,646 in 1938; but the hauling capacity per engine has risen, reflected in the increase in the average weight per locomotive from 46.13 tons to 49.94 tons. Again, while the number of railways wagons declined from 686,047 to 649,984 between 1929 and 1938, their carrying capacity has increased from 7,685,000 tons to 7,808,000 tons; moreover, the pooling arrangement will ensure increased efficiency in their use and greater flexibility in their distribution. Lastly, the fleet of goods vehicles at our disposal is now much greater than it was in 1929; the number of these vehicles in use in Great Britain rose from 339,000 in September, 1929, to 495,000 in September, 1939; and their average carrying capacity has risen more than their number.

It is impossible to calculate the proportion of our total port facilities we could do without for any length of time without crippling our war effort. But in view of the fact that the potential handling capacity of our ports and inland transport facilities is appreciably in excess of the current volume of traffic handled, the safety margin is likely to be quite appreciable.

It is quite clear that Germany does not possess the means to bomb all the ports and all the approaches to them all the time. If they were to render the use of certain ports temporarily impossible we could direct our traffic temporarily elsewhere, pending repairs, without, however, giving up their defence. If they were then to transfer their attacks elsewhere we could revert to the former ports. Our policy, in fact, must be to maintain facilities, if possible, in all the chief ports; our system of defence must be flexible. We must be ready to transfer aircraft, dock labour and repair gangs from one port to another at short notice; and, in defence, our Air Force has the advantage of holding the inside position. Our import policy, too, must be flexible. If we were to be forced, temporarily, to cut down total imports, we should then eliminate those which are temporarily least essential. If our food stocks are high, as they are at the present moment, we must be ready to give priority to raw materials and munitions.

The submarine was conquered in 1917-18. There is no reason why the bomber should not also be defeated. But the task will not be easy, and we must leave nothing to chance. We must be prepared to face and solve serious problems. But, by taking all possible precautions now, there is no reason why we should not be able to hold out until the attack is finally driven off.

Slump in Hire Purchase Finance

WAR has dealt a double blow to companies engaged in the finance of hire purchase or instalment credit operations. On the one hand, the volume of hire-purchase transactions has fallen abruptly since last September. The decline continues; it recently received a further stimulus from the ban on sales of new private motor cars in the domestic market, and the Purchase Tax will inevitably reinforce the slump in business when it comes into operation. On the other hand, all hire-purchase finance companies have, in varying measure, suffered some deterioration in their outstanding claims. The recent moratorium on debts owed by persons evacuated from defence areas covers amounts owing under hire-purchase agreements. Similarly, men serving in the armed forces can claim relief from such payments in respect of contracts entered into before the declaration of war.

It is not surprising, therefore, that one of the finance companies in question should have stated in its latest report (published some six months after the beginning of the war) that the directors were unable to give any accurate assessment of the ultimate value of hirers' balances. No compensation for this one-sided moratorium has been offered to the companies, though they continue to be responsible to their own creditors for the counterpart of the claims on which they are forbidden by the Defence Regulations and the Courts (Emergency Powers) Act to sue or foreclose. Caught between these two millstones, all the hire-purchase finance companies which have published accounts since the beginning of the war have revealed a serious setback in their published profits.

Up to a year ago, those who could claim to speak for hire-purchase finance voiced the opinion that the industry would have little to fear from the incidence of war. There might be some redistribution in the trade financed by instalment credit, but, on the whole, it was expected that there would be a greater demand for such facilities. These hopes formed part of the widespread underestimation of the economic effort and dislocation which modern war would entail. They took no account of the extent to which the normal organisation of trade and finance in the domestic market would be revolutionised by the intrusion of the State in every department of economic activity. Nor did they foresee the degree to which supplies for the domestic market would be deliberately curtailed in order to maintain production for export. These hopes crashed within a short period of the opening of hostilities. Increased taxation and the launching of Government loans immediately diverted resources to the Government, which, though too small in relation to the financial problem that war involves, would otherwise have gone to the purchase of the innumerable consumption and capital goods financed by hire purchase. The risk of air bombardment provided an immediate deterrent to the purchase of new homes and furniture, which has vied with motor car sales as the most important source of demand for hire-purchase facilities.

It is, however, in the motor department that the impact of the war on the machinery instalment finance has been most severely felt, and companies more particularly engaged in this form of finance have showed the most marked contraction in profits and financial operations.

The contraction of business has, however, been widespread. The recently published report of the United Dominions Trust stated that "the business of the company has been seriously affected by the national policy of restricting directly or indirectly almost every class of transaction which it is the function of the company to facilitate by providing credit." If this is true of the largest of instalment credit companies which has spread its net wide by its subsidiaries, Credit for Industry, British Medical Finance, and the South African and Rhodesian companies, it must apply even more forcibly to the general number of hire-purchase companies. The record of falling profits is revealed by the accompanying table, which gives the profits and ordinary dividends for the latest financial year (which in every case includes some months of war) and for the preceding twelve months of peace. Very broadly, the severity of the fall in profits is roughly proportionate to the number of war months included in the latest financial year. This is a broad measure of the impact of the war on hire-purchase profits. But the bald tabulation of results as given in the table does not tell the whole story. In the case of United Dominions Trust, the loss of £89,178 shown for the year to June last is struck on the strict basis before providing £120,000 from reserves towards the company's tax liability of £138,500. Moreover, some £130,000 has been earmarked from existing reserves for contingencies, though this provision may not be in respect of bad debts which had already crystallised.

	Year ending	Net Profits after tax		Ordinary Dividend		Previous Balance Sheet			Latest Balance Sheet		
		Previous Year	Latest Year	Previous Year	Latest Year	Capital and Reserves	Bank Loans, etc.	Ratio 1 : 2	Capital and Reserves	Bank Loans, etc.	Ratio 1 : 2
		£	£	%	%	(£'000)	(£'000)		(£'000)	(£'000)	
United Dominions Trust	June 30	130,701	*Dr.89,178*	17½	6	2,474	3,621	68·2	2,230	1,115	200·0
Bowmaker	Oct. 31	82,004	40,333	10	3	1,268	2,864	44·3	1,093	2,927	37·3
Olds Discount	Dec. 31	22,188	15,239	13¾	7½	280	436	64·3	280	333	84·1
Midland Counties Motor Finance	Dec. 31	19,569	11,329	10	5	275	126	220·0	275	57	482·0
Forward Trust	April 30	20,906	10,505	20	10	240	252	95·6	240	119	201·5
United Counties Trust	Sept. 30	18,012	*Dr.1,992*	5	3¾	100	90	111·0	100	52	192·4
United Motor Finance	March 31	29,533	2,005	5	Nil	600	696	86·2	560	460	121·8
Totals	...	...	...	...	...	5,237	8,084	64·8	4,778	5,063	94·3

In considering Bowmaker's fall in profits from £82,004 to £40,333, the latest profits are subject to the proviso that unspecified allocations had been made from inner reserves for contingent doubtful accounts, up to October 31, 1939. Thus the accounts included barely two months of war, and the subsequent trend may be gauged from the absence of dividends on both classes of preference shares due at the end of last May. The directors then stated that the company had been seriously affected by the decline in sales of motor cars, which normally form the largest section of its finance business, and that trading results for the current year did not justify the payment of the preference dividends. The Forward Trust, which is also closely concerned with the finance of motor car sales, reported its latest profit of £10,505—comparing with £20,906 for the previous year—after crediting the revenue account with £16,000, in respect of an adjustment of reserves for charges receivable but unaccrued. In the case of the United Counties Trust, whose latest accounts include only one month of war, the problems which have been faced in the current financial year may be measured by the recently announced decision to repay the preference capital of the company—£50,000 out of a total paid-up capital of £100,000. Explaining this decision, the directors announced at the outbreak of war that they had decided to restrict new business very drastically and later had agreed not to accept any new business but to concentrate their efforts on collecting the money owing to the company. This has been done to such good purpose that the directors have been able to repay the preference capital, having already cleared up the indebtedness to the company's bankers and the bulk of the depositors' balances.

One small but interesting contributory factor in the decline of hire-purchase finance profits during the past year was the sharp rise in money rates which occurred shortly before the outbreak of the war and which kept rates at a comparatively high level for about two months. During this period hire-purchase finance companies had to pay appreciably more for their accommodation from the banks and from the discount market; but they were unable to pass on the additional cost to their borrowers, since in the great majority of transactions the rate of interest is fixed when the business is initiated and remains unchanged for the whole currency of the transaction. The temporary disturbance in money rates which occurred just before the outbreak of the war—at a time when the volume of transactions being financed was heavy—did not, however, mean that the finance companies were incurring a temporary loss through the differential of borrowing and lending rates, for the margin between the two is normally wide enough to accommodate with comfort a rise of 1 or even 2 per cent. in money rates. But it nevertheless reduced very considerably the margin of profit on which the companies were basing their operations.

The principal influences making for a contraction in the business handled by the hire-purchase finance companies must be sought in the diminution of domestic consumption of the types of goods—cars, furniture and household equipment—which had become so largely identified with the development of hire purchase in this country. But there is another direction from which the impulse towards contraction may have been assisted, namely, the supply of banking and discount facilities on which instalment finance companies in their turn largely depend. Shortly after the outbreak of the war the banks were given instructions from the authorities of the general lines to be followed in their loan policy. They were advised to give their fullest support to industries whose work was essential to the successful prosecution of the war and, conversely, to discriminate against credits of non-essential character underlying the manufacture or sale in this country of luxury or semi-luxury articles. Those instructions would no doubt be applied to the facilities made available by the banks to the hire-purchase houses. Many of the credits thus granted would in every way pass the test of the official instructions, particularly in the extension of hire-purchase finance facilities to industrial equipment and to agriculture—both of them directions in which the United Dominions Trust has taken the lead. But much of the trade represented by the usual hire-purchase agreement would at best be "neutral" from the point of view of these instructions, and much of it would fail altogether to pass their test. It is certainly interesting to note the details given in the accompanying table of the changes in the ratio of the companies' own resources to their loans from bankers during the latest financial year. The impact of reduced hire-purchase sales to the public is, of course, immediately evident in the much reduced facilities obtained from bankers and the discount market; but the smaller ratio of bank loans to the companies' own resources may also indicate, to some extent, the hand of deliberate discrimination against the grant of banking facilities to finance the sale of unessential articles in the domestic market.

The hire-purchase finance companies thus rank among the groups of enterprises to be hard hit by the war. Fortunately, they had in most cases accumulated reserves sufficient to enable them to stand the immediate shock of the partial moratorium on their claims, superimposed on the sudden contraction in their turnover. The business they transact has by no means vanished, except in certain specialised spheres such as the motor car trade, and there should be enough hire-purchase business to allow the organisation of the more diversified and strongest of these companies to earn a reasonable wartime living. But for the bulk of the smaller specialised houses the hope lies in the restoration of peacetime standards of living as soon as possible after the war is won.

Finance and Banking

Clearing Bank Statements

The clearing bank statements for the end of July reveal unusually large movements over the month. In terms of magnitude the principal change is a drop from £123,297,000 to £87,565,000 in cheques in course of collection and other transit items. This contraction reflects the freeing of the clearing machinery which became considerably clogged up towards the end of June. So large a movement, indicating merely an acceleration of clearing which neither adds to nor subtracts from the true volume of bank credit, considerably reduces the comparative value of the monthly statistics. In the light of it the accompanying reduction of a mere £15,375,000 in deposits indicates an actual expansion in banking credit over the month. The main factors in that expansion were increased holdings of bills, gilt-edged securities and the new item, Treasury Deposit Receipts. In each case, it will be seen, the expansion of banking figures is directly concerned with the financing of the Government. Where the assets have shrunk most, namely, in loans and advances, the ordinary commercial business of the banks is involved. These various changes thus symbolise the general tendency which is increasingly converting banking operations and policy into an almost mechanical process of lending to the Government.

The increase in bills discounted amounted to £31,215,000, a figure which compares with the £56,000,000 increase in the tender Treasury bill issue over the month. The total of bills

(In £ millions)

	July, 1939	Mar., 1940	Apr., 1940	May, 1940	June, 1940	July, 1940
Capital and reserves	138·8	139·3	139·3	139·3	139·7	139·7
Acceptances, etc. ...	122·4	119·2	120·1	120·2	123·2	122·8
Notes in circulation	1·4	1·4	1·4	1·4	1·4	1·4
Current, deposit and other accounts ...	2,239·9	2,363·3	2,353·9	2,413·4	2,469·4	2,454·0
Total liabilities	2,502·5	2,623·2	2,614·7	2,674·3	2,733·7	2,717·9
Cash ...	234·9	248·6	253·9	257·0	269·6	262·0
Cheques, balances, & items in transit	64·4	92·5	79·6	78·8	123·3	87·6
Money at call ...	155·4	141·5	153·4	143·7	166·1	145·8
Discounts ...	278·0	335·7	338·4	408·7	384·1	415·3
Treasury deposit receipts ...	...	...	...	...	...	26·0
Investments ...	597·0	611·2	617·6	633·2	636·2	657·8
Loans and advances	981·9	1,006·2	983·4	964·3	962·5	931·9
Investments in affiliated banks ...	24·2	23·5	23·5	23·5	23·6	23·6
Cover for acceptances, premises, &c.	166·7	164·0	164·9	165·1	168·3	167·9
Total assets ...	2,502·5	2,623·2	2,614·7	2,674·3	2,733·7	2,717·9

taken over by the banking system as a whole constituted an even smaller proportion of the increased issue of tender bills. This may be seen from the fall of £20,318,000 in short loans over the month, indicating a correspondingly smaller holding of Treasury bills in the discount market. The increase in investments last month amounted to £21,579,000, suggesting unsuspected activity by the banks in the gilt-edged markets. The fall in loans and advances amounts to no less than £30,549,000, bringing this item down to £931,905,000, or some £82,000,000 below the peak reached in October of last year.

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Treasury Deposit Quotas

The feature which gives the latest clearing banks statements their main interest is, however, the first appearance of the new item "Treasury Deposit Receipts." It is fortunate that the statements should give the details of this item at a moment when we knew exactly how much of these Deposits were outstanding. At the end of July they totalled £30 millions, and the clearing banks according to their latest figures accounted for £26 millions of this total. Thus the Scottish banks and two Central Banks in the sterling area which participate were left with £4,000,000. It must not be assumed that this represents the fixed allocation as between the participating groups of banks. The fact that the minimum unit of subscription is £500,000 kept all the Scottish banks out of the running when the first amount of £10 millions was allotted and they only came into the picture with the second allotment when £20 millions had to be allocated. This somewhat bulky minimum unit of investment also makes it impossible to discern from last month's individual holdings of Deposit Receipts what the basic allotment of quotas among the individual banks may be. The quotas, however, appear to be based on the total of each bank's deposits. Thus, the Midland Bank leads with a holding of £5,500,000, or over 18 per cent. of the amount outstanding. Barclays Bank follows with £5,000,000, or about 16½ per cent., and the list closes with Williams Deacons, Glyn Mills and the National Bank with their minimum of £500,000 each.

* * *

Strength of Free Sterling

The gap separating the official and "free" sterling rates in New York has almost disappeared. The "free" rate has this week appreciated to slightly over $4.02 to the £, and for all practical purposes, therefore, the desired parity between the two has been reached. The market in "free" sterling becomes steadily smaller, and as its supply cannot be replenished, while the potential scope for its utilisation remains more or less constant, there seems to be very little justification even for the small discount in the "free" rate which still survives. The new machinery of registered accounts by which exchange operations between the sterling and dollar areas are now settled has come into operation quite satisfactorily. A host of problems have arisen in dealing with special cases for which the necessarily broad outlines of the Registered Accounts scheme could not legislate individually. But these administrative and technical questions are gradually being solved, and a body of "case law" is emerging from the experience of the market and the individual decisions of the authorities on the basis of which the whole organisation of the new dollar-sterling market is quickly being built up. The closing of the official and unofficial sterling rates in New York has in some ways detracted from the urgency of driving neutral countries which remain outside the scope of payments agreements into signing such agreements. The terms of trade with these areas, as settled by the exchange rate, are at least where we would wish them to be. Nevertheless, it is desirable that the network of these payments agreements should be completed as rapidly as possible, and efforts in that direction are continuing. The South American republics still outside the fold will be tackled in the near future. The principal outsider, however, is Japan, and in that case there are special handicaps to a trade and financial agreement of an obvious nature. The U.S.S.R. is another large outsider, but from the point of view of mutual trade that country is unfortunately "off the map" for the time being.

* * *

Monetary Abundance

Although the return of notes from circulation has not yet begun, the position in the money market during the past week has been one of excessive abundance. Last year in the week to August 16th the circulation fell by £9,487,000. This year during the week to August 14th there was a further increase of £235,000, sending the total up to a new high record of £613,906,000. None the less the banks have been exceptionally well supplied with funds and the market has been unable to satisfy their keen appetite for bills. The latest Bank return shows bankers' deposits to have fallen by £6,474,000, but they are still at the comparatively high figure of £107,616,000. The policy of the authorities to maintain an ample supply of credit is reflected in the further increase of £4,380,000 in Government securities, while at the same time the item of discounts and advances has risen over the week by £2,257,000. The funds created by this addition to the assets of the central bank and by the transfer from bankers' deposits have gone to swell Public Deposits, which are £11,449,000 up on the week. It is one of the mysteries of the market that this important net movement of funds to Government accounts should be revealed by the Bank return after a week in which the revenue deficit exceeded £50 millions, subscriptions to the current tap issues of Government securities must have been less than £20 millions, Treasury bill payments and maturities balanced and no funds were paid by the banks to the Government by way of Treasury deposits. The hidden sources of revenue such as the net income of various extra-budgetary funds must be greater than is generally estimated.

* * *

Swiss Franc Appreciates

The attention attracted by this week's movement against London of 5 centimes in the official rate of the Swiss franc is a token of the stolid immobility of the scale of official exchanges to which we have become accustomed. The drop in the London rate from 17.75 to 17.70 was merely an automatic adjustment to the change made by the Swiss National Bank in its official buying rate for United States dollars, which, earlier in the week, was lowered from 4.40 to 4.39 francs to the $. This move in its turn is of no particular significance. The dollar-Swiss franc market has become exceptionally small in these days and it has recently been influenced by the covering of bear positions opened some weeks ago when the invasion of Switzerland appeared to be imminent. There are, unfortunately, no developments in the Swiss trade position or in the genuine movements of capital to and from the country to provide a strong demand for the franc in terms of dollars.

Investment

War Savings in the City

The sale of National War Bonds, as Sir Robert Kindersley pointed out in a speech last week, calls for a more intense campaign than selling Savings Certificates. The latter "sell themselves" through the savings groups, but the National War Bonds are a large investor's holding, which demands a special selling drive. Local War Bond Committees are therefore to be set up, and last week three special committees were formed in the City under the leadership of the Lord Mayor. The results of these committees of local business men throughout the country will, it is hoped, find generous reflection in the sales of National War Bonds, which, so far, have not been adequate. Various suggestions have been made for increasing the attractiveness of the Bonds, including a proposal to allow them to rank as capital for E.P.T. purposes (which is discussed below). A further suggestion is that bonds should be received in payment of taxes. In the majority of cases, however, this facility would, in fact, merely be a substitute for prepayment of tax under discount, which is already allowed at the rate of 2½ per cent.

* * *

War Bonds and E.P.T.

One suggestion to encourage subscriptions of the National War Bonds is that money so invested should rank for E.P.T. purposes as capital of the business and not as an investment. The E.P.T. rules provide that, for computing the substitute (or capital) standard (and for cases of increased capital since the standard period), no allowance shall be

A MESSAGE TO *Leaders of Business and Finance*

THE OWNERSHIP OR CONTROL of money is at all times a grave responsibility. In this war it is a responsibility of deeper significance. It is the imperative duty of us all to place our available money at the disposal of the State in the form in which the Government needs it and at the time when it is required. To withhold it is to weaken the Country's financial fabric and thus to prolong the war. If you have money in your possession or within your control, release it. Lend it now by subscribing to National War Bonds. This is the form in which the country needs the help of its Leaders of Business and Finance—and needs it today.

2½% National War Bonds

(1945-47)

A full Trustee Security—Price of issue £100 per cent—Subscriptions of £100 or multiples of £100 will be received until further notice—Interest accrues from date of purchase—Prospectus and application forms obtainable from Banks or Stockbrokers.

Issued by The National Savings Committee, London.

made for "any moneys not required for the purposes of the trade or business," and general investments are consequently excluded. Hence, it is suggested, some companies with spare cash might be prevented from applying for the bonds, since by so doing they would lose the benefit of the statutory percentage of 8 per cent. (and in the case of certain mining companies possibly 12 per cent.) on the amount of capital so invested, and would gain only 2½ per cent. in return. The suggestion appears to combine simplicity with the reasonable point that a company should not be penalised for good works. But there are features in E.P.T. which are certainly not simple, and may seem far from reasonable. No definition of "moneys not required for the purposes of the trade or business" is offered in last year's Finance (No. 2) Act. The authorities make rather arbitrary distinctions between current accounts and deposit accounts (the latter not being regarded as required by the business, though apparently they could be included by a simple switch, at the expense of a mere 1 per cent. deposit interest). Whether very large cash surpluses on current account would still rank as "required" is a question of fact, in which the circumstances, trading prospects and development plans of the company concerned would obviously be relevant. It is conceivable, therefore, that cash holdings plainly in excess of those needed for accruing liabilities and commitments might be struck out of the computation of capital employed in the business. In that event, companies would be put under no disability if they invested their surplus funds in War Bonds. In the last war, admittedly, the Inland Revenue authorities were prepared to consider claims that investments in War Loan or National War Bonds should be regarded as money employed in the business, though this was an extra-legal concession. To give an example of the factors involved, the following table has been drawn up, on the assumption that a company entitled to a substitute standard of 12 per cent. subscribes for £300,000 of National War Bonds, employing cash previously on deposit at 1 per cent. interest:—

	1% Deposit	2½% N. War Bonds	E.P.T. Position	
Income	3,000	7,500	Allowance at 12%	36,000
Less income tax at 8s. 6d. ...	1,275	3,188	*Less* income tax at 8s. 6d. ...	15,300
Net income.....	1,725	4,312		
Net income advantage	...	2,587	Net tax relief ...	20,700

The suggested concession, it will be seen, involves an appreciable taxation relief in the case assumed above. Whether the encouragement to War Bond subscriptions, which would result, compensates the loss of tax revenue is at least arguable. If the companies concerned merely seek a temporary home for their accumulated funds in National War Bonds, their subscriptions will not, in the long run, make an appreciable difference to the war financial effort, since sooner or later they will sell their bonds. If, on the other hand, the funds are strictly speaking surplus funds, they would not appear to be entitled to any E.P.T. abatement. And, as *The Economist* has repeatedly pointed out, it is not the disposition of accumulated funds which determines the soundness of our war finance, so long as these funds do not enter into current consumption. The crucial test is whether a sufficient proportion of current incomes is being saved and invested in war loans or paid over in taxes.

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Increased Railway Charges

Railway stockholders, at least, so far have no cause for dissatisfaction with the working of the financial agreement between the companies and the Government. Stocks rose further this week on the announcement that the railways were seeking the second increase in charges in five months. Such immunity from the inflationary rise in costs which is now besetting other industries (and is itself being reinforced to no small extent by the operation of increased railway charges) may seem rather too much of a good thing to some stockholders, and the numerous suggestions that the scheme should be revised at the end of this year is a warning not to discount its benefits too far. For the year from October next to September, 1941, the railways seek an increase in charges (at the rate of 7½ per cent. of pre-war levels) to bring in £15 millions, in addition to £29½ millions estimated to be produced, up to September, 1941, from increases already authorised. Of this further increase, the main lines are expected to provide £13,571,000, including £3,032,000 from passengers, £9,177,000 from goods, and £331,000 from miscellaneous goods services. The corresponding increase for London Transport is estimated at £1,329,000. These increases will only be justified by proved increases in costs, under the terms of the agreement, and should not provide any increase in net revenues. This week's tempered rise in the marginal stocks is realistic; for in the long run there can be no prosperity for railway stockholders which is not based on the goodwill which the railways enjoy with the trading community. That goodwill is rapidly waning through the operation of the financial agreement.

NORANDA MINES, LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of $1.00 per share, payable in Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable September 16th, 1940, to shareholders of record at the close of business August 17th, 1940.

By order of the Board. J. R. BRADFIELD,
Toronto, August 1st, 1940. Secretary.

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Canadian Pacific Preference Payment

No dividend will be received with greater acclamation than the payment of 2 per cent. on Canadian Pacific preference stock on October 1st next. Since April, 1938, the stock had gone unrewarded, and although the full 4 per cent. was earned with comfort last year, the directors pleaded "the uncertainties of the present situation," and the maintenance of the company's credit in extenuation of their decision to make no payment in respect of 1939. These explanations (which, to be frank, failed to convince large numbers of preference shareholders in this country) were tempered, in part, by the hope of a continued improvement in earnings which would warrant a distribution. The improvement has indeed fully justified the resumption of payments, although for the current financial year preference shareholders will presumably receive only 2 per cent. since dividends are payable in October and April. For the first half of the year, gross earnings rose from $61,807,000 to $75,385,000, and net earnings from $5,351,000 to $12,636,000. Up to the end of July, gross receipts had increased by $17,223,000 to $90,688,000. At this rate of progress, ordinary stockholders may be tempted to hope for a few crumbs from the table, for last year's surplus of earnings of 32 cents per share should be substantially exceeded. It should, however, be recognised that the prosperity of the company during the past twelve months has been based primarily upon a high level of grain movements, and secondarily upon the growing industrial impetus of Canada's war effort. During the coming twelve months, the European blockade may affect the level of agricultural shipments, though industrial traffic will doubtless continue to expand. The preference stock responded to the dividend announcement with a rise from 41 to 45½. Dealings in the ordinary stock have, of course, been suspended for the past two months.

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The Week's Aircraft Results

Last year's tremendous expansion of aircraft activity is reflected in the 1939 reports of Bristol Aeroplane and Handley Page, whose total profits have risen from £687,817 to £989,992 and, even more strikingly, from £489,941 to £951,569, respectively. For both companies increased taxation has absorbed a large portion of higher earnings. For Bristol Aeroplane a rise in taxation from £285,000 to £635,000 is mainly responsible for a decline in equity earnings from £356,237 to £280,975. The size of tax provision is not shown in the Handley Page report, but general expenditure, in which it is an important element, has increased from £299,273 to £730,590. Equity earnings are, however, £57,310 higher at £199,565. Bristol Aeroplane is paying a dividend of 10 per cent. on the increased capital of £3,300,000. After placing £100,000 to general reserve, against £112,403 in the previous year, the carry-forward is £825 higher at £10,727. The increase in Handley Page profits permits the maintenance of the distribution of 10 per cent., less tax, and 20 per cent., tax free (equivalent in all to 44.8 per cent. gross at the present rate of tax), and increases in the allocation to reserve from £64,465 to £80,000 and in the carry-forward from £14,165 to £21,711. Good progress has also been realised by Blackburn Aircraft, which has continued its uninterrupted expansion since its foundation in 1936 with a rise in net profits from £140,301 to £190,144 for the year ending March 31, 1940. The 10 per cent. dividend on a capital of £816,812 compares with a 15 per cent. payment

in the previous year on a capital of half that amount. The results of Bristol Aeroplane and Handley Page for the past three years are analysed below:—

YEAR ENDED DECEMBER 31

	1937		1938		1939	
	Bristol Aeroplane	Handley Page	Bristol Aeroplane	Handley Page	Bristol Aeroplane	Handley Page
	£	£	£	£	£	£
Total income, after depreciation*	537,393	212,889	687,817	163,669	989,992	220,979
Taxation.....	185,000	...	285,000	...	635,000	...
Interest and fees ...	7,814	1,500	24,830	1,500	35,017	1,500
Preference dividends	22,500	19,914	21,750	19,914	39,000	19,914
Ordinary shares:—						
Earned	*322,079*	*191,475*	*356,237*	*142,255*	*280,975*	*199,565*
Paid	219,750	62,232	244,687	112,019	199,650	112,019
Earned %	*36·6*	*104·2*†	*21·8*‡	*37·6*	*14·1*	*79·8*
Paid %	25	30§	15‡	30§	10	30§
General reserve.....	100,000	125,000	112,403	64,465	100,000	80,000
Carry forward	10,755	19,868	9,902	14,165	10,727	21,711

* And after taxation and other provisions for Handley Page.
† On capital of £248,930 equivalent to 69·5 per cent. on increased capital of £373,395.
‡ Interim of 7·5 per cent. paid on capital of £1,200,000. Final paid on capital increased by 7·5 per cent. capital bonus to £3,300,000. *Earned rate* calculated on amounts paid.
§ For Handley Page, interim of 10 per cent. paid less tax, final of 20 per cent. paid tax free. *Earned rate* calculated less tax.

Full activity is indicated by the rise in stocks and work in progress for both companies. Bristol Aeroplane stocks stand at £4,678,382, against £2,489,399; for Handley Page they have risen by £298,978 to £1,152,692. Bristol Aeroplane appears to be experiencing pressure on working capital (a complaint which was eliminated by Handley Page during 1939), for its cash holdings have fallen from £299,739 to £2,617, a bank loan amounting to £2,293,747 now appears, and there is a rise in creditors, etc., from £2,369,359 to £3,637,077. Handley Page has paid off a bank overdraft of £19,722, has increased its cash holdings from £795 to £79,309, and has doubled its general reserve to £160,000. Creditors are up from £614,222 to £1,054,168. For all three companies yields are high at present prices. Handley Page 5s. ordinary shares, at 12s. 4½d. ex dividend, offer £18 2s. per cent. Bristol Aeroplane 10s. shares are at par and yield 10 per cent. Blackburn Aircraft 10s. shares stand at 6s. to yield £16 13s. 4d. per cent.

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Brewery Profits and Prospects

Five recent brewery results provide evidence of a remarkable improvement in earnings in 1939-40. Total income for four of these companies constituted a record for the last decade. The exception was Threlfall's Brewery, whose gross earnings of £459,938 were only exceeded in 1929-30. The companies show a wide geographical distribution between Lancashire, South Wales, Surrey and Sussex. In all cases, however, the increase in earnings has been largely absorbed in higher taxation and has not percolated through to earnings available for distribution. Dividends have been maintained at the level of the last two years except in the case of Tamplin and Sons, where the ordinary payment has been cautiously reduced from 10 to 8 per cent. The profits of the five companies over the last three years are analysed below:—

Company Years to June 30th	Total Profits	Earned for Ord. Amount	Earned for Ord. Rate	Ord. Div.	Ordinary Shares Price	Ordinary Shares Yield
	£	£	%	%		£ s. d. %
Threlfall's Brewery:						
1938	420,486	284,807	21·7	18	48/–	7 10 0
1939	431,488	286,849	21·9	18		
1940	459,938	298,196	23·9	18		
Nuttall's Breweries:						
1938	132,915	34,715	9·7	6	24/–†	5 0 0
1939	130,283	34,083	9·5	6		
1940	132,986	44,786	14·3	6		
Wm. Hancock:*						
1938	87,737	32,333	22·0	10	16/–	12 10 2
1939	82,382	30,210	17·0	10		
1940	90,410	33,038	20·9	10		
Friary Holroyd:						
1938	282,565	115,270	21·9	13	37/6	6 18 8
1939	283,755	117,204	22·4	13		
1940	328,715	115,469	24·3	13		
Tamplin and Sons:§						
1938	364,370	42,532	24·9	10	17/6‡	9 2 10
1939	361,442	38,419	22·8	10		
1940	377,676	32,028	22·8	8		

* Year to May 31st. † 7 per cent. cumulative pref. £1 shares; ordinary shares held by controlling company. ‡ £1 ordinary shares. § Year to April 30th.

The biggest increase in the rate of equity earnings was realised by Nuttall's Breweries, whose distributable surplus rose from £34,083 to £44,786, representing a rate of 14.3 against 9.5 per cent. The ordinary shares are, however, entirely held by the controlling company, Matthew Brown and Company. Satisfactory rises in equity earnings were realised by Threlfall's (£298,196, against £286,849) and by William Hancock (£33,038, against £30,210). In the case of Friary Holroyd and Tamplin's, net profits were actually lower than in 1938-39, although Friary Holroyd realised the highest rise in gross income, from £283,755 to £328,715. The latter company's net equity earnings, after payment of £2,468 for A.R.P. expenditure, amounted, however, only to £113,001, against £117,204. In all cases, the important factor in restricting the rise in net profits has been higher tax provisions. Friary Holroyd's provision rose from £10,112 to £44,429; Tamplin's from £25,794 to £45,268, and William Hancock's from £3,000 to £46,200. All companies have made ample allocations to reserves and depreciation. For the future, the vital question, clearly, is whether sales and profit margins can be maintained in the face of rising taxation, which will reduce purchasing power and increase costs. Last year the breweries derived a considerable benefit from the rise in spending power due to improved employment. The recently announced reduction in the Courage interim from 6 to 5 per cent. suggests a more tempered outlook for equity earnings in 1940-41. Meanwhile, at current prices, the ordinary shares offer relatively generous yields, with 7 per cent. as a basic minimum.

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Anglo-Iranian Report

The publication of the Anglo-Iranian report for 1939 and of the chairman's speech amplify the impression of the impact of the war on earning capacity shown by the preliminary statement discussed in *The Economist* of August 3rd. The two main factors which caused equity earnings to fall from £4,435,641 to £1,343,874 were severance from continental markets and from continental subsidiaries. Contributory causes were rising costs in Iran, which the directors estimate to have been responsible for more than £1,000,000 of the decline in net profits, and sharply rising freight rates after the outbreak of war. The company's record over the past three years is analysed below:—

	Years ended December 31, 1937	1938	1939
	£	£	£
Total income	12,662,195	10,583,985	7,722,778
Royalty, etc.	3,545,313	3,307,479	2,770,814
Taxation	1,651,588	1,157,029	1,955,606
Extra depreciation ...	744,215	602,602	571,250
Fees, etc.	10,200	10,000	10,000
Pref. dividends	1,071,234	1,071,234	1,071,234
Ordinary stock—			
Earned	*5,639,645*	*4,435,641*	*1,343,874*
Paid	5,034,375	4,027,500	1,006,875
Earned %	*29·1*	*22·8*	*7·6*
Paid %	25*	20	5
General reserve	546,872	300,000	Nil
Carry-forward	517,411†	625,552	962,551

* Including 5 per cent. cash bonus. † After £33,122 issue expenses.

The directors are undoubtedly wise to omit the payment of a small final dividend, which net earnings would have permitted, and the surplus earnings have been added to the balance carried forward. The completion last year of the pre-war construction programme in Iran called for a considerable increase in expenditure. The total holdings of cash and British Government securities fell by £3,487,753 to £6,278,567, but the value of refineries, tank installations, etc., rose from £6,575,494 to £7,662,058. Investments in subsidiary companies also increased by £1,375,672 to £20,174,971. The increase is represented mainly by Anglo-Iranian advances to the D'Arcy Exploration Company, which controls the parent company's interest in Iraq Petroleum. The rise of £1,238,258 to

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

£7,191,050 in investments in allied and other companies consists of the Anglo-Iranian interest in Consolidated Refineries, which came into production for the first time at the end of 1939. Reserves are shown at £3,000,000. At the current price of 27s. 6d. the £1 ordinary stock yields £3 12s. 6d. per cent., a return which suggests confidence in the ultimate recovery of the company, though its immediate prospects are admittedly uncertain.

* * *

Union Cinemas

In 1939, Union Cinemas' trading profit showed a reduction from £203,524 to £195,400. This setback is not large in view of last year's unfavourable conditions. The company has maintained the £50,000 allocation to depreciation and records an increase in taxation charges from £23,500 to £29,000. In the absence of any dividend payments, the carry-forward is £12,108 higher at £40,425. The balance sheet shows no essential change from the position at December 31, 1938. The company is still weighed down by an accumulation of floating debt, and by a suspense account totalling £3,114,355, which represents more than half the total assets. Thus, there appears to be little prospect that financial soundness can be restored in the near future, despite the efficiency of the new management under the Associated British Picture Group. Some small improvements, however, have been effected. Bank overdraft and loans on mortgage have fallen from £1,439,547 to £1,413,812 and from £349,809 to £328,053 respectively. Creditors are also lower at £347,723, against £372,193, but the total of sums due to associated and subsidiary companies has risen from £354,526 to £408,982. The position has undoubtedly improved in the past year, but very considerable further progress must be made before preference shareholders can expect any return. The 6 per cent. £1 first preference shares stand at 1s. 10½d., *cum* nearly three years' arrears.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

MARKETS have been encouraged during the past week by R.A.F. successes in the Channel battles. Consequently the tone in most sections has been cheerful and the gilt-edged markets staged some spectacular rises. On the whole, the volume of business has been subdued, and in the oil and rubber markets turnover has remained very restricted. Home rails have been well supported on the prospective increase in charges.

The chief feature of the *gilt-edged* market this week was the striking advance on Tuesday, inspired by the reports of R.A.F. successes. Gains of ½ were scored by 3½ per cent. War Loan, which was consistently in demand, by 3½ per cent. Conversion, and by 4 per cent. Funding. Old Consols and 4 per cent. Consols put on ⅜ and other gains of ¼ and ⅛ were general. Later in the week conditions became stabilised. Prices were firm, but trading sank to a minimum. The *foreign bond* market was characterised by early support for Brazilian issues and the San Paulo coffee loan. Encouraged by reports of improved relations with Tokyo, Japanese bonds were in demand and substantial gains were realised by Egyptian Unified and 3½ per cent. preference of 1890. In mid-week, French rails were again in demand.

The *home rail market* was cheerful on reports of a further increase in charges. L.M.S. and Great Western ordinary shares enjoyed several fractional gains and the senior issues were also in demand. L.N.E.R. 1st guaranteed gained 1½ points on Wednesday. Among *foreign rails*, Canadian Pacific preference were marked up 3 points on Tuesday on the resumption of dividends.

*

The *industrial market* was cheerful, though business was never on a large scale. Iron and steel shares enjoyed a steady demand. Neepsend Steel improved on the publication of the report, though the shares reacted slightly in mid-week. John Brown, Vickers, and Guest Keen were other market leaders to show an advance. Among breweries, Guinness gained 1s. on Tuesday, followed by 2s. on Wednesday, but Courage were on offer. Tobacco issues were well supported early in the week, but fell later on profit taking. The shipping section was cheerful. Gains were realised by Furness Withy, Clan Line and Lamport and Holt. Movements in the aircraft and stores groups were irregular. Handley Page gave way early in the week and Harrods were sold on the reduced interim.

*

Among mining markets, the chief activity was confined to *Kaffirs*, where conditions were encouraged by news that the holdings of the late Sir Abe Bailey are not to be realised. The undertone was firm and gains were enjoyed by such market leaders as Crown Mines, Sub Nigel, City Deep, East Daggas and East Geduld. The *rubber market* was inactive. Few quotations were tested, though Merlimau Pegoh lost a few pence and United Serdang was fractionally higher. Among *oil shares* speculative buying of Mexican Eagles was a bright spot. In mid-week Anglo-Iranian and Burmah Oil strengthened 1/32.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices 30 Ord. shares*	Security Indices 20 Fixed Int.†
Aug. 9.....	2,214	*4,085*	59·8	120·2
„ 12.....	3,398	*4,710*	60·2	120·2
„ 13.....	4,441	*4,255*	60·2	120·2
„ 14.....	2,342(c)	*4,140*	61·3	120·4
„ 15.....	2,290(c)	*4,620*	61·0	120·6

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26). (c) Excluding stop press bargains.

A SCHEME FOR SECURING AN INCREASED INCOME BY INVESTMENT IN NATIONAL WAR BONDS

- You can obtain an income of 5 per cent. 6 per cent. or 7 per cent. (depending on your age) under the Society's "National War Bond Scheme". This income will continue during your lifetime and one-half of the capital will remain intact on your death.
- The Society will place the whole amount subscribed under this Scheme in National War Bonds, and **you** will receive at the outset, as part of the contract, a National War Bond for one-half of the amount of your subscription.
- By means of this Scheme, you can support the Nation's war effort with the whole of your capital available for investment and, at the same time, obtain a high return on this capital during your lifetime.

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Industry and Trade

Insurance for Exporters

Before the war the main business of the Exports Guarantee Department was to provide insurance against the insolvency of overseas customers. An exporter who, for a moderate premium, took out a Comprehensive Guarantee with the Department received 75 per cent. of any loss due to insolvency *plus* a further 25 per cent. of subsequent recoveries. In 1935 the Department issued Transfer Addenda to its Comprehensive Guarantee; these were conceived as a measure of insurance to the exporter against delays and difficulties arising from the operation of clearing and payments agreements. If, six months from the date payment was due, an overseas customer was prevented from remitting sterling to the exporter because of exchange or other restrictions over which neither of them had any control, the Department made good 75 per cent. of the loss. After the outbreak of war it accepted liability, under its Transfer Addenda, for the transfer risk, first in respect of Germany and Poland and, subsequently, in respect of many other countries. In April, the transfer cover was raised to 90 per cent. Later the Department issued a policy enabling exporters to insure foreign orders as well as debts. The Pre-shipment policy secures the exporter against 90 per cent. of the risk of loss if, for any reason beyond his control, and not associated with the good faith of his customer, he is unable to deliver the goods ordered. To fill yet one more gap, Sir Andrew Duncan announced in the House of Commons on Tuesday the decision to issue a c.i.f. policy, which will permit the exporter to insure himself for six months ahead against the risk of a rise in marine insurance, Government war risk insurance and in freight rates, thus enabling him to quote a firm price some months ahead of delivery. He also announced the issue of a new policy, which, in a single document, combines the facilities of the Solvency, Transfer and Pre-shipment policies, besides covering certain other risks, incurred in transshipment, for example, and raising the solvency cover from 75 to 85 per cent. All that remains is for the exporter to get the orders.

* * *

Increased Dock Charges

The railways' application for a further increase of 7½ per cent. in their charges over the pre-war rates is discussed on page 211. A public inquiry is to be held on August 26th, but the revision of dock charges has been the subject of separate discussions between the Traders Co-ordinating Committee and the Charges (Railway Control) Consultative Committee since last June. Dock commercial traffic has been dislocated and diminished by the war, and on the basis of the revenue in the earlier months of the year it was estimated

New York

THROUGHOUT the week dealers have been unwilling to enter into commitments pending the development of the Battle of Britain. Prices have been relatively steady, and transactions on a small scale except on Tuesday when notable declines took place in a large number of securities on fears that invasion of Britain was imminent. The Dow Jones industrial index fell from 127.26 to 122.98. Taking a lead from the London Stock Exchange, a calmer atmosphere prevailed in mid-week and a certain demand for steel and aircraft issues helped to arrest selling pressure. The *Iron Age* reports that production of pig iron increased from 3,805,000 tons in June to 4,054,000 tons last month, and that the number of blast furnaces in operation was 187 against 181. Steel mill activity for the current week is estimated to have declined from 91.0 to 89.5 per cent., but it is expected that output will reach 95 per cent. of capacity in September.

DAILY AVERAGE 50 COMMON STOCKS

Aug. 8	Aug. 9	Aug. 10	Aug. 12	Aug. 13	Aug. 14
97·1	98·2	99·3	99·4	95·6	94·5

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

STANDARD STATISTICS INDICES (1926 = 100) WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	July 31, 1940	Aug. 7, 1940	Aug. 14, 1940
347 Ind'ls ...	80·9	111·4	90·1	89·2	87·0
32 Rails	20·7*a*	30·7	25·2	24·8	24·2
40 Utilities ..	71·2*a*	89·4	81·4	80·8	79·2
419 Stocks ...	69·9	94·8	78·3	77·6	75·8
Av. yield* ...	6·61% High	4·30% Low	5·87%	5·99%	6·17%

* 50 Common Stocks. *a* May 22nd.

New York Prices

Total share dealings:—Aug. 8, 210,000; Aug. 9, 310,000; Aug. 10, 180,000; Aug. 12, 290,000; Aug. 13, 640,000; Aug. 14, 270,000.

	Close Aug. 7, 1940	Close Aug. 14, 1940
1. Railroads		
Balt. & Ohio..	3⅝	3½
Gt. Nthn. Pf..	22⅝	21⅞
Illinois Cent.	7¼	6⅝
N.Y. Cent.....	11⅝	10¾
Northern Pac.	6	6
Pennsyl. Rl....	19½	19⅜
Southern	11⅛	10¼
2. Utilities, etc.		
Amer. Tel.....	161½	159½
Amer. W'wks.	8⅞	8¼
Pac. Light.....	38	37½
Pub. Sv. N.J.	36	34½
Sthn. Cal. Ed.	26⅝	26
United Gas ..	11⅞	11⅝
3. Commercial and Industrial		
Amer. Metal..	14¼	13¾
Am. Roll. Mi.	10½	10⅛
Am. Smelting	35⅛	34¼
Anaconda	19⅝	19
Briggs	18½	18⅛
Celanese of A.	29⅛	27
Chrysler	72⅞	69⅝
Curt. Wr."A"	23½	23⅝
Eastman Kdk.	124	123½
Gen. Elec. ...	33⅝	32¼
Gen. Motors..	45⅞	44½x
Glidden.....	12	12
Inland Steel .	83	80½
Int. Harvest .	43	41
Int. Nickel ...	23¼	22⅝
Liggett Myers	96½	94
Nat. Dairy ...	13½	13⅜
Nat. Distillers	20⅝	20⅛
Nat. Steel	58½	56¼
Proct. Gamble	64½	61⅞
Sears Roebck.	75½	75¼x
Shell Union...	8¼	8
Socony Vac. .	8⅝	8½
Stan. Oil N.J.	33	33½
20th Cen. Fox	5⅝	5½
U.S. Steel	52⅝	51
West'hse El...	98½	95
Woolworth....	33¾	31⅝
Yngstn. Sheet	31¼	30⅛

BY STOCK EXCHANGE INTRODUCTION

Lake and Elliot, Ltd.—Producers of steel castings at Braintree, Essex. Treasury consent has been obtained for issue of 100,000 7 per cent. redeemable cumulative £1 preference shares. Shares redeemable by operation of 2½ per cent. redemption fund, by purchase or drawings, at 21s. 6d. or at 22s. 6d. with not less than three months' notice, by October 31, 1965. Shares subject to prior rights of 6 per cent. cumulative preference shares. Profits after depreciation: 1937, £35,208; 1938, £26,219; 1939, £36,749. Total assets, £259,490.

Capital Issues

Week ending August 17, 1940	Nominal Capital £	Conversions £	New Money £
To the Public.....	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction...	100,000	...	103,750
By Permission to Deal	Nil	...	Nil
Nat. Savings Certs.†	3,131,573	...	3,131,573
3% Defence Bonds†	2,995,900	...	2,995,900
2½% Nat. War Bonds‡	11,341,730	...	11,341,730

† Week to August 6, 1940. ‡ Week to August 13, making total since June 25th £155,758,090.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)...	1,044,670,721	691,715,588
1939 (New Basis) ...	*106,999,007*	*84,473,065*
1940 (Old Basis) ...	1,029,592,564	676,837,431
1939 (Old Basis) ...	*72,981,941*	*51,551,862*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	690,952,576	763,012	Nil
1939 (New Basis)	*57,422,911*	*24,869,148*	*2,181,006*
1940 (Old Basis)	676,694,975	142,456	Nil
1939 (Old Basis)	*35,391,771*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	676,457,620	1,458,755	13,799,213
1939 (New Basis)	*45,975,545*	*6,509,943*	*31,987,577*
1940 (Old Basis)	675,550,799	77,500	1,209,132
1939 (Old Basis)	*38,858,831*	*2,688,549*	*10,004,482*

"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

Company Results of the Week.—HEAD, WRIGHTSON, the constructional engineers, suffered a fall in gross income last year from £159,428 to £141,266. After a rise in taxation provision from £36,500 to £81,000, net profits are £52,662 lower at £22,516, and the dividend is reduced from 10 to 6 per cent. Among further striking improvements in the results of rubber companies, MERLIMAU PEGOH shows a rise in estate profit from £26,758 to £71,032 and in net earnings (including investment income) from £50,151 to £77,906. The dividend is 12½ per cent. against 7½ per cent. Two textile companies show a satisfactory improvement in earnings. ISAAC HOLDEN, with a rise in net profits from £20,957 to £38,049, has doubled the ordinary dividend at 15 per cent. KELSALL AND KEMP has raised the 7½ per cent. dividend to 10 per cent. after realising an increase in net income from £45,469 to £51,553. A striking improvement has also taken place in the earnings of SAVORY AND MOORE, largely due to the severity of the past winter, though, as before, no dividend is paid. Gross earnings amount to £57,847 against £41,010 and net profits to £22,374 against £7,824. The 12½ per cent. dividend has been maintained by the engineering firm, WELLMAN SMITH OWEN. Gross profits were £7,801 higher at £81,802, but a rise in the tax provision from £6,566 to £40,000 has caused a fall in net income from £42,799 to £39,794.

(*Continued on page* 234)

that an additional £800,000 would have to be raised in shipping dues and other dock charges, inclusive of about £178,000 yielded by the 10 per cent. increase which became operative on the railways as well as at the docks and harbours on April 17th last. The original estimates, however, were upset by the heavy decline in the volume of coal exports after the capitulation of France and the loss of by far the greater part of the European and Mediterranean markets at the end of June. In consequence of the decline of revenue from this cause, it was estimated that dock charges should be increased by 22.72 per cent. to secure the additional £800,000 revenue instead of the originally proposed increase of 15 per cent. The negotiations have not yet been concluded, but it is reported that an agreement may be reached on the basis of an increase of 20 per cent. It may be added that shipowners, colliery owners and other traders have taken exception to the procedure adopted by the Ministry of Transport, for apparently the only point in regard to which traders have been consulted has been that of the method by which the additional revenue should be raised.

* * *

Prospects of the Wool Textile Industries

The amount of the wool ration allocated for purposes of civilian consumption is not officially announced, but it appears to be lower than in the previous rationing period. This no longer occasions concern among manufacturers, as civilian demand has fallen to such an extent that business is limited by lack of orders rather than by lack of wool. It has been estimated that the ration would permit of an average working of one and a-half days a week for civilian consumption, while Government orders provide work for about two and a-half days a week. Unless and until the gap is filled by export orders, this must involve a considerable amount of unemployment and short time. Unemployment in six of the principal woollen and worsted areas rose from 2,067 in June to 2,811 in July, but the increase was mainly in the number temporarily stopped, and in the earlier processes the number totally unemployed was exceptionally low. The remedy for this temporary unemployment is to be found in an increase of exports. Some difficulty has arisen here because, although there is no shortage of raw wool as a whole, the types of crossbred yarn which are essential to the production of the cloths mainly in demand in certain of our export markets are being largely absorbed by production for Government orders. This difficulty is likely soon to be met, for the Board of Trade is showing a very co-operative attitude in matters concerning the export of wool textiles. It has expressed a wish that no export order should be refused for lack of rations, and has announced alterations in the system of rationing which will enable application to be made for extra rations for the fulfilment of export orders. For the moment it seems that we have all the requirements for an export trade except the markets. Most of the now inaccessible countries of Europe were good customers of our woollen and worsted industries, especially for tops and yarns. We are already securing an increased share of the trade in North and South American countries, but further strenuous efforts are called for.

* * *

Raw Cotton Supplies

The Ministry of Shipping has as yet made no announcement of the amount of freight space which will be available for American cotton from September 1st. In consequence, the Cotton Controller, Sir Percy Ashley, suggested at the beginning of this week that the Cotton Associations of Liverpool and Manchester should advise their members to be cautious in fixing forward contracts. The current quota is 50,000 bales per month, of which 20,000 bales go into reserve under the barter agreement. Deliveries to spinners have been on a larger scale, but the stocks at the mills and ports are substantial; in addition, about 100,000 bales intended for France, Belgium and Holland were diverted to this country. The Government purchase of the Egyptian cotton crop has been welcomed, as it ensures sufficient cotton of that type for several months, but in this case also shipment has to be arranged. The first official estimate of the United States cotton crop, published last week, was 11,429,000 bales, against a yield of 11,928,000 bales last year. Stocks in America are heavy; the Government held 8,760,000 bales of loan cotton at the end of July against 11,420,000 bales a year earlier.

Further Restrictions on Paper Consumption

While everything possible is being done to increase supplies of home-produced paper-making materials, it has been found necessary further to restrict the use of paper. The new regulations deal mainly with advertising matter, wrappings, and goods which are not essential. Posters printed on new paper may not exceed 2,400 square inches, though an excess area may be printed on the backs of old posters. The weight of advertising circulars is to be reduced to one-fifth of that distributed during the corresponding period last year, though it may be made up to 56 lb. over November, December and January to enable small traders to send out such items as calendars which are already made. Goods of which retailers' supplies are restricted may not be advertised by circular. Wrapping and packing paper is now restricted to what is required for the articles' protection, and paper bands round metal containers may not exceed 1⅝ inches in width. The prohibitions extend to the production of picture postcards, greeting cards, calendars, display cards, and many other small items. While it is recognised that there may be some hardship involved for the firms who make these goods, it cannot be said that they are really necessary to us. Many people, perhaps, will be pleased to be able to get at their purchases without first removing several layers of wrappings and advertisements, and those who have large numbers of friends to whom they send Christmas cards and calendars need not be disappointed, for most of these are already made for this year.

* * *

The Blockade and the World's Oil Trade

One consequence of the Allied blockade of German-occupied Europe will be to deprive the Nazis of something like 10 million tons of oil products annually—the quantity which would have been required to close the gap between normal requirements and local production; and the world's oil trade will consequently be the poorer by this amount. The United States, the world's most important oil exporter, has been the principal sufferer. Despite a marked increase in sales of lubricating oils, American exports of petroleum products amounted only to 106,320,000 barrels in the first nine months of the war, a drop of 16 per cent. compared with the 126,618,000 barrels exported in the corresponding period of the previous year. This is equivalent to the loss of approximately 4 million tons of export business a year; and, although exports account for only about one-tenth of the American oil industry's total sales, the weakness of prices on the Gulf export market has lately shown a tendency to spread to the domestic market, with a correspondingly adverse effect upon the earnings of the companies concerned. The experience of the remaining oil-producing countries has been varied. Russia is not affected by the British blockade and Roumania is, to a large extent, under Axis domination. Venezuela, the Dutch West Indies and Trinidad have undoubtedly benefited from a larger British demand, while the Dutch East Indies, far removed from the scene of the conflict, remain unaffected. Iran, on the other hand, is likely to have suffered appreciable losses in consequence of the virtual closure of the Mediterranean to British shipping, and since the collapse of France production in Iraq has been cut from a rate of approximately 4 to 2 million tons a year. Among Central and South American countries, Mexico has lost valuable business with the Axis Powers, while Colombia and Peru now find the French market closed to their crude oil exports; it is possible, however, that the Dutch West Indian refineries could take more raw material from the two latter producers, and so compensate them for their losses elsewhere. Hence, so far as oil is concerned, the main sufferers from the Allied blockade are the United States, Mexico, Iran and Iraq. Of these countries, the United States is friendlily disposed towards Britain, Iran and Iraq constitute British spheres of influence, while diplomatic relations between Mexico and this country have been severed since the Cardenas Government confiscated the foreign oil companies' properties over two years ago. In this vital commodity, therefore, no weakening of the blockade is likely as a result of political pressure from exporting countries. And in any case, the British Government holds the trump card. For since American vessels have been prohibited from entering the war zone, the Allies are now in control of virtually all the free tanker tonnage of the world. The task of cutting the Nazis off from the world's oil supplies is thus greatly facilitated.

(*continued on page* 228)

COMPANY MEETINGS

WATNEY COMBE REID AND COMPANY, LIMITED

WARTIME CONDITIONS

COLONEL O. P. SEROCOLD'S ADDRESS

The annual general meeting of Watney Combe Reid and Company, Limited, was held, on the 12th instant, at the Windsor Castle Restaurant, Victoria, London, Colonel O. P. Serocold, C.M.G. (the chairman), presiding.

The chairman, in the course of his speech, said:—The profits of the past year amount to £971,186, against £1,020,948 the year before. During the year under review the price of beer was raised twice by 1d. a pint in the September and April Budgets. Under normal conditions these increases would have probably caused a great falling off in the public demand, but owing mainly to a steady rise in rates of wages, and to the great increase in employment generally, the effect has not been severe. At least it is satisfactory to know that the Exchequer has been reaping a golden harvest for the national benefit, since in the four months March to June the aggregate beer duty charged for the whole country rose from £22 millions to £37 millions.

ASSESSMENT OF LICENSED HOUSES

I referred in my speech last year to the changes which might be feared with regard to the assessments of licensed houses, and expressed the hope that the interpretation put by many rating authorities upon the then recent decision of the House of Lords in the Robinson case resulting in very large increases in assessments, would be modified on appeal to Quarter Sessions. My hopes have been disappointed; generally, the method adopted by the rating authorities has been upheld. The new assessments in one area, though only recently fixed, are ante-dated to April, 1938, so the tenants are further faced with demands for very large arrears of rates.

I think it appropriate to say a word regarding other difficulties which have confronted licensed victuallers in the conduct of their business during the year. Alterations in the wholesale and retail prices of the commodities which they sell must naturally give rise to apprehension regarding their own future income earning prospects and to anxiety as to the reactions of their customers to these changes. We have given the most careful consideration to the many cases where the tenants' income has inevitably been reduced by circumstances outside their control, and we have attempted to the best of our ability to afford them assistance on an equitable basis.

CASH AND INVESTMENTS

Taking cash and investments together, there is a decrease of £355,000, and a corresponding increase in other assets. This is indicative of the present-day trend, under which it takes far more cash to finance the business than has ever been the case before.

Rents receivable at £343,429 show a reduction of £42,795. This decrease is due partly to the reductions made to our tenants in the rents which they pay to us, and partly to the incidental costs of increased rates and other charges against rentals. The contemplated redemption of the 5½ per cent. debenture stock has had to be temporarily postponed owing to war exigencies. The directors recommend that £300,000 out of our year's profits should be allocated to property improvement and contingency reserve which in the past has been used in dealing with the book valuations of properties.

While the entirely new and unforeseeable set of conditions arising out of the war have caused past policies and programmes to be suspended for the time being, it has demanded a review of the situation as regards the objects and purposes of this reserve fund. There has now arisen a very real risk of widespread destruction of physical assets, the restoration of which would be a legitimate call on this fund, and it would be hard to place a limit on the possibilities. Therefore, having regard to all the circumstances, we feel that the proposed allocation is a wise one.

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

NYASALAND RAILWAYS LIMITED

UNDER-PRODUCTION OF COTTON

The annual general meeting of Nyasaland Railways Limited was held, on the 15th instant, at the Registered Office, 3 Thames House, Queen Street Place, London, E.C.4.

Mr W. M. Codrington, M.C., the chairman, presided.

The statement by the chairman, from which the following is extracted, had been circulated to shareholders before the meeting:—The latest news we have received as to prospects for the current year indicate that whilst the tonnage of tobacco and tea should show an improvement on last year, the cotton crop is unlikely to show more than a slight increase over the tonnage of last year. On the other hand, owing to conditions arising out of the war, import traffics are likely to show a decrease, and it seems probable that results this year will be less satisfactory than in the previous year.

At a time when the production of cotton within the Empire is of such importance from the point of view of economising our dollar resources, it is indeed sad that Nyasaland's contribution cannot be on a larger scale.

GOVERNMENT ASSISTANCE

It is a matter for satisfaction that, despite the difficult conditions created by the war, there was passed through Parliament in July of this year the Colonial Development and Welfare Act, which is based on the "Statement of Policy on Colonial Development and Welfare" issued by the Government in February last. The amount to be expended on a colony need no longer necessarily be limited by the revenue of that colony, for the home Government will, in each of the next ten years give to the Colonies financial assistance up to a maximum of £5,000,000.

It is true that Lord Lloyd, the Secretary of State for the Colonies, has pointed out that assistance for the present must be confined to urgent purposes and for schemes that can be carried out from local resources of personnel and materials. None the less, the Act is a great advance towards the development of the Colonies, and Nyasaland will undoubtedly share in the benefits to be derived from it.

EXTINCTION OF DEBT

The Act also provides for the extinction of Nyasaland's debt to the Treasury in respect of advances to enable the Government of Nyasaland to meet its liabilities arising out of the Trans-Zambesia Railway Guarantee amounting to £1,255,021. The Royal Commission, presided over by Lord Bledisloe, which visited Nyasaland and the Rhodesias, recommended that in order that a final settlement of the Nyasaland debt should be made not only should the Nyasaland Government's debt to the Treasury in respect of the Trans-Zambesia Railway Guarantee be extinguished, but also that the 6 per cent. Debentures of the Trans-Zambesia Railway, which are guaranteed by the Nyasaland Government, should be converted to a lower rate of interest, and that the Treasury should assume entire responsibility for the Nyasaland Government Guaranteed Loans. However, the extinction of debt provided for by the Act will be a great relief to Nyasaland's burden of indebtedness.

BAUXITE DEPOSIT

After referring to the statement made by Mr Hagart in presiding at the general meeting of the Anglo-American Corporation of South Africa, recently held in Johannesburg, that the prospecting work carried out by that Corporation had established that there was at Mlanje, in Nyasaland, a commercial deposit of upwards of 60,000,000 tons of bauxite, comparing very favourably with commercial deposits of bauxite in other parts of the world, and that their investigations to date indicate that conditions are favourable for the establishment of an important aluminium industry in Nyasaland, Mr Codrington concluded:—As the prosperity of Nyasaland has been entirely dependent upon the resources derived from its agricultural products, the value of which varies widely from year to year as conditions fluctuate in the world market, there is no need for me to stress to you the tremendous difference that would be made in the future outlook for Nyasaland if its mineral deposits of bauxite were turned to account and an aluminium industry were established in the country. This, however, is for the future, and meanwhile I am sorry to say there are very few signs of active steps

being taken to increase agricultural production. I have already referred to the particular case of cotton.

The report and accounts for the year ended December 31, 1939, were adopted unanimously.

Mr W. M. Codrington, M.C., the retiring director, was re-elected, and Messrs. Peat, Marwick, Mitchell and Company were re-appointed auditors of the Company.

TEA CORPORATION, LIMITED

DIVIDEND OF 7½ PER CENT.

The ordinary general meeting of the Tea Corporation, Limited, was held, on the 14th instant, at 37-38 Fenchurch Street, London.

Mr E. F. Slade, J.P. (the chairman) said that last year he had to tell shareholders that 1938 showed a falling off in profit as compared with 1937. Fortunately, the reverse was the case to-day, and their net profit, after providing for increased taxation, was nearly £2,000 more than in 1938. The report showed that, after meeting debenture interest £1,746, depreciation £840, providing £3,650 to meet taxation claims, and putting £400 to sinking fund reserve for debenture stock, the net profit was £8,176. The directors proposed to pay a dividend of 7½ per cent.

At the beginning of the season and again at the end there were severe droughts, but apart from that the rainfall was fairly evenly distributed. In spite of the difficulty of procuring certain manurial ingredients due to war conditions, the plant value was not interfered with, and the proper manuring programme was carried out. Tea supplying had been satisfactorily continued, and during the year 130,369 lbs. of rubber were harvested, and a larger crop might be looked for during the current season. Cocoa had done very well agriculturally, and had been produced at a low cost, but, unfortunately, the prices ruling for that product had been most disappointing.

Towards the end of May last storms with torrential rain raged over the island. Crops were not materially affected, and all necessary repair work had now been completed. To the end of last month the current year's crop of tea was 100,713 lbs. more than the corresponding period last year and rubber 47,630 lbs. more. A forward sale was made in November for 2½ tons of rubber monthly during 1940 ex godown at an equivalent price of 10.625d. per lb. landed London, and a further 2½ tons for July to December at 10¾d. per lb. c.i.f.

The board desired to express their very real appreciation of the good work carried out during the year by the company's agents, visiting agents and permanent staff in Ceylon. Their secretaries and agents in London had surmounted all difficulties and safeguarded the interests of the company in an eminently satisfactory manner.

The report was unanimously adopted.

COMMODITY AND INDUSTRY NEWS

THE most marked price changes during the week have been in cotton, all grades of which are higher. The Government purchase of the Egyptian crop induced a more cheerful sentiment, and American grades are higher on account of the uncertainty of the shipping position. The price of tin declined throughout the week. Inland demand for coal continues to keep collieries busy, but there has been no improvement in overseas business. A new scheme for retail distribution on a co-operative basis is to come into operation immediately under a director appointed by the trade with the approval of the Mines Department.

Cotton (Manchester).—Cotton prices moved upwards owing to the uncertainty of future supplies until the Ministry of Shipping announces the freight available, but they were unaffected by the United States crop forecast, which was very near expectations. The United States Government has announced that the loan to growers will vary from 9.16 cents to 9.90 cents a lb. for middling cotton ⅞ inch staple, against 8.30 cents per lb. for middling ⅞ inch staple last season. The business in cambrics for Java, of which a further 600,000 yards was arranged last week, has resulted in some fair orders for American medium count yarns, but spinners of Egyptian cotton are having to stop some of their machinery. Home and export trade in piece-goods has been small, but Government contracts have been plentiful, especially for the Air Ministry's requirements.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended Aug. 2, 1940	Week ended Aug. 9, 1940	From Aug. 1 to Aug. 11, 1939	From Aug. 1 to Aug. 9, 1940
American	31·0	31·0	23	37
Brazilian	9·8	9·1	12	10
Peruvian, etc.	3·3	3·5	6	4
Egyptian	4·6	5·7	7	7
Sudan Sakel	0·9	1·3	6	1
East Indian	6·8	2·1	11	3
Other countries	4·4	3·8	7	5
Total	60·8	56·8	72	67

(Source: *Liverpool Cotton Association's Weekly Circular.*)

Metals. — Figures issued by the United States Copper Institute show that stocks of refined copper increased from 199,586 tons at the end of June to 215,823 at the end of July. Production amounted to 90,995 during July, against 86,077 tons in June, while deliveries to domestic consumers were 71,226 tons against 61,716. The collection of scrap iron and steel in this country is increasing and is now at the rate of about 1,000 tons a week. Prices are unchanged on the week.

Tin. — There has been little interest in the tin market this week, and prices in this country and in America have declined. Stocks in London warehouses and at Liverpool increased during the week. The Executive Committee of the Tin Producers' Association has protested to the Chancellor of the Exchequer against the application of 100 per cent. E.P.T. to tin mines which have very limited lives.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
	%	%
June 29	64·09	67·64
July 6	70·93	65·73
„ 13	71·52	60·31
„ 20	70·22	62·55
„ 27	72·98	57·82
Aug. 3	72·10	53·67

Grain. — Reports of the progress of crops in the Southern Hemisphere are not very favourable, but with such large crops in North America they are receiving little attention and have no effect on the market. The price of Plate maize has advanced 4½d. per quarter from a week ago, but purchases are small and are likely to remain so. Stock feeders will have to depend to an increasing extent on home-produced feeding stuffs.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Aug. 3, 1940	Week ended Aug. 10, 1940	From Aug. 1 to Aug. 5, 1939	From Aug. 1 to Aug. 10, 1940
N. America	428	290	607	290
Argentine, Uruguay	449	279	443	279
Australia	...*	...*	110	...*
Russia	...	...	32	...
Danube and district	26	30	61	30
Other countries	...	...	43	...
Total	903	599	1,296	599

* Unobtainable.

Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended Aug. 3, 1940	Week ended Aug. 10, 1940	From Apr. 1 to Aug. 5, 1939	From Apr. 1 to Aug. 10, 1940
Argentina	105	95	8,215	4,436
Atlantic America	78	89	433	982
Danube Region	18	15	1,019	663
S. & E. Africa	...*	...*	1,055	†705
Indo-China, etc.	...	...	603	91
Total	201	199	11,325	6,877

* Not received. † Incomplete since June 8th.
Source: *The Corn Trade News*

Oils and Oilseeds.—Supplies of vegetable oils to food manufacturers, who have priority claims, and to technical users are adequate, and substantial shipments of oilseeds are reported to be on the way, principally from British India. This year's shipments of Argentine linseed represent about 75 per cent. of the exportable surplus. Prices of Egyptian cottonseed and other oilseeds in which there is virtually no trading, are nominal.

Rubber. — Prices have been firm throughout the week, and the main interest has been in rubber for October-December deliveries. Port stocks in Malaya increased during July. Barter stocks held by the United States Government were reported to be 34,015 tons on August 3rd.

Export Groups.—The following export groups have been formed:—

Chain Link Fencing.
Cider.
Corset Manufacturers.
Light Springs.
Railway Tyre, Axle and Wheel Manufacturers.
Rainwear.
Spring Mattress and Wood Bedstead Fitting Manufacturers.
Steel Rolling Shutter.
Textile Smallwares Manufacturers.

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

	Mar. 31, 1937 †	Aug. 9, 1939	Aug. 30, 1939	July 30, 1940	Aug. 13, 1940
The Economist Index (U.K.):—					
Cereals and meat	93·0	66·2	66·9	84·7	86·9
Other foods	70·4	61·4	61·1	80·1	80·1
Textiles	74·2	52·5	54·3	85·5	88·3
Minerals	113·2	93·8	95·4	121·4	121·2
Miscellaneous	87·0	76·1	77·6	110·3	110·2
Complete Index	87·2	69·2	70·3	96·0	97·1
1913 = 100	*119·9*	*95·2*	*96·8*	*132·2*	*133·6*
Irving-Fisher Index (U.S.A.)	100·4	83·1	93·4*	87·4*	...

* This figure is the latest available; it relates to July 6th.
† Highest level reached during the 1932-7 recovery.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to August 10, 1940, total ordinary revenue was £25,566,000, against ordinary expenditure of £77,571,000, and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £793,493,000, against £199,751,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Receipts into the Exchequer (£ thousands)

Revenue	Estimate, 1940–41	Apr. 1, 1939, to Aug. 12, 1939	Apr. 1, 1940, to Aug. 10, 1940	Week ended Aug. 12, 1939	Week ended Aug. 10, 1940
ORDINARY REVENUE					
Income Tax	450,500	37,910	68,386	3,450	7,206
Sur-tax	75,000	8,180	9,240	170	510
Estate, etc., Duties	85,100	32,670	33,090	1,580	1,340
Stamps	19,000	6,410	5,120	190	...
N.D.C. / E.P.T.	70000	9,220	7,740	1,040	250
Other Inland Revenue	1,000	320	16,840	...	1,550
			180	20	10
Total In. Rev.	700,600	94,710	140,596	6,450	10866
Customs	302,050	91,517	104,387	3,800	5,717
Excise	164,050	38,491	52,800	903	805
Total Customs and Excise	466,100	130,008	157,187	4,703	6,522
Motor Duties	35,000	8,379	9,160	261	1,645
P.O. (Net Receipt)	13,291	6,224	8,400	950	1,500
Crown Lands	1,150	530	450	...	...
Receipts from Sundry Loans	5,000	2,802	581	...	65
Mis. Receipts	13,250	1,869	11,222	143	4,957
Total Ordinary Revenue	1234391	244,522	327,596	12518	25556
SELF-BAL. Post Office and Broadcasting	86,222	26,676	27,250	900	900
Total	1320613	271,198	354,845	13413	26456

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

Expenditure	Estimate, 1940–41	Apr. 1, 1939, to Aug. 12, 1939	Apr. 1, 1940, to Aug. 10, 1940	Week ended Aug. 12, 1939	Week ended Aug. 10, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	98,159	102,099	484	814
Payments to N. Ireland	9,400	2,557	2,642	...	297
Other Cons. Fund Serv.	7,600	3,268	3,288	59	7
Total Supply Serv.	247,000	103,984	108,029	543	1,118
	2419790	285,252	1010587	14250	76453
Total Ordinary Expenditure	2666790	389,236	1118616	14793	77571
SELF-BAL. Post Office and Broadcasting	86,222	26,676	27,250	900	900
Total	2753012	415,912	1145866	15693	78471

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £288,293 to £2,740,740, the other operations for the week (no longer shown separately) raised the gross National Debt by £52,868,218 to about £9,738 millions.

(£ thousands)

OTHER ISSUES (NET)		OTHER RECEIPTS (NET)	
Overseas Tde. Guar.	37	Land Settlement (Facilities) Acts	12
P.O. & Teleg. Acts	300		
Anglo-Turkish Agt.	80		
Old Sinking Fund, 1907–08	34		
	451		12

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to August 10, 1940, are:—

(£ thousands)

Ordinary Exp.	*1,118,616*	Ord. Revenue	327,595
Misc. Iss. (net)	4,821	Gross borr.	798,661
Inc. in balances	345	*Less*—	
		Sinking fds.	2,474
		Net borrowing	*796,187*
	1,123,782		1,123,782

FLOATING DEBT

(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
Aug. 12	510·0	570·7	45·5	...	...	1126·2
1940						
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
„ 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0	„ „				
„ 20	815·0	„ „				
„ 27	826·0	906·5	43·6	...	30·0	1806·2
Aug. 3	831·0	Not available				
„ 10	836·0	„				

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Average Rate s. d.	Per Cent. Allotted at Minimum Rate
1939						
Aug. 11	30·0	58·6	30·0	14	0·7	39
1940						
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
„ 21	65·0	97·6	65·0	20	4·97	60
„ 28	65·0	110·3	65·0	20	5·22	51
July 5	65·0	105·4	65·0	20	5·10	55
„ 12	65·0	112·3	65·0	20	4·97	48
„ 19	65·0	118·8	61·0	20	4·45	37
„ 26	65·0	125·8	60·0	20	4·44	31
Aug. 2	65·0	122·1	65·0	20	4·86	42
„ 9	65·0	122·5	65·0	20	4·62	41

On August 9th 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 41 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 August 16th.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
July 30	3,266	3,889	10,424
Aug. 6	3,132	2,996	12,485
„ 13	...	...	11,342
Totals to date	134,465*	138,414*	155,758†

* 37 weeks. † 8 weeks.

Interest free loans received by the Treasury up to August 14th amounted to a total value of £14,859,000. From the beginning of the campaign up to July 27th, principal of Savings Certificates to the amount of £19,322,000 has been repaid.

BANK OF ENGLAND RETURNS

AUGUST 14, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt	11,015,100
In Circulation	613,906,516	Other Govt. Securities	615,633,141
In Banking Dept.	16,330,440	Other Secs.	2,837,928
		Silver Coin	513,831
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,956
	630,236,956		630,236,956

BANKING DEPARTMENT

	£		£
Props.' capital	14,553,000	Govt. Secs.	161,707,838
Rest	3,479,360	Other Secs.:	
Public Deps.*	30,691,757	*Discs., etc.*	*5,385,388*
		Securities	*20,756,868*
Other Deps.:			*26,142,256*
Bankers	*107,616,207*		
Other Accts.	*48,780,793*	Notes	16,330,440
		Gold & Silver Coin	940,605
	156,397,000		
	205,121,117		205,121,117

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Aug. 14, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	613,907	+ 236	+101518
Deposits: Public	30,692	+ 11,449	+ 3,295
Bankers'	107,616	− 6,475	+ 12,888
Others	48,781	+ 207	+ 13,064
Total outside liabilities	800,996	+ 5,417	+130705
Capital and rest	18,032	+ 26	− 112
COMBINED ASSETS			
Govt. debt and securities†	788,356	+ 4,866	+379515
Discounts and advances	5,385	+ 2,257	− 524
Other securities	23,595	− 1,756	− 2,039
Silver coin in issue dept.	514	+ 3	− 197
Gold coin and bullion	1,178	+ 74	−246142
RESERVES			
Res. of notes and coin in banking department	17,271	− 161	− 17,660
"Proportion" (reserve to outside liabilities in Bankg. dept.)	9·2%	− 0·3%	−12·9%

COMPARATIVE ANALYSIS

(£ millions)

	1939 Aug. 16	1940 July 24	1940 July 31	1940 Aug. 7	1940 Aug. 14
Issue Dept.:					
Notes in circ.	512·4	607·6	609·5	613·7	613·9
Notes in banking dept.	34·2	22·6	20·7	16·6	16·3
Govt. debt and securities†	297·2	625·8	625·9	626·1	626·6
Other secs.	2·1	3·7	3·6	3·3	2·8
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	246·6	0·2	0·2	0·2	0·2
	148·58	*168·00*	*168·00*	*168·00*	*168·00*
Deposits:					
Public	27·5	30·3	22·7	19·2	30·9
Bankers'	94·7	104·0	106·3	114·1	107·5
Others	35·7	51·0	52·3	48·6	44·8
Total	157·9	185·3	181·3	162·7	154·9
Bkg. Dept. Secs.					
Government	111·6	154·1	152·9	157·3	161·9
Discounts, etc.	5·9	3·1	3·3	3·1	3·4
Other	23·5	22·2	21·5	22·8	20·9
Total	141·1	179·4	177·7	25·2	26·1
Banking dept. reserve	35·0	23·7	21·6	16·4	17·8
"Proportion"	% 22·1	% 12·7	% 11·9	% 9·5	% 9·2

* Government debt is £11,015,100; other securities £14,553,000. † Fiduciary issue raised from £[illegible] millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; Roumania, of June 1st; France, of June 8th; Bulgaria, Prague, Switzerland and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Estonia, Mellie Iran, and Sweden, of June 22nd; Greece, Jugoslavia, Latvia and Lithuania, of June 29th; India, Australia, New Zealand and Portugal, of Aug. 3rd.

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million $'s

	July 19, 1939	July 3, 1940	July 10, 1940	July 17, 1940
ASSETS				
Loans, total	8,116	8,462	8,461	8,517
Investments	13,909	15,124	15,222	15,226
Reserve with F.R. bks	8,706	11,636	11,660	11,729
Due from domestic bks.	2,767	3,277	3,208	3,262
LIABILITIES				
Deposits: Demand	17,387	20,510	20,824	20,932
Time	5,223	5,331	5,321	5,316
U.S. Govt.	550	536	460	428
Inter-bank	7,530	9,262	9,121	9,201

BANK OF JAPAN.—Million yen

	July 8, 1939	June 22, 1940	June 29, 1940	July 6, 1940
ASSETS				
Coin & bullion: Gold	501·3	501·3	501·3	501·3
Other	46·0	38·4	36·7	25·1
Foreign exch. fund	300·0	300·0	300·0	300·0
Discounts and advances	453·0	584·3	978·5	858·9
Government bonds	1567·7	2717·9	2546·9	2505·3
Agencies' accounts	223·2	275·3	280·4	249·7
LIABILITIES				
Notes issued	2244·4	3353·5	3597·2	3380·1
Deposits: Government	548·7	604·6	595·9	683·7
Other	88·5	123·6	152·2	86·5

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. BANKS	Aug. 17, 1939	July 25, 1940	Aug. 8, 1940	Aug. 15, 1940
RESOURCES				
Gold certifs. on hand and due from Treas.	18,968	18,111	18,274	18,388
Total reserves	14,319	18,507	18,646	18,762
Total cash reserves	342	380	359	362
Total U.S. Govt. secs.	2,423	2,150	2,416	2,416
Total bills and secs.	2,439	2,162	2,158	2,157
Total resources	17,596	21,711	21,839	22,120
LIABILITIES				
F.R. notes in circn.	4,561	5,223	5,281	5,293
Excess mr. bank res.	4,590	6,570	6,330	6,390
Mr. bank reserve dep.	10,633	13,565	13,286	13,340
Govt. deposits	776	613	923	940
Total deposits	11,974	15,333	15,596	15,724
Total liabilities	17,596	21,711	21,839	22,120
Reserve ratio	86·6%	89·2%	89·3%	89·3%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	16,335	20,367	20,569	20,689
Treas. & bk. currency	2,900	3,020	3,025	3,027
LIABILITIES				
Money in circulation	7,091	7,854	7,929	7,944
Treas. cash and dep.	3,142	2,872	3,199	3,221

BANK OF CANADA.—Million Can. $

	Aug. 2, 1939	July 17, 1940	July 24, 1940	July 31, 1940
ASSETS				
†Reserve: Gold	205·2	...	...	...
Other	45·3	3·0	4·5	5·7
†Securities	164·8	498·9	503·9	515·8
LIABILITIES				
Note circulation	171·7	286·6	287·6	291·7
Deposits: Dom. Govt.	29·8	12·3	18·6	24·1
Chartered banks	203·5	188·0	195·1	194·4

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

SOUTH AFRICAN RESERVE BANK

Million £'s

	July 12, 1939	July 5, 1940	July 12, 1940	July 19, 1940
ASSETS				
Gold coin and bullion	26·01	35·37	36·03	37·11
Bills discounted	5·69	1·88	1·88	1·49
Inves. & other assets	15·79	33·54	33·28	33·89
LIABILITIES				
Notes in circulation	16·75	23·30	23·37	21·04
Deposits: Government	2·43	1·88	2·29	2·40
Bankers'	22·00	37·56	39·62	39·51
Others	3·93	7·17	7·11	8·13
Reserve ratio	51·7%	51·1	51·1	51·7%

CENTRAL BANK OF ARGENTINA

Million paper pesos

	June 30, 1939	May 31, 1940	June 15, 1940	June 30, 1940
ASSETS				
Gold at home	1,224	1,224	1,224	1,224
Other gold & for. exch.	81	183	174	168
Non-int. Govt. bond	119	119	119	119
Treasury bonds	300	396	395	395
LIABILITIES				
Notes in circulation	1,128	1,185	1,192	1,220
Deposits: Government	143	150	138	159
Banks	428	423	429	401
Certs. of participation	125	197	180	155
Reserve ratio	76·9%	79·9%	79·2%	78·1%

EXCHANGE RATES

Rates Fixed by Bank of England

The official quotation for Swiss francs was lowered from 17·70–80 to 17·65–75 on August 13th.

The following official exchange rates fixed by the Bank of England remained unchanged between August 9th and August 15th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¼. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), 99·80–100·20.

Forward Rates

Forward rates for one month have remained unchanged as follows: America ¾ cent pm.-par. Canada, ½ 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 £	Aug. 9, 1940	Aug. 10, 1940	Aug. 12, 1940	Aug. 13, 1940	Aug. 14, 1940	Aug. 15, 1940
Budapest, Pen.	27·82	18⅛*‡	19⅛*‡	19⅛*‡	19⅛*‡	19⅝*‡	19⅛*‡
Belgrade, Din.	276·32	150*	155*	155*	155*	155*	155*
		195*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Sofia, Lev.	673·66	305*	315*	315*	315*	315*	315*
Helsingfors, Mk	193·23	180–210	180–210	180–210	180–210	180–210	180–210
Alexandria, Pst	97½	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 1/16–1 1/16	17 1/16–1 1/16	17 1/16–1 1/16	17 1/16–1 1/16	17 1/16–1 1/16	17 1/16–1 1/16
Kobe, Yen	†24·58d.	14¼–15	14–14¾	14–14¾	14–14¾	13⅞–14⅝	13⅞–14⅝
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (e)	17·38	23½– 26½‡	23½– 26½‡	23½– 26½‡	23½– 26½‡	24–27‡	24–27‡
Montevideo, $	† 51d.	21–24	21–24	21–24	21–24	21½–24½	21½–24½‡
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16
Bogota, Pes.	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † Pence per unit of local currency.
(b) Official rate for payment at the Bank of England for Clearing Offices.
(e) Voluntary rate for payment at the Bank of England. (e) 90 days.
(g) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Aug. 12, '39	Week ended Aug. 10, '40	Aggregate January 1 to Aug. 12, '39	Aggregate January 1 to Aug. 10, '40		Week ended Aug. 12, '39	Week ended Aug. 10, '40	Aggregate January 1 to Aug. 12, '39	Aggregate January 1 to Aug. 10, '40
Working days:—	5	6	188	189	Newcastle	1,609	1,027	49,172	43,169
Birmingham	1,800	1,561	77,518	73,908	Nottingham	353	387	15,855	13,802
Bradford	819	1,651	27,386	52,627					
Bristol	953	1,752	42,097	56,470	9 Towns	18075	21502	721984	838260
Hull	621	448	25,434	24,932					
Leicester	450	493	22,731	24,199	Dublin	...	...	...	...
Liverpool	3,633	4,607	158364	183986	Sheffield*	847	505	41,528	21,534
Manchester	7,828	9,606	301627	365867	Southampton†	...	79	...	1,403

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained *unchanged between August 9th and August 15th*:—Bank rate, 2% (changed from 3%, October 26, 1939). Discount rates: Bank Bills, 60 days, 1⅛–⅞%; 3 months, 1⅛–⅞%; 4 months, 1⅛–⅞%; 6 months, 1⅛–1¼%. *Treasury bills*: 2 months, 1⅛–⅞%; 3 months, 1⅛–⅞%. Day-to-day money, ¾–1¼%. Short loans, 1–1½%. Bank deposit rates, 1%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
Aug. 9	23⅛	22⅞	Aug. 14	23⅝	22 13/16
„ 12	23½	22⅞	„ 15	23½	22 11/16
„ 13	22⅞	22⅝			

NEW YORK EXCHANGE RATES

New York on	Aug. 8, 1940	Aug. 9, 1940	Aug. 10, 1940	Aug. 12, 1940	Aug. 13, 1940	Aug. 14, 1940
	Cents	Cents	Cents	Cents	Cents	Cents
London:— Cables	389¾	397	397½	397	400½	4·02¼
Switzerland, Fr.	22·74	22·74	22·74	22·78	22·80	22·80
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·03	40·03	40·03	40·03	40·00	40·00
Stockholm, Kr.	23·82	23·84	23·85	23·85	23·85	23·86
Montreal, Can. $	86·750	86·875	86·875	86·750	86·500	86·625
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	5·61	5·62	5·48	5·53	5·53	5·53
B. Aires, Peso (mkt. rate)	22·50‡	22·55‡	22·60‡	22·90‡	22·60‡	22·60
Brazil, Milreis	5·10	5·10	5·10	5·10	5·10	5·10

‡ Official buying rate 29·78. (c) Nominal.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending		Gross Receipts for Week 1940	+ or −	Aggregate Gross Receipts 1940	+ or −
B.A. and Pacific	5	Aug.	3	‡1,145,000	− 93,000	5,561,000	− 809,000
B.A. Gt. Southern	5		3	‡2,109,000	+ 204,000	9,763,000	− 70,000
B.A. Western	5		3	‡627,000	+ 10,000	3,119,000	− 416,000
Canadian Pacific	31		7	$3,429,000	+ 814,000	94,117,000	+ 18037000
Central Argentine	5		3	‡1,465,000	− 652,650	8,770,700	− 4,454,050

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Tables excludes certain open and closed trusts)

Name	Aug. 14, 1940	Name	Aug. 14, 1940	Name	Aug. 14, 1940
For. Bond.	Unquoted	National D.	9 4/10–9/10½	Key. Gold.	7 0xd bid
Limited Inv.	10/6–12 –	Century	10 3–11 9	Br. Ind. 4th	8 10½–10/7½
New British	6/7½–7/7	Scottish	9/0–10/6	Elec. Inds.	10/10½–12/4½
Invest. Tr.	8/6–10/6	Univ. 2nd	11/4½–12 10½	Met. & Min.	8/6–10/0
Bk. & Insur.	11/9–13/9*	Inv. Flex.	7/9–9/0	Rub. & Tin	Unquoted
Insurance	11/0–13/6	Inv. Gen.	11 1½–12 1½	Producers	4 7½–5 7½
Bank	12/9–14/9*	Key. Flex.	7/7½ bid	Dom. 2nd	3/9–4/9
Sct. B.I.I.T.	9/6–11/6xd*	Key. Cons.	7/11½ bid	Orthodox	5/6–6/6

* Free of commission and stamp duty.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
S. African Distilleries	June 30	213,824	...	152,361	151,486	41,250	110,000	10	...	+ 1,111	230,421	200,086	15
Empress Brewery	June 30	49,732	...	34,632	34,632	6,000	28,632	(a)	...	...	42,544	30,644	(b)
Financial Land, etc.													
Pekin Syndicate	Dec. 31	18,377	...	*Dr. 1,984*	8,612	...	...	...	...	− 1,984	25,383	*Dr. 861*	Nil
Shop Investments	June 30	113,989	729	28,530	36,409	6,600	18,150	10	5,000	− 1,200	85,562	29,246	10
Tea Corporation	Jan. 31	70,149	840	7,676	12,830	...	7,876	7½	...	− 200	68,870	6,211	5
Iron, Coal and Steel													
Head, Wrightson & Co.	Apr. 30	111,266	30,000	22,516	39,530	6,169	11,458	6	...	− 4,589	159,428	75,178	10
Sheffield Steel Products	Mar. 31	78,288	20,000	14,083	15,202	...	4,280	4	5,000	+ 4,803	30,170	1,119	Nil
Rubber													
Bukit Selangor	Mar. 31	22,751	...	7,592	15,651	...	6,701	5	...	+ 891	12,245	3,208	3
Kuala Muda	Mar. 31	57,470	1,290	26,191	29,978	...	19,250	5½	7,000	− 59	30,307	8,647	2
Merlimau Pegoh	Mar. 31	71,032	...	77,906	90,632	...	49,498	12½	30,000	− 1,592	26,758	50,151	7½
Padang Jawa	Mar. 31	5,638	...	1,427	2,993	...	1,875	2½	...	− 448	2,965	*Dr. 850*	Nil
Port Dickson-Lukut	Mar. 31	15,948	1,200	9,883	23,143	...	10,269	4½	...	− 386	8,662	3,122	Nil
Tea													
Assam Frontier	Dec. 31	338,235	10,000	37,961	44,308	10,777	12,460	3	10,000	+ 4,724	319,418	35,269	2
Bowlana	Mar. 31	10,822	1,000	579	2,952	...	1,225	2½	...	− 646	10,614	754	Nil
British Indian	Dec. 31	21,610	...	11,185	32,183	825	10,644	12½	...	− 284	16,120	11,788	12½
Jhanzie	Dec. 31	73,482	...	30,856	51,883	...	31,350	7½	...	− 494	46,294	28,748	7
Zaloni	Dec. 31	8,647	...	6,648	8,353	...	3,200	8	1,000	+ 2,448	4,593	4,293	6
Textiles													
Holden (Isaac)	June 30	47,549	7,500	38,049	47,801	6,660	19,576	15	...	+ 11,813	22,557	20,957	7½
Kelsall and Kemp	June 30	81,746	22,937	51,553	106,864	16,100	27,562	10	...	+ 7,891	73,188	45,469	7½
Other Companies													
Aberdeen University Press	June 30	1,384	...	1,384	1,670	965	397	4	...	+ 22	2,556	2,556	10
Anglo-Iranian Oil	Dec. 31	7,722,778	571,250	2,415,108	3,040,660	1,071,234	1,006,875	5	...	+336,999	10,583,985	5,506,875	20
Benson (J. W.)	Mar. 31	35,957	...	24,908	168,851	16,666	8,333	5	...	− 91	52,033	29,322	7½
Bristol Aeroplane	Dec. 31	989,992	...	319,976	329,877	19,500	199,650	10	100,000	+ 826	687,817	377,987	15(i)
British Monomarks	Dec. 31	4,958	...	18	*Dr. 153636*	...	...	...	...	+ 18	6,292	735	Nil
Francois Cementation	Mar. 31	124,039	43,268	21,865	27,783	12,000	11,791	15	...	− 1,926	91,788	21,463	15
Handley Page	Dec. 31	951,569	...	219,479	233,644	19,914	112,019	30(h)	80,000	+ 7,546	489,942	190,696	30(m)
Manchester Dock Extensn	June 24	44,803	...	30,370	30,983	17,789	12,500	5	...	+ 81	45,056	30,589	5¼
Manchester Canal	June 24	18,635	...	6,982	8,899	3,666	3,350	5½	...	− 34	18,855	8,635	5½
Merchants' Warehousing	June 30	127,686	...	26,568	41,379	...	8,525	12	15,000	+ 3,043	106,592	22,964	10
Pharmaceutical Products	Mar. 31	11,154	...	10,800	29,120	8,125	...	...	...	+ 2,675	18,058	17,479	40
Roads Reconstruction	Mar. 31	59,614	17,889	34,201	44,195	16,586	7,041	5	10,000	+ 574	45,363	19,624	Nil
Savory and Moore	Jan. 31	57,847	9,333	22,374	32,702	20,130	...	...	3,475	− 1,231	41,010	7,824	Nil
Sharpe (Charles) and Co.	May 31	85,099	1,838	9,498	21,330	...	11,250	7½	...	− 1,752	50,377	14,413	7½
Union Cinemas	Dec. 31	195,400	50,000	12,109	40,425	...	...	...	...	+ 12,109	203,524	19,577	Nil
Wellman Smith Owen, etc.	Mar. 31	81,652	...	39,794	63,823	...	31,570	12½	...	+ 8,224	73,851	42,799	12½
Totals (£'000's):	*No. of Cos.*												
Week to Aug. 17, 1940	*35*	*11,953*	*788*	*3,754*	*4,720*	*1,301*	*1,788*	...	*266*	+ *399*	*13,733*	*6,867*	...
Jan. 1 to Aug. 17, 1940	*1,548*	*317,325*	*25,602*	*170,483*	*241,460*	*37,974*	*104,641*	...	*19,970*	+ *7,898*	*294,265*	*176,709*	...

(a) Paid on a capital of £100,000. Rate not stated. (b) Absorbed £24,645. (h) 20 per cent. paid free of income tax. Dividend 1939 equal to 42 per cent less tax. (m) 20 per cent. paid free of tax. Dividend 1938 equal to 37·6 per cent. less tax. (i) Absorbed £244,687.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
RAILWAYS				
Canadian Pacific Pref.	2*	...	Oct. 1	Nil*
INSURANCE				
Prudential "A"	‡12½*	...	Sept. 19	‡25*
TEA AND RUBBER				
Assam Co.	5†	7	Oct. 19	6
Bukit Selangor Rbr.	...	5	Aug. 30	3
Central Johore Rbr.	...	12½	Aug. 30	10
Craigielea Rubber	...	10	Aug. 30	5
Gen. Ceylon Rubber	...	5	Sept. 4	3
Kuala Muda Rbr.	3†	5½	...	2
Merlimau Pegoh	7½†	12½	Sept. 6	7½
MINING				
Burma Corporation	‡2 31/32†	4 31/36‡	Sept. 30	‡6¼
Gold Coast Main Reef	5*	...	...	Nil*
Kramat Tin	10*	...	Aug. 28	5*
Kuala Kampar Tin	5*	...	Sept. 18	12½*
Kundang Tin	5*	...	Sept. 4	Nil*

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
INDUSTRIALS				
Allied Bakeries	10†	15	...	15
Blackburn Aircraft	(a) 6†	(a)10	...	15(b)
Bournemouth Elect.	5*	...	...	6*
Bristol Aeroplane	6†	10(d)	...	15(e)
Chambers Wharf	10†	15	...	30
Clyde Valley Electric	3*	...	...	3*
Courage and Co.	5*	...	...	6*
De La Rue (Thomas)	15†	21	...	26
Dunhill (Alfred)	3*	...	...	3*
Evans (D. H.)	3½*	...	Sept. 30	5*
Harrods	2*	...	Sept. 27	5*
Head Wrightson	3½†	6	...	10
Illovo Sugar	...	6	...	5
Intnl. Investment	3*	...	Sept. 9	3*
Kay and Company	...	12½	...	15
Law Land Co.	2*	...	...	4*
Liverpool Gas	3*	...	...	3*

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
Merchants Trust	3*	...	...	3*
Neepsend Steel	35†	50	...	47½
Northampton Electric	4*	...	Sept. 7	4*
Ransomes and Rapier	‡3*	...	...	‡2½*
Rhodesia Rlys. Trust	...	6	...	‡5
Richmond (Surrey) El.	2*	...	Sept. 16	3*
Roads Reconstruction	...	5	...	Nil
Sears (J.) and Co.	5*	...	...	5*
Sharpe (Charles)	5†	7½	...	7½
Sheffield Steel Prodcts	...	4	...	Nil
S. African Distilleries	6†	10	...	15
South London Elec.	3*	...	Sept. 30	3*
Thorn Electrical	...	20	...	20
Upsons	5*	...	Aug. 30	2½*
Waste Heat, etc.	2½*	...	Aug. 31	2½*
Weston Foods	...	10	...	Nil
Whitworth & Mitchell	5†	7½	...	11½
Williams, Clifford	...	25	...	25

(a) Paid on £816,812 of capital. (b) Paid on £408,406 of capital. (d) Absorbed £199,650. (e) Absorbed £244,687. ‡ Free of income tax.

TRANSVAAL GOLD OUTPUT

Statistics for July, 1940 (on basis of £8 8s. 0d. per fine ounce)

Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz. s.	d.
		£	£	s.	d.
Anglo-Amer. Corp.					
Brakpan	140,000	259,404	104,138	100	7·7
Daggafontein	161,500	385,421	216,117	73	10·1
East Daggafontein	71,000	154,412	57,350	105	9·6
S. Af. Land	110,000	254,576	140,016	75	7·6
Springs	165,000	373,199	199,516	78	2·7
W. Springs	94,000	167,240	67,940	99	10·9
Cent. Mng.-Rand M.		Fine ozs			
City Deep	110,000	26,958	77,669	110	8
Cons. M. Reef	206,000	32,334	71,350	124	2
Crown	368,000	86,011	320,776	93	8
Durban Deep	196,000	36,932	105,068	111	5
E. Rand Prop.	227,000	48,532	134,309	112	11
Geldenhuis	71,000	9,340	19,905	125	10
Glynn's Lyd.	10,100	3,160	8,399	115	1
Modder B.	93,000	15,567	61,202	90	9
Modder East	136,000	22,717	79,135	98	9

Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz. s.	d.
		Fine ozs	£	s.	d.
Cent. Mng.-Rand M.—cont.					
New Modder	205,000	30,903	104,321	100	7
Nourse	84,000	16,575	35,504	125	5
Rose Deep	85,000	13,249	27,523	126	9
Transvaal G.	30,700	4,977	5,641	144	6
Gen. Mining		£			
Van Ryn	63,000	59,196	8,001	148	10
W. Rand Cons.	236,000	364,888	162,510	96	0
Goldfields		Fine ozs			
Venterspost	110,000	21,727	47,925	124	0·5
S. and Jack	154,000	29,909	88,389	109	2·4
Robinson Deep	126,000	27,863	95,985	99	2·7
Sub Nigel	68,500	43,568	245,324	55	6·1
Vogels	78,000	20,128	65,411	103	2·5
Rietfontein	35,000	5,352	16,022	108	2·3
Luipaards Vlei	56,000	12,438	32,586	115	8·5

Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz. s.	d.
		£	£	s.	d.
"*Johnnies*"					
E. Champ D'or	35,000	71,299	36,273	83	7
Gov. Areas	243,000	422,502	192,004	93	0
Langlaagte	117,000	126,868	10,199	156	8
N. State Areas	130,000	267,863	145,041	78	2
Randfontein	400,000	485,213	135,373	122	3
Van Ryn	110,000	126,122	27,529	132	1
Witwatersrand	89,000	107,599	18,087	142	3
Union Corp.		Fine ozs			
E. Geduld	164,000	47,163	262,596	56	10
Geduld	116,000	26,187	116,793	79	0
Grootvlei	104,000	27,472	108,473	89	2
Marievale	46,000	12,347	34,494	112	5
Modder. Deep	51,000	6,202	9,487	139	11
Van Dyk	96,500	24,177	85,863	97	3

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 High	Prices, Year 1939 Low	Prices, Jan. 1 to Aug. 14, 1940 High	Prices, Jan. 1 to Aug. 14, 1940 Low	Name of Security	Price, Aug. 14, 1940	Ch'ge since Aug. 7	Yield Aug. 14, 1940
				British Funds	£ s. d.		
71⅛	61	76¾	68⅛	Consols 2½%	73½	+ ¼	3 8 0
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	108	...	3 14 1f
...	...	98¾	98½	Conv. 2% 1943–45	98⅝	...	2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	99¼	+ ¼	2 13 0
99⅛	92⅞	103	97¾	Do. 3% 1948–53	100¾	+ ¼	2 17 6
99½	87	102¼	94	Do. 3½% after 1961	100½	+ ¼	3 10 0f
112⅛	103¾	112	107½	Do. 5% 1944–64	109¼	...	2 14 6
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	91	...	3 2 8
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	97	— ¼	3 0 0
95⅛	87½	99½	95	Fund. 3% 1959–69	97¼	— ¼	3 3 6
109½	100½	113¾	105⅜	Fund. 4% 1960–90	111½	+ ½	3 5 0
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	101	...	2 8 5k
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	100½	...	2 19 4
...	...	100¾	100	War Bds. 2½% 1945–47	100¼	+ ¼	...
108⅝	102	111½	105 13/16	Victory Bonds 4%	110¼	...	3 5 9j
...	...	100⅞	98	War L. 3% 1955–59	100½	...	2 19 2
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	100⅛	+ ⅛	3 9 6f
83⅞	73	89⅛	80¼	Local Loans 3%	85½	...	3 10 4
99	91	100	97½	Austria 3% 1933–53	98	...	3 4 5
64	55½	71¼	59¾	India 2½%	67½	...	3 14 3
90	78	97¼	82¼	Do. 3½%	91¾	...	3 16 5
115¼	104½	115	105¼	Do. 4½% 1958–68	109½	...	3 16 0
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austrib. 5% 1945–75	102	...	4 11 6
112⅛	103	110⅞	106	Nigeria 5% 1950–60	107	...	4 3 3
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4 14 8
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4 0 5
				Corporation Stocks			
111½	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4 3 0
81⅝	72	85	78	L.C.C. 3%	79	...	3 15 11
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3 12 4
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3 13 4
				Foreign Governments			
91½	73¾	92¾	77¼	Argen. 4½% Stg. Bds.	79½	...	5 13 2
65½	34	58½	22	Austria 4½% 1934–59	30	...	11 5 0f
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23⅛	6½	35½	20	Brazil 5% Fd. 1914	26	+ 1	9 12 0p
19	9	23	9	Chile 6% (1929)	14	+ 2	10 14 0n
55½	23½	45¼	12	China 5% (1913)	18	...	...
72	30	63	25	Czecho-Slovakia 8%	*	...	...
86¼	58	79¾	50½	Egypt Unified 4%	58	+ 3	6 18 0
12½	9	10½	8	French 4% (British)	*	...	...
44	4	7⅝	5	German Dawes 5%	5½	...	...
33⅛	3	6½	3¾	Do. Young Ln. 4½%	4	...	...
30	15	24½	12½	Greek 6% Stab. Ln.	*	...	...
35½	15	25	17	Hungary 7½%	10½	...	...
61½	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to Aug. 14, 1940 High	Prices, Jan. 1 to Aug. 14, 1940 Low	Last two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 14, 1940	Ch'ge since Aug. 7	Yield Aug. 14, 1940
		%		%	**Railways**	£ s. d.		
10	3¼	Nil		Nil	B.A. Gt. Sthn. Ord.	4	...	Nil
9½	4⅞	Nil		Nil	Can. Pac. Com. $25	*	...	...
52	22	3½	c	1½	a Gt. Western Ord.	28½	+ ½	12 5 0
80	34½	5	c	2½	a LNER 5% Pref. 1955	50	...	10 0 0
60	20	4	c	2	a Do. 4% 1st Pf.	31½	— 1	12 14 0
24	9	Nil	c	1½	c L.M.S. Ord.	12¼	+ ¾	12 4 0
60½	21½	4	c	2	a 4% Pf. 1923	32½	...	12 6 0
70½	35	2	b	2	a 4% Pf.	47½	— ½	8 8 0
65¼	24	1½	c	⅝	a Lon. Trans. "C"	28	2	5 7 0
22	7	Nil	c	1¼	c Southern Pef.	10¼	+ ½	12 4 0
79	35½	5	c	2½	a Do. 5% Pf. Ord.	47	...	10 12 9
104	58½	2½	a	2½	b Do. 5% Pf.	77	— 1	6 12 0
					Banks and Discount			
67/9	51/-	10	b	7½	a Alexanders £2, £1 pd.	52/6	...	6 13 6
342½	316½	6	a	6	b Bank of England	325	...	3 13 10
£31	£43½	8	c	8	c Bk of Montreal $100	*	...	...
30/9	19/-	5	a	5	b Bk. of N. Zealand £1	22/6	+ 1/3	7 1 10e
73/3	46/6	7	b	7	a Barclays Bank £1	64/6	+ 1/6	4 6 6
9½	5¼	5	a	5	b Chtd. of India £5	6⅞	...	7 5 8
52/-	45/-	5	b	5	a District B. £1 fy. pd.	47/6	...	4 4 0
£92	£74	£2½	b	£2½	a Hongkong and S. $125	£61½	— £1	8 2 6
54/6	30/-	6	b	6	a Lloyds £5, £1 pd.	41/6	...	5 15 9
9¾	5 17/32	7½	b	7½	a Martins £20, £2½ pd.	6⅝	...	5 13 3
85/-	68/-	8	b	8	a Midland £1, fy. pd.	75/6	...	4 4 10
5⅝	4	5	b	5	a Nat. Dis. £2½ fy. pd.	4⅝	...	5 8 0
32½	23⅛	8	a	8	b N. of Ind. £25, £12½ pd.	24¾	— 1	8 0 9
69/9	39/-	7½	b	7½	a Nat. Prov. £5, £1 pd.	51/6	+ 1/6	5 16 0
444	385	8½	b	8½	a Royal Bk. of Scotland	395	...	4 6 0
48/6	29/-	6¼	b	3¾	a Union Discount £1	35/-	...	5 14 3
85/-	46/-	9	b	9	a Westmtr. £4, £1 pd.	62/-	...	5 16 0
					Insurance			
24⅝	15¾	40	a	50	b Alliance £1, fully pd.	19	...	4 14 8
13⅛	8⅝	4/6	a	6/-	b Atlas £5, £1¼ pd.	9	+ ¼	5 16 6
16⅝	8 25/32	†25	b	†22½	a Pearl (£1), fy. pd.	11	+ ¼	4 6 6†
15 9/16	9 5/16	6/-	a	6/-	b Phœnix £1, fy. pd.	10½	...	5 14 0
28⅝	6¼ †	†84·075	c	†12½	a Prudential £1 A	18	— 2	4 12 0†
8¼	5	11	a	19	b† Royal Exchange £1	6¾	...	4 8 8
7	4¼	†10	b	13¾	a† Sun Lf. Ass. £1 fy. pd.	5	...	5 10 0
					Investment Trusts			
498	472½	11	a	14	b Alliance Trust	475	...	5 9 2
187½	180	3½	a	8½	b Anglo-Amer. Deb.	180	...	6 13 4
168	145	6	b	4	a Debenture Corp. Stk.	150	...	6 13 6
187	160	5	a	8	b Invest. Trust Def.	160	— 5	8 2 0
165½	139	3	a	7	b Trustees Corp. Ord.	145½	— 2	6 16 0
175	140½	6	b	4	a United States Deb.	152½	...	6 11 0
					Breweries, &c.			
125/6	96/3	†20	b	†5	a Bass Ratcliff Ord. £1	105/-	...	4 15 2†
57/6	36/3	11	b	5	a Courage Ord. £1	41/3xd	— 2/9	7 15 0
70/3	46/-	6¼	a	10	b Distillers Ord. £1	56/-	+ 6d	5 16 0
83/-	45/-	14	b	11	a Guinness Ord. £1	65/-	+ 4/4½	7 14 0
76/6	47/-	16	b	7½	a Ind, Coope & Allp. £1	61/3	+ 1/3	7 12 6
52/9	30/6	6	a	11	b Watney Combe Det. £1	46/6	+ 1/6	7 6 0
					Iron, Coal and Steel			
6/6	3/-	10	c	10	c Baldwins 4/-	3/9	...	10 13 3
34 7/16	13/11½	†5	a	†10	b† Brown (J.) Ord. 10/-	20/-	...	7 10 0†
8/9	3/6	4	a	6	b Cammell Laird 5/-	5/3	+ 3d	9 10 0
24 7/16	11/3	3	a	5	b Colvilles Ord. £1	15 7/16	...	10 4 0
28 11/16	12/6	10	b	10	c Dorman Long Ord. £1	15/-	— 7½d	13 6 9
26/11¼	13/6	†2½	a	†4	b Guest Keen &c. Ord. £1	20/7½	...	6 6 0†
27/9	13/1½	15	b	7½	a Hadfields 10/-	17/6	...	12 17 0
22/7½	11/3	2	a	5½	b Powell Duffryn £1	12/6	...	12 0 0

(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. (i) Annas per share. (j) Yield worked to average redemption—end 1960. (k) Based on redemption at par in 1946. (l) Yield based on 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	Aug. 6, 1940	Aug. 13, 1940
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Mt.	30 6	30 4½
Eng. Gaz. av., per cwt.*	7 0	9 4
Flour, per 280 lb.—		
Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	16 6	15 9
Oats " " "	12 3	14 2
Maize, La Plata, 480 lb., f.o.b.	13 4½	13 9
Rice, Burma, No. 2, per cwt. f.o.b.	9 6	9 6
MEAT—Beef, per 8 lb.—		
English long sides	4 8	4 8
	6 0	6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4	4 4
	8 0	8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)—		
Home Produced	*121 4*	*121 4*
Imported	85 0	85 0
COCOA (*per cwt.*)—		
Accra, g.f.	35 0	35 0
	36 0	
Grenada	55 0	55 0
	59 0	59 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	44 0	45 0
Costa Rica, medium to good	65 0	65 0
	95 0	95 0
EGGS (*per 120*)—English (Std.)	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (*per cwt.*)—		
English, King Edward	5 0	7 0
	6 6	7 6
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
REFINED London—		
Granulated, 2 cwt. bags	36 10	36 10
	36 9	36 9
West India Crystallised	37 9	37 9
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	0 7	0 7
	2 4	2 4
Rhodesian, stemmed and unstemmed	1 0	1 0
	2 6	2 6

	Aug. 6, 1940	Aug. 13, 1940
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·74	7·97
" Giza, F.G.F.	11·56	12·65
Yarns, *32's Twist*	14·25	14·50
" *40's Weft*	15·50	15·75
" *60's Twist (Egyptian)*	26·35	27·35
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 0	s. d. 24 3
COTTON—*continued.*		
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	35 0	35 3
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 2	13 3
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 2	12 3
FLAX (per ton)—	£ s.	£ s.
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	26/10/0	25/15/0
Daisee 2/3, c.i.f. Dundee, Sept.-Oct. (new)	26/5/0	Nom.
SISAL (per ton)—African, Aug.-Oct.	£ s.	£ s.
—No. 1	26 0	26 0
SILK (per lb.)—	s. d.	s. d.
Japan	14 0	14 0
	14 9	14 9
China fil	15 9	15 9
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—		
64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3	28 3
	28 9	28 9
Durham, *best gas, f.o.b. Tyne*	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, f.c. 14×20)	26 0	26 0
NON-FEROUS METALS (per ton)—		
Copper (*d*)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	266/10/0	263/0/0
	266/15/0	263/5/0
Three months	266/10/0	263/15/0
	267/0/0	264/0/0
Lead (*e*)—Soft foreign, cash	25/0/0	25/0/0
Spelter (*e*)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0	190/0/0
	195/0/0	195/0/0
Antimony, Chinese	90/0/0	90/0/0
	92/0/0	92/0/0
Wolfram, Chinese ..... per unit	...	...
Platinum, refined ..... per oz.	9/10/0	9/10/0
Quicksilver ..... per 76 lb.	54/10/0	54/10/0
	s. d.	s. d.
GOLD, per fine ounce	168 0	168 0
SILVER (per ounce)—		
Cash	1 11	1 11½

	Aug. 6, 1940	Aug. 13, 1940
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(*b*)	s. d.	s. d.
4-ton loads and upwards per ton	44 6	44 6
CHEMICALS—		
Acid, Oxalic, net ..... per ton	60/0/0	60/0/0
	s. d.	s. d.
" Tartaric, English, less 5%	1 10½	1 10½
Ammonia, Sulphate ... *per ton*	9/6/0	9/6/0
Nitrate of Soda ..... per ton	10/14/0	10/14/0
Potash, Sulphate ..... per ton	11/18/0	11/18/0
Soda Bicarb. ..... per ton	11/0/0	11/0/0
Soda Crystals ..... *per ton*	5/0/0	5/0/0
	5/5/0	5/5/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland } 40/50 lb.	4 0	4¼ 0
Cape, Jo'burg Ord.	4 0	4⅝ 0
Dry Capes, 18/20 lb.	5 0	5⅞ 0
English & Welsh Market Hides—		
Best heavy ox and heifer	0 7	0 7
	0 8⅝	0 8⅝
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 8	1 6
	3 0	3 0
Shoulders	1 0	1 0
	1 10	1 10
Insole Bellies	0 9	0 9
	1 2	1 2
Dressing Hides	1 10	1 10
	2 2	2 2
PETROLEUM PRODUCTS (per gal.)		
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
Fuel oil, *in bulk, ex instal.*		
Thames—		
Furnace	0 7¼	0 7¼
Diesel	0 8	0 8
ROSIN (per ton)—American	25/0/0	25/0/0
	30/0/0	30/0/0
RUBBER (per lb.)—	s. d.	s. d.
St. ribbed smoked sheet	1 1	1 1⅛
SHELLAC (per cwt.)—TN Orange	80 0	80 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)—		
Linseed, raw	44/0/0	44/0/0
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	19/15/0	19/15/0
Oil Cakes, Linseed, Indian	7/5/0	7/5/0
Oil Seeds, Linseed—		
La Plata	...	...
Calcutta	16/12/6	16/12/6

(*b*) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (*c*) Higher Pool prices in some zones. (*d*) Price is at buyers' premises. (*e*) Including import duty and delivery charges. * Average weeks ended July 27th and August 3rd.

AMERICAN WHOLESALE PRICES

	Aug. 7, 1940 Cents	Aug. 14, 1940 Cents
GRAINS (per bushel)—		
Wheat, Chicago, Sept.	74½	72¾
" Winnipeg, Oct.	73⅝	73⅝
Maize, Chicago, Sept.	61⅞	60½
Oats, Chicago, Sept.	29⅜	27⅝
Rye, Chicago, Sept.	42⅛	40⅜
Barley, Winnipeg, Oct.	34⅝	32⅜
METALS (per lb.)—		
Copper, Connecticut	11·50	11·50
Tin, N.Y., Straits, spot	52·12½	50·62½
Lead, N.Y., spot	4·85	4·75

	Aug. 7, 1940 Cents	Aug. 14, 1940 Cents
METALS (per lb.)—*cont.*		
Spelter, East St. Louis, spot	6·25	6·50
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	4·06	4·04
Coffee, N.Y., cash—		
Rio, No. 7	5¼	5¼
Santos, No. 4	6⅞	6⅞
Cotton, N.Y., Am. mid., spot	10·22	9·97
Cotton, Am. mid., Aug.	9·47	9·43
Cotton Oil, N.Y., Sept.	5·62	5·35
Lard, Chicago, Sept.	5·12½	4·62½

MISCELLANEOUS (per lb.)—*cont.*	Aug. 7, 1940 Cents	Aug. 14, 1940 Cents
Petroleum, Mid-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	19½	19 9/16
Do. do. Sept.	19¼	19 9/16
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·63	2·65
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·76½	0·65½
Moody's Index of staple commodities, Dec. 31, 1931 = 100	150·70	150·00

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

(000's omitted)

JULY, 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	49,128	2,391	10,037	3,938	50,807	11,910	54,734	3,388	34,261	35,991	5,409	261,992
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	14,336	594	2,486	3,540	11,670	2,550	17,610	393	12,740	11,828	2,123	79,463
	...	...	...	...	5,681	2,421	...	...	...	...	...	8,102
Items in transit	22,477	3,961	6,859	8,241	22,997	4,780	20,560	3,193	16,087	27,406	9,261	145,822
Money at *call* and short notice	84,495	1,626	10,864	2,407	74,037	12,053	103,476	1,242	64,047	58,144	2,963	415,354
Bills discounted	5,000	...	1,000	500	4,500	1,000	5,500	500	3,500	4,000	500	26,000
Treasury deposit receipts	112,629	8,808	31,742	11,935	114,785	37,325	131,046	13,810	80,159	102,825	12,724	657,778
Investments	195,133	8,754	32,081	8,627	169,075	43,469	198,107	16,528	129,072	126,755	13,304	951,905
Advances to customers and other accounts	...	...	...	...	...	...	...	...	...	...	...	...
Liabilities of customers for acceptances, endorsements, etc.	18,557	843	4,539	4,297	34,724	8,737	15,738	120	11,061	21,977	2,208	122,801
Bank premises account	8,146	412	1,593	740	7,444	2,781	9,698	568	7,338	5,371	1,020	45,111
Investments in affiliated banks and subsidiary companies	6,279	...	...	...	3,670	...	8,101	...	2,514	2,993	...	23,557
	516,180	27,389	101,203	44,225	490,390	127,026	564,570	39,740	360,779	396,883	49,512	2,717,897
Ratio of cash to current, deposit and other accounts	10·44	9·74	11·06	10·36	11·81	10·78	10·50	9·52	10·33	10·10	12·15	10·68
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	850	9,500	3,600	12,410	1,160	8,500	9,320	900	61,466
Current, deposit and other accounts	470,515	24,546	90,712	38,018	430,348	110,507	521,263	35,580	331,739	356,250	44,529	2,434,007
Acceptances, endorsements, etc.	18,557	843	4,539	4,297	34,724	8,737	15,738	120	11,061	21,977	2,208	122,801
Notes in circulation	...	...	...	...	8	22	...	1,380	...	16	...	1,426
	516,180	27,389	101,203	44,225	490,390	127,026	564,570	39,740	360,779	396,883	49,512	2,717,897

SHORTER COMMENTS

(*Continued from page* 225)

MISCELLANEOUS

South African Distilleries and Wines.—Net profit, year to June 30, 1940, £197,661 (£212,586). Income tax reserve, £45,300 (£12,500). Ordinary dividend, 10 (15) per cent. Carry forward, £3,236 (£2,125). Consolidated net profits, £240,160 (£231,606). Net assets of subsidiaries, £1,649,451 (£1,421,839).

International Nickel Company of Canada, Ltd.—Net profit (U.S. currency), six months to June 30, 1940, $18,060,293 ($17,773,438), equal to $1.17 ($1.15) per common share. Consolidated current assets, $90,268,749 ($80,563,935). Net working capital, June 30, 1940, $69,107,658 ($69,378,957, March 31; $66,329,211, June 30, 1939).

De La Rue (Thomas) and Company.—Profit, year to March 31, 1940, £103,000 (£248,000). Total distribution, 21 (26) per cent.

Sheffield Steel Products.—Ordinary dividend, 4 per cent. (10 per cent. for 1920). March, 1939, paid up capital reduced from £558,262 to £186,087. Profit, year to March 31, 1940, £78,288 (£30,170). Depreciation, £20,000 (£7,000). Taxation, £10,000. A.R.P. expenditure written off, £3,611. General reserve, £5,000. Carry forward, £5,922 (£1,119).

Harrods, Ltd.—Interim dividend, 2 (5) per cent. For previous year, total dividend was 10 per cent.

Evans (D. H.) and Company, Ltd.—Interim dividend, 3½ (5) per cent. For previous year total payment was 10 per cent.

United Kingdom Fire Accident Insurance Co., Ltd.—Fire, accident, employers' liability, motor and general business of Dominion of Canada General Insurance Company in United Kingdom has been taken over by United Kingdom Fire and Accident Insurance Company, the capital of which has been subscribed by United Kingdom Provident Institution.

Transvaal Gold Output and Labour in July.—Total output, July, 1940, 1,195,536 fine ounces, against 1,158,006 fine ounces in June, 1940. Value for purposes of declaration, £8 8s. Total output, July, 1939, 1,080,741 fine ounces. Value £7 8s. for declaration purposes. Total natives employed at end of July, 1940: 368,167.

Isaac Holden and Sons, Ltd.—Total revenue, year to June 30, 1940, £47,549 (£22,557). Depreciation reserve, £7,500 (nil). Ordinary dividend, 15 (7½) per cent. Carry forward, £21,565 (£9,344).

Merlimau Pegoh, Ltd.—Profit, year to March 31, 1940, before debenture interest, £151,609 (£65,310). Ordinary dividend raised from 7½ to 12½ per cent.

Savory and Moore.—Net profit, year to January 31, 1940, £22,374 (£8,574). Ordinary dividend, nil. General reserve, £3,475 (£3,000). Carry forward, £9,097 (£10,328).

Shop Investments.—Profit, year to June 30, 1940, £49,566 (£42,022). Taxes £20,036 (£12,776). General reserve £5,000 (£5,000). To write off mortgage expenses, £1,000. Ordinary dividend unchanged at 10 per cent. Carry forward, £6,659 (£7,879).

Trinidad Central Oilfields. — Net profit, 1939, £35,922 (£28,261). Ordinary dividend, 7 per cent., as before. General reserve, £10,000 (£7,500). Carry forward, £10,028 (£4,258).

Neepsend Steel and Tool Corporation.—Net revenue year to March 31, 1940, £173,489 (£150,944). Total dividend and bonus, 50 (47½) per cent. Investments depreciation account, £7,302. Reserve, £10,000. E.P.T., £60,000. Welfare fund, £2,000. Carry forward, £12,866 (£11,984).

Francois Cementation. — Trading profit, year to March 31, 1940, £124,039 (£91,788). Taxation, £11,896 (£20,047). Net profit, £26,365 (£36,463). Ordinary dividend maintained at 15 per cent. Carry forward, £3,992 (£9,218).

Whitworth and Mitchell, Ltd.—Net profit, year to June 30, 1940, £101,200 (£42,209). Ordinary dividend, 7½ (1½) per cent.

Wellman Smith Owen Engineering.—Net profit, year to March 31, 1940, £79,793 (£69,365). Tax, £40,000 (£26,566). Dividend and bonus, 12½ per cent., as before. General reserve, nil (£10,000). Carry forward, £32,254 (£24,031).

Kelsall and Kemp, Ltd.—Net profit, year to June 30, 1940, £57,309 (£50,469) Ordinary dividend, 10 (7½) per cent. Written off goodwill, etc., £5,756. Carry forward, £63,202 (£55,311).

Cornercroft, Ltd.—Net profit, year to June 18, 1940, £46,250 (£34,192). Ordinary dividend, 15 per cent. as before. Tax, £17,500 (£7,000). Reserve fund, £5,000 (£5,000). Carry forward, £3,275 (£3,281).

Gold Exploration and Finance of Australia.—Gross revenue, year to March 31, 1940, £91,496 (£71,936). Net revenue, £91,950 (£124,063). Debit balance forward reduced by £29,074 to £281,670.

Kuala Muda Rubber Estates, Ltd.—Profit, year to March 31, 1940, £40,191 (£12,367). Ordinary dividend, 5½ (2) per cent. Provision for E.P.T., £4,000. Income tax reserve, £5,000 (nil). Replanting reserve, £5,000 (£3,500). General reserve, £7,000 (nil). Carry forward. £3,728 (£3,787).

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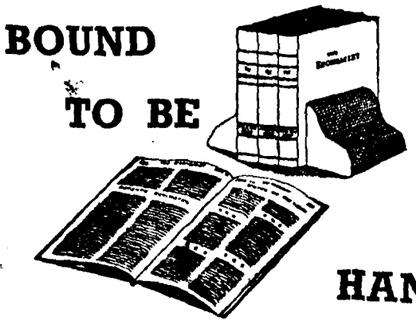

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Vision of Victory

On Tuesday, Mr Churchill addressed the House of Commons on the state of the war. He spoke at the end of ten days in which, up to the time he began his speech, just under 650 German planes had been brought down in the first mass air raids upon this country. The morale and physical equipment of the people had stood the shock, and the enemy was already pausing to reflect. Even so, no Prime Minister has ever been asked to assess the prospects of his country in more solemn times than these. In the other great wars of modern times, the leaders of Britain—Chatham, Pitt and Lloyd George—all had the strength of allied countries to look to for assistance. This time, the friendly nations of Europe have been suddenly "dashed out of existence," and the greatly superior air power of the enemy finds its bases on our very threshold. Mr Churchill was frank about the outlook. He made no attempt to forecast the precise nature of the enemy's next move, but here at home he forecast "greater ordeals," and in the Middle East he prophesied "far larger operations." The Prime Minister's sharp sense of history forbids him to ignore ominous landmarks on what he calls "the dark, wide field."

Yet this sense of history, the peculiar quality which caused Mr Churchill to pause two months ago in his account of the "lamentable" fall of France to call it "memorable," the quality which compels him to see posterity describing this as "our finest hour," gives him hope as well. To exclusive preoccupation with the immediate alarms of these summer months he addressed rebuke. In two or three years we ourselves, having attacked the enemy, will be on the path to victory, and "two or three years are not a long time, even in our short, precarious lives, and nothing in the history of a nation . . . I hope—indeed, I pray—that we shall not be found unworthy of our victory if after toil and tribulation it is granted to us, For the rest we have to gain the victory. That is our task." The Prime Minister rested his hopes on more than his vision of the scroll of history unfolding towards the final judgment and destruction of Nazi ambitions. Defeats and disasters there have been in abundance, and the withdrawal from Somaliland shows that the story of "successful retreats" is not ended. But nothing decisive has been lost. In almost a year we have lost, killed or wounded, only one man to every five lost in 1914-15. The Navy is stronger in ships than it was when the war started, and has made it possible to build up stocks of food and materials sufficient to meet our needs. In the crucial sphere of air power our rate of production now "largely exceeds" that of Germany, and the flow of aircraft across the Atlantic has only just started. And while this transformation in relative air strength is taking place—a transformation due, in Mr Churchill's own words, to "the genius of organisation and drive" shown by Lord Beaverbrook—it has been demonstrated, both by fighter pilots at home and bomber pilots over German soil, that we can stand up on equal terms to the superior force of the enemy.

It was on these grounds, despite the parlous state into which we were plunged by the "cataract of disasters" in May and June, that Mr Churchill was able to paint a prospect of successes to come. Though Hitler sprawled over Europe, "our offensive springs were compressed" for release next year. There would be no relaxation of the blockade to feed the peoples of Europe whose privations were due to German exactions or German failures. There would be no abatement of any policy likely to assist in the shattering of Nazi power. Our armies had been re-armed and re-built, and from North America an immense mass of munitions was on the way. Invasion is still likely, and the defence forces are ready, but the war can only be

won by attack. "Our first line of defence is the enemy's ports," our first line of attack his home territories, where already the Royal Air Force is beginning to splinter the war-making structure of Nazi power.

In all this the Prime Minister carried the House with him. Even so, there were complaints in the debate that followed about the insufficient emphasis laid by Mr Churchill upon the precise character of the offensive strategy which will be needed. Speakers pointed to the need for an army large enough, not only to defend this island, but also to make up for the loss of the French forces when the time comes to fight again in Europe. Some spoke of the "great design" of the Axis States in the Mediterranean and the Middle East, and called for bolder plans to bring in the millions of loyal subjects in Africa and Asia to redress our disadvantage in European manpower. Others pressed for the fullest output of dive-bombers to break a way through for our tanks and soldiers, and for the fullest training of pilots to keep pace with the swelling tide of machines. One after another, Members urged that the sure prospect of a great offensive was needed, not only to win the war, but also to remove from the hearts and minds of the men already in the ranks that sense of boredom and depression which ate so deeply into the idle armies of France before the German onslaught. Several claimed, even after the stirring words of the Prime Minister, that there were signs, in crucial fields like propaganda and foreign policy, of the same "absence of positiveness" and the same "element of indecision" that caused the Government of Mr Churchill's predecessor to be found gravely wanting.

No one could deny the validity of many of these criticisms. The war effort still lacks a War Cabinet. No observer of economic policy could claim that the resources of this country are yet being mobilised for the war on a scale sufficiently large and at a rate sufficiently swift to match the unconquerable spirit of Mr Churchill and the people he speaks for. Nor could any observer of political trends deny that a ferment of social ideas and questionings is already at work which has not yet been officially seen. It would be hard to refute the allegation that no signal diplomatic successes have yet been achieved in any part of Europe, and it is certain that the one overwhelming factor working against Hitler and the Nazi regime, the hatred and resentment of the majority of the common peoples of the world, has not yet been harnessed to our aid for the enemy's downfall. As Mr Churchill said, it is by deeds, not words, that we shall convince the world; and it is by deeds that we must convince ourselves first. The Prime Minister's leadership is a challenge to every man in authority under him. If in every department of State there is quickly shown those qualities of faith, drive, ruthlessness and courage that the Prime Minister himself displays, then the eager spirit of the people will be justified in the event.

In the ultimate achievement, one item may be all-important. Again and again on Tuesday, the Prime Minister pointed to the friendship of the United States of America, to the flow of aircraft and munitions from American factories, to the "timely reinforcements" at sea that we may now hope for and to the drawing together in the defence of the western hemisphere of the English-speaking democracies. Mr Churchill's sense of history in the making was never clearer than in his final words about Anglo-American co-operation. Here was no appeal for help, no propaganda—merely a fingerpost to the direction in which the two countries were being driven by their own vital interests and the logic of events. "I do not view the process (he said) with any misgivings . . . . No one could stop it. . . . Let it roll on full flood, inexorable, irresistible, benignant, to broader lands and better days." It is a brave leader who can look out from a country at death grips with its enemy to see visions like these, and he deserves a bold following.

Priority for Munitions

THE Select Committee on National Expenditure has, from the beginning of its existence, steadily refused to confine itself to the narrower, or Geddesian, definition of "economy." The Committee is, in fact, turning itself into what is so badly needed in wartime, a body of well-informed, responsible but disinterested critics of the departments. In its tenth report the Select Committee has opened to the public gaze one of the obscurer but most vital portions of wartime economic control. A community at war is faced with a shortage of all the factors of production, but it cannot permit the demand for materials and labour to be accommodated to the supply of them by the normal method of rising prices. It must consequently provide some mechanism of deliberate rationing.

In the jargon of bureaucracy, this whole set of problems is known as priority, and it is dealt with as such in the Select Committee's report. Actually, however, the name is misleading. Two quite separate procedures are involved; priority, properly speaking, describes only one of them, and that the less urgent. The first and most important task is that of rationing, or allocation. The way in which this differs from priority can be clearly illustrated by an example. The people of this country are at present rationed to 6 ounces of butter, margarine and cooking fats a week; that is to say, 6 ounces out of the total available weekly supply is allocated to each individual. But there is no priority in the distribution of butter; no one has a right to get his 6 ounces before anybody else. In the case of materials, on the other hand, both allocation and priority may be necessary. If there is a shortage of steel, it will be necessary to decide how much of it can be used for each of the competing requirements; and on top of this allocation, it may be necessary to say that certain of the approved purposes shall get their steel before others. Allocation, in fact, determines what shall be made; priority decides what shall be made *first*. This distinction has not always been made as clearly as it should, and the Report of the Select Committee will perform a useful function, both for the departments and for the public, in keeping the two problems distinct.

An elaborate machinery for priority (in the wider and looser meaning of the term) has been in existence since the outbreak of the war. There have been six Priority Sub-Committees, of which, however, only two are of major importance; these are the Materials and Production Sub-Committee and the Works and Buildings Sub-Committee. From these committees appeal could formerly be made to the Ministerial Priority Committee and, since May, to the Production Council. There is also a Central Priority Department. Colonel J. J. Llewellin, M.P., as Chairman of the Materials and Production Committee and as head of the Central Priority Department, is the lynch-pin of the whole structure. Hitherto, this machine has been very largely concerned with allocation rather than with priority. There was no priority at all until June of this year, and since then there has only been a general Priority of Production Direction which went no further than to notify to industry two short lists of very broad categories of munitions which were most urgently needed. Compared with the detailed system of priority certificates that became familiar in the last war, this is only the embryo of a priority system. Even allocation has not been carried very far, except perhaps in steel. In many cases, rationing has been left to the individual controls who, to judge by experience, have sometimes performed their task without very much regard for public policy or even for elementary consistency. The Central Priority Department, which was originally intended to administer the detailed and elaborate scheme that was foreseen before the war, has been left to make work for itself.

The Select Committee's report is, in effect, a plea that a coherent system of allocation and priority should now be

brought into effect. There is a great deal to be said for the Committee's recommendation that the Priority and Raw Materials Departments (the latter is now part of the Ministry of Supply) should be brought together under a responsible Minister or an autonomous Parliamentary Secretary. But it would surely be a major blunder to attach them, as the Committee suggests, to the Ministry of Defence; this would confuse fighting and production; it would confound economics and strategy. Priority is the weapon of economic planning, and the place for such a department, if it is to be separated from the Ministry of Supply, is surely in the closest dependence on the supreme economic Minister. If it were not for Mr Greenwood's lamentable ineffectiveness, no other suggestion would stand a minute's examination.

The precise location in Whitehall of the Priority Department is, however, less important than the functions it is to perform. The Select Committee recommends that allocation—that is, the rationing of materials—should be centralised and applied to every material that is scarce enough to form a bottleneck in the process of production. Centralisation is not enough in itself. Hitherto the Priority Sub-Committees have apparently tried to do their work by the technique of the League of Nations—that is, in the main by the unanimous consent of a number of sovereign Ministries and only in very minor degree by the exercise of any arbitral decision. The Select Committee has appreciated the weakness of this system, and it calls for "an extra-Departmental body with powers to compel consuming Department, in cases where future difficulties of supply are foreseen, to modify their specifications or their quantitative requirements in advance of these difficulties."

On the subject of priority, the Committee makes a valuable distinction. There is need, in the first place, for a periodic priority *direction*—that is, an instruction issued by the War Cabinet to the Departments to regard given articles — such as aircraft, tanks or rifles — as of first urgency. This direction would presumably not be published and would stand for months at a time without alteration. In addition to this, however, there should be a system of priority *grading*, by which individual contracts which are delayed or obstructed could be given a specific priority. In other words, it is suggested that the priority certificate should not be attached automatically to all Government contracts (as was the system in the last war), but that it should be used as a special weapon for expediting the production of things that are most urgently needed, applied only when and where they come up against difficulties. This priority grading would therefore have to be an elastic system, working in the very closest contact with the progressing organisations of the different Ministries and applied, wherever possible, by the Area organisations on the spot. A system of this sort would, incidentally, get over the difficulty (which is causing bad feeling at the moment) that while a category of munitions as a whole may deserve priority, each item in it may not. Aircraft may be more urgent than rifles; but the last aeroplane is not more urgent than the first rifle, and a particular order of steel for rifles may be considerably more urgent than a particular order of steel for aircraft.

In this, and in many other departments of war economics, the experience of the past twelve months has shown how much more effectively the Nazis have planned (basing themselves, as often as not, on British models from the last war) than the British Civil Service. The German system of priority is built up on two principles, both of which have hitherto been lacking in this country: the fundamental planning is done centrally and by compulsion exercised on the Ministries as much as on private industry; but the detailed administration is very widely decentralised. In this country, by contrast, we have created imposing machinery, but either given it no powers or allowed it to shrink from using powers that are nominally in its possession. We have been obsessed with the committee technique and, wherever possible, have discarded the central, coherent, compulsory plan in favour of muddling through by the opposing pressures of departmental interests. The great Ministries refuse, on principle, to be instructed by any inter-Departmental body, still less by an extra-Departmental staff. So we continue to fight our economic war with the infantry, the cavalry and the artillery negotiating with each other about their respective tasks.

The detailed and laborious work involved in allocation and priority is perhaps a less glamorous aspect of the general need for economic co-ordination than the formulation of high policy. But the very rudimentary state of such an essential weapon of control possibly illustrates more clearly than any defects of policy the need for an Economic General Staff, for it is competent staff work and not theorising that is needed for an effective priority policy. The Select Committee's report suggests the machinery by which it could be obtained: The fate of its recommendations will be an effective test of Mr Greenwood.

Turkey and Greece

FOR the last week Italy has sought a quarrel with Greece. The murder of an Albanian bandit, Daut Hoggia, twisted by Italy into the political murder by Greeks of an Albanian patriot, gave the dispute its point of departure; but Italy went from demanding extradition to uttering fiery threats over the treatment of the "oppressed" Albanian minority in Greece, to suggestions that the Greek dictator, General Metaxas, was "manipulating Greek neutrality" in a sense favourable to the British and to hints that Italy could only be "satisfied" by the cession of Corfu together with its hinterland of Yanina. Finally, Italy crowned the whole movement of protest and fury by an unprovoked attack on her neighbour. The Greek destroyer *Helle* was torpedoed off Tinos on August 15th, and the attack was followed up next day by bombing attacks on two Greek cargo ships.

Although it is still uncertain whether Italy will follow up the quarrel to the logical conclusion of hostilities, the whole incident is a reminder of the uncertainty of the political situation in the Eastern Mediterranean. Until the entry of Italy into the war and the collapse of France, in no part of the potential battlefield was the outlook more favourable to the Allies. Greece had accepted our guarantee with gratitude, and the combined pressure of the Axis and Russia was not able to separate Turkey from her Franco-British alliance during the autumn of 1939. Political friendship was reinforced by closer economic relations. Alone among the Balkan States, Greece and Turkey were able in the first months of the war to reduce their dependence upon the German market, and, with the help of our credits, were increasing their trade with the West. Even the military situation was not unpromising, with France's large army in Syria and important units in Tunis, the Egyptian army, the fighting quality of the Turks and the number of naval bases at the disposal of the French and British fleets in Greek and Turkish waters.

That Hitler feared the spread of the war to the South-East was evident in his desire for the preservation of Balkan peace. It is doubtful whether the Allies could have held a Balkan line, but even if they had been thrust back into the eastern basin of the Mediterranean, a Near Eastern front would have been created and the great Syrian army drawn into the struggle before it was immobilised by France's collapse. As it was, the military situation deteriorated considerably once Italy had entered the war. After a week's deliberation, Turkey decided on continued non-belligerency and invoked the "escape" clause of the Treaty of Ankara, Protocol 2, which established her right to abstain from any action which might involve her in hostilities with Russia. The Syrian and Tunisian armies withdrew from the struggle and the British fleet in the Eastern Mediterranean was left in a

less comfortable strategic position than had been expected. From the Axis standpoint, the time had therefore come to put an end to Britain's pre-eminence in the Eastern Mediterranean, and all the Axis manœuvres of the last months in Turkey and Greece, culminating in the recent Italian outburst, have had one purpose only, to break both the Turks' alliance with Britain and the British guarantee to Greece and to incorporate them in Europe's "new order."

The first obstacle is the manifest unwillingness of Greece and Turkey to come to heel. General Metaxas, by virtue of his German training and his authoritarian temper, has been accused of Nazi sympathies. If so, they are not powerful enough to counteract his antipathy for Hitler's Axis partner, and Italy's attempt to secure the abandonment of the British guarantee has met with a definite refusal. In Turkey, the tradition of resistance is far stronger. Ataturk has only been dead two years, and the time has not been long enough to modify his legacy of vigorous administration and independent foreign policy. Moreover, Turkey is profoundly distrustful of any Axis "new order." Politically, Turkey's system, neither liberal nor authoritarian and based on an illiterate peasantry, is not susceptible to the refinements of Axis propaganda, while in the economic sphere the Turks have a shrewd suspicion that the only hope of developing their industrial resources lies in keeping clear of the *Lebensraum* of powerful and predatory neighbours.

Germany's old policy in the Balkans and more recently in France makes it clear that her economic new order is a colonial system of primary producers feeding the German industrial machine. But Turkey has ambitions to become the first industrialised nation of the Near East. As the textile mills at Kayseri and the iron and steel plant at Karabük develop their output and new industries are established, Turkey hopes to increase her trade in the vast undeveloped markets of the Near East. Her isolation after the collapse of France and the difficulties in the way of trade with Britain have led her to intensify her efforts. At the end of July, a Commission left for Basra to discover ways and means of developing Turkey's trade with the lands beyond the Persian Gulf; shortly afterwards the railway authorities of Turkey, Iraq and Iran met to discuss international co-operation and the fixing of freight rates, a reminder of the potential importance of railways in Near Eastern trade now that the last section of the Istanbul-Baghdad-Basra railway is complete.

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Yet even if Greece and Turkey were far more complacent towards the Axis, another obstacle would still remain, the unsolved riddle of Russia's attitude. Russia is only indirectly concerned with Greece, but Turkey lies within the traditional Russian sphere of influence, and nothing in Russia's behaviour since the Montreux Convention of 1936 suggests that she has abandoned the old imperial desire to control the Dardanelles. The root of Russia's objection to Turkey's alliance with the Allies was the possibility that they, in order to implement their guarantee to Roumania, would secure Turkey's consent to the passage of warships into the Black Sea, and last October Turkey's attempts to negotiate a Black Sea pact compatible with her Allied obligations broke on Russia's insistence that the Straits should be closed to all non-riverain States. After M. Sarajoglu's fruitless visit to Moscow, Russo-Turkish relations lost their old cordiality, and, in spite of Turkey's invocation of Protocol 2 when Italy entered the war, in spite of the fact that Roumania's voluntary abandonment of the Allied guarantee has removed the immediate point of friction, M. Molotov's reference to Turkey in his recent speech was unconciliatory.

Germany is largely responsible for this coolness, for it is part of her political strategy designed to drive Britain from the Eastern Mediterranean. The Turkish problem is especially urgent, since a reconciliation between Russia and Turkey might make possible the policy which M. Sarajoglu has in the past courageously declared to be his own, that of making Turkey a bridge between her two powerful friends, a project behind which Germany can discern the everlasting nightmare of the war on two fronts. Russia's physical proximity is so great and Britain's Near Eastern striking power is—even if only temporarily—so reduced that if Germany can create a situation in which Russia makes good relations with Turkey dependent on the abandonment of the British alliance, Turkey may well prefer Russia's uncertain favours. And Germany at a stroke will have destroyed another stronghold of British influence in the Near East and banished Bismarck's *cauchemar des coalitions*.

Germany's efforts to drive a wedge between Russia and Turkey have been intensified in recent weeks. Early in July came the German release of M. Massigli's despatch to M. Daladier, which, doctored by Germany, suggested that during the Finnish war Turkey was accomplice to a proposed Allied attack on Baku. This step was followed by a virulent attack on M. Sarajoglu, and towards the end of July Berlin circulated rumours that Russia had sent Turkey an ultimatum on the control of the Dardanelles. Although all the charges were refuted and their origins clearly established by M. Saydam before the Kamutay, they have made some impression on the eternally suspicious mind of Moscow, and Turkey must walk delicately if she is to avoid an open breach.

Although the methods are different, the attempt to make Greece abandon her British guarantee runs parallel with the drive to force Turkey out of her British alliance. And in both cases the limiting factor is Russia. Germany will not risk a Balkan war to please the Italian dictator, and Italy's apologies to Greece after the bombing of the Greek merchant ships suggest that the pressure on Greece to abandon her guarantee will go no further than the threat of war. But a mere threat would be effective only if Greece were isolated, and Greece has not only her British guarantee and the British Navy, but a Pact of Mutual Assistance with Turkey as well. It is very unlikely that Turkey would enter hostilities at this point without some understanding with Russia, and the fact that the Turkish Press is loud in declarations that Turkey will intervene if fighting breaks out suggests that Russia is not interested in Italy's imperial dream.

It is, therefore, possible that the Greek incident will not involve the Eastern Mediterranean in war. However much the Axis may desire to see Britain excluded, they cannot do so by measures which involve the risk of conflict with Turkey, and Turkey's active intervention is always possible, short of an absolute Russian veto. Thus Daut Hoggia and the *Helle* incident may well be a species of *ballon d'essai*, to test how far Russia's hostility to Britain and Turkey's dependence upon Russian goodwill have gone. And if the incident subsides we shall see a new Axis campaign to fan Russia's ill-will towards us and, by means of Russia's distrust, to break our alliance with Turkey.

NOTES OF THE WEEK

Parliament Adjourns

Parliament has adjourned for two weeks' holiday after four months of strenuous endeavour to pluck safety out of defeat and order out of chaos. This has been the most important four months in our political history since the autumn of 1931. It began with the splitting of the smug party rule of the directors and the elevation to the highest office of a dissident Conservative whose leadership the official Conservative Party still does not prefer to that of Mr Chamberlain. It has seen all the military and administrative arrangements for a state of siege made and put into operation, and it has witnessed the first real attempt since 1918 to make effective use of the nation's resources for war. In history it may go down as the period in which the British people came first to the brink of disaster and then were saved by their own exertions. Yet, even though Ministers and Members will leave Westminster with outstanding aerial victories fresh in their minds, victories that have visibly shaken the Nazi power, the danger has by no means passed. It has still to reach its height, and it would be time ill spent if the next fortnight went by without some assessment of what has still to be done to complete the political revolution which was begun in May.

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It was begun in haste and peril. The Cabinet chosen to serve with Mr Churchill was a compromise between factions, an improvisation. The new men who came in to mould a national war effort overnight did not find their surroundings free from the old condemned ways and prejudices. The new order did not replace the old. It was grafted on to it. There was no time, perhaps, to do otherwise, and even in the days of its greatest unity the proceedings of Parliament have been chequered by smouldering resentments. The result of May was a popular revolt. It found its leader in Mr Churchill, but it has still to find its match in Whitehall and Westminster. Individual Ministers have done well, immeasurably better in some respects than their predecessors, but even in their ranks there has been timidity and a worried disinclination to break through the crusted habits of a decade of narrow-minded administration. Parliament has played its part of vigilance with spirit and responsibility. But neither in the Cabinet room nor in the House of Commons has there appeared any clear conception of the bold programme of democracy that the people of England are fighting for or of the fact that they are ready to sacrifice everything to defend their country and its liberties. The atmosphere of the board room still lingers, and the cry of "Liberty, equality and fraternity" which the people of England took up when Frenchmen let it fall is still somewhat muffled. Mr Churchill promised the people "blood, sweat, tears and toil." While the danger lasts they ask for nothing less for everyone.

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The New Major-Generals

As in Cromwell's time, the country has been mapped out into districts, each under the charge of an officer not popularly elected, but appointed by the Government. Early in 1939, Regional Commissioners were appointed to co-ordinate the civil defence services of the various local authorities covered by their jurisdiction. Later, their offices were made the basis of shadow governments to operate if central government from Whitehall should become impossible owing to the war. For the first nine months of the war these Regional Commissioners and their staffs remained shadowy, but at the end of May, when invasion became a possibility, a regulation was put into force conferring executive powers on the Commissioners in districts declared defence areas. Everybody in these districts has to obey the directions of the Commissioner concerned, for the purpose of dealing with an actual or apprehended enemy attack, and he may restrict the movement of persons into the area. The first defence areas were strips along the coast from Berwick-on-Tweed to Weymouth; and in these areas the Commissioners have made various orders relating to the curfew, access to beaches and restricting visitors. Last Monday, all Great Britain was declared a defence area. The Regional Commissioners, therefore, have the powers conferred on them by the regulation over the whole population, but although the directions made in the early defence areas are unaffected, it is not intended that similar or additional restrictions should be imposed on the rest of the country unless the military situation demands them.

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In addition to their powers under the defence areas regulation, the Commissioners have been given power, under another regulation, to make byelaws for their regions, if circumstances make them necessary. These byelaws are, in effect, local Defence Regulations, for they may be made for any purpose authorised by the Emergency Powers Acts of 1939 and 1940. By this regulation, therefore, the Commissioners are given virtually complete executive powers, though they may not make a byelaw rendering any offence punishable by death; and it has already been announced that the divisional food officers, in a period of extreme emergency, will exercise locally the powers of the Minister of Food under the instructions of the Regional Commissioners. Although the Commissioners were quickly dubbed dictators when they were first appointed, they still have their Cromwell. In exercising any powers conferred on them by the defence areas regulation, they are subject to the control of the Minister of Home Security. He must also approve any byelaw made under the other regulation before it is put into force; unless communications make this approval impracticable, in which case the Commissioner may enforce an essential byelaw and obtain the Minister's approval as soon as possible. The real dictator, if central government breaks down, is, therefore, Sir John Anderson—and it is to military needs, as interpreted by the military commanders, that he, in turn, must defer. But the organisations of the Regional Commissioners have a greater importance than the provision of a makeshift Government. They are an experiment in regionalism, which will be studied with interest when the whole system of local government is reviewed, as it must be, after the war.

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Defending the West

Mr Churchill's vision of a new era of collaboration between the great democracies of the Western World is more securely based than many political visions. This week has seen an extraordinary advance in the practical task of making collaboration effective by creating the necessary machinery. All the Allies' efforts to help neutrals in Europe were stultified by their unwillingness to compromise their neutrality by engaging in the essential preliminary to joint action—military conversations. The United States and Canada have decided not to fall into the same pit and on August 18th President Roosevelt and Mr Mackenzie King met together and agreed to the setting up of a "permanent joint board of defence." The function of the board will be to discuss the scope and nature of the defence plans necessary to achieve the security of the whole North American land mass which, if Mr Bullitt's diagnosis is to be believed, is in as great a danger of invasion to-day as was France a year ago. The agreement was barely announced when Mr Churchill, in his great speech on Tuesday, confirmed what had hitherto been rumour—that Great Britain was ready to place defence facilities in the Western Hemisphere at the disposal of the United States and that President Roosevelt was ready to open discussions with the Government of Britain, Canada and Newfoundland. However, both Mr Churchill and President Roosevelt have gone out of their way not to confirm another and almost equally persistent rumour, that Britain will receive a *quid pro quo* either in the sale to Britain of over-age American destroyers or in the patrolling of Canadian waters by American destroyers and the setting free of British squadrons for use at home. The Department of Justice has, it is true, gone into the legal aspects of the sale of destroyers, but in the United States public opinion is still uncertain about the advisability of the transfer and Congress is, as usual, well to the rear of public opinion. On the other hand, there is in Britain the feeling that any suggestion that we were exchanging our territory for over-age warships would play straight into Goebbel's hands. If, finally, an arrangement is reached, it will be kept entirely separate from the present question of the American leases. There is naturally some speculation on the location of the bases and the terms of the arrangement. On August 21st, a long discussion was held between the various departments of

State in Washington and reports suggest that the form of procedure likely to be adopted is that of President Theodore Roosevelt when the naval base of Guantanamo Bay was leased to the United States while Cuba retained the titular sovereignty. The bases which will come under consideration have not yet been fixed upon, but Trinidad is spoken of as a likely beginning. Pan-American Airways have an important civil air base there already and Port of Spain provides unlimited harbour space with coal and bunkering facilities for vessels of any size and secure protection against hurricanes. Other possibilities are the Bahamas, where there is another Pan-American air base, but much poorer naval facilities; Bermuda with a subsidised British airport; or, in the Canadian area, Halifax with its ten square miles of anchorage for the largest ships and its link with the United States railway system; Newfoundland, where the Botwood seaplane base and the subsidiary stations of Gander Lake and Hattie's Camp form one of the Empire's most important air bases; and Vancouver which possesses an important airport (the terminal for Trans-Canadian services from Ottawa) and a large protected harbour which can accommodate ocean-going vessels of any size. The bases will probably be taken over severally, but nothing that has so far emerged from the discussions suggests any order of choice. The vital strategic importance of the Panama Canal points to a beginning in the Caribbean, while the new joint Defence Board may encourage a start off the coasts of Canada.

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Mr Willkie's Progress

Mr Wendell Willkie's nomination as the Republican Party's candidate for the Presidency of the United States was a triumph of personality rather than a victory for any very clearly defined set of principles. The lines of his campaign have, however, been made clearer by the eloquent and forceful speech with which he formally accepted the nomination on August 17th. There was no half-hearted or purely captious criticism of the New Deal in Mr Willkie's speech, and he is not making the mistake that Mr Landon made four years ago of putting himself before the country merely as a milder Roosevelt. It is clear that there is a real conflict of philosophies and political practices before the American public for decision in November, but Mr Willkie is evidently determined to avoid falling into the trap of courting the Isolationist vote. He has specifically reaffirmed Mr Roosevelt's promise to extend to the opponents of force the material resources of the American nation. In the field of foreign affairs, in fact, Mr Willkie's line of criticism lies not against the President's policies but against his manner of executing them. Mr Willkie claims that he will be a more effective opponent of the Nazis than Mr Roosevelt has been. All this, of course, makes the most excellent reading for the citizens of beleaguered Britain, though it is difficult to avoid a certain amount of suspicious doubt when Mr Willkie attacks the President for the "inflammatory statements" he has made on many occasions against the Dictators. It is not merely that this criticism ignores the great moral effect that Mr Roosevelt's statements have had—an effect which should not be derided merely because it failed to prevent the outbreak of war; the real danger is that this line of argument might provide an entering wedge for those leanings towards appeasement of the Nazis which are present among the sections of opinion who form Mr Willkie's most devoted supporters, however absent they may be from his own mind. A campaign based upon criticism of Mr Roosevelt for "dabbling in *inflammatory statements* and manufactured panics" might without much difficulty lead to an administration of foreign policy in which "I dare not" consistently waited upon "I would."

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So much depends upon American decisions in the next few months that it is right to give voice to these suspicions; but it is equally right to record that they received very little support from the remainder of Mr Willkie's speech, and, if his criticism of Mr Roosevelt's speeches does not mean that he will tone America's policy down to accord with its military weakness but that he will raise the strength of the armed forces to the level of the policy, then the suspicions fall to the ground. And it is a point which must work very strongly in Mr Willkie's favour that though he expressed the conventional belief that his policy would not involve America in hostilities, he specifically refused to commit himself against war. "In the defence of America, I should not hesitate to stand for war." The speech was frank, sincere, and successful. Mr Willkie evidently has the real gift of the statesman, that of stating his own mind without fear or favour and enhancing his own popularity by so doing. His campaign has started well; the traditional feeling against a third-term has been increased by the autocratic methods employed by Mr Roosevelt or his henchmen at the Democratic Convention at Chicago last month, and Mr Willkie is receiving the public support of many prominent Democrats. The public support of the "best people" is, perhaps, of dubious value to a candidate whose opponent is deliberately appealing to the "under-privileged"; but what is more ominious for Mr Roosevelt is the progress that Mr Willkie is making in the Southern States whose Democratic solidarity is the traditional bulwark of the President's party. It is far too soon to make prophecies with any assurance, and Mr Willkie's popularity may wane as the novelty of his sudden emergence wears off. But Mr Roosevelt clearly has on his hands the stiffest fight of his whole career.

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Fortunes of War in Africa

The British have evacuated Somaliland. From the day the Italian invasion was launched it was clear that without large and immediate reinforcements the handful of troops in our colony could not hope to hold an attack backed by a far superior mass of men and equipment. Evacuation could do us no strategic harm—Italy would simply advance to a sea controlled by us—but the harm to our prestige is obvious and has undoubtedly been heightened by a clumsy piece of propaganda which suggested in the thick of the short campaign that we were trying to offer really serious resistance whereas delaying tactics to cover a complete evacuation was the essence of our retreat. This distortion of news gave the Italians a measure of success which need not have been and indeed was not theirs. Effective resistance was impossible from the day on which General Legentilhomme was replaced at Djibuti by General Germain, the Vichy nominee. General Legentilhomme was apparently ready to co-operate, and made it fairly clear that although he could take no initiative, he would offer no resistance if his British neighbour were to "ensure the security" of the French colony. Since no step was taken the Italians delayed their attack until General Germain was installed, then occupied Zeila without resistance and advanced towards Berbera in the rear of the British army. It is, perhaps, relevant to ask why the collaboration of the friendly French officials was allowed to go by default and why our general policy of non-intervention in French colonial affairs had to extend to a case in which non-intervention was actually unwelcome. However, damaging though the loss of Somaliland undoubtedly is to our prestige, the position on the Libyan frontier offers a certain compensation. The shelling of Fort Capuzzo, which drove Italy to evacuate the fort, appears to be yet another of those finely conceived and firmly executed exploits for which the Navy is justly renowned, while the combined action of the Fleet and the Fleet Air Arm added a bag of 11 Italian aircraft to the original achievement. There is evidence to suggest that as a result Graziani has been obliged to alter the dispositions of his troops and to postpone the attack on Egypt. Thus we have yet another indication of the effectiveness of the offensive. It is vital that it should be maintained.

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The Fate of Roumania

On August 16th the delegates chosen by Roumania and Hungary to negotiate the redrawing of the Roumanian-Hungarian frontier met in the Palace of Culture at Turnu Severin. The Hungarians presented their demands, and the conference adjourned until August 18th to await Roumania's reaction. On August 18th, the Roumanian reply was received and discussions continued on into the night. Then in the early hours of August 20th the conference again adjourned, this time without fixing a day for reassembly. The negotiations are thus at a standstill, though it is still too early to say whether the standstill is, in fact, a deadlock. Left to themselves, the two countries would never have emerged from the state of deadlock in which they have been immobilised since 1919. Only the combined efforts of the Axis and Russia have shaken them by fear and cupidity to come to the conference table. Whether Germany, having got them there, will allow them to repeat the old comedy is doubtful. Behind the negotiations lies the ever-present reminder of the *Diktat*, and it is a gamble for either state to assume that they will fare better on Germany's terms than on those which they can arrange between themselves. Nevertheless, Germany's inter

almost certainly be necessary. Hungary appears to be claiming two-thirds of Transylvania. King Carol could not cede so much and still preserve a remnant of prestige. Dr Maniu has again issued a manifesto, this time condemning all those who accept further dismemberment as traitors to their country, and the leader of the Roumanian delegation, a distinguished Transylvanian, M. Valfian Pop, has until now associated himself with the intransigent party. On the other hand, Hungary cannot content herself with Roumania's counter offer—the cession of certain frontier districts coupled with an exchange of population—and her insistence on receiving her full claim will only be increased now that Bulgaria is to secure the whole of the South Dobrudja.

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Bulgaria's negotiations have gone far more smoothly, for the settlement is straightforward and presents few of the economic and ethnic difficulties which baffle the most honest negotiator in the case of Transylvania. The Roumanians were, it is true, unwilling to sacrifice the towns of Balcic where Queen Marie's heart is buried, or Silistria, which controls a strategic point in the Danube bridge of Cernavoda; but the Bulgarians refused to come to Craiova to negotiate, unless their claim to the whole of the South Dobrudja was conceded in principle. The Roumanian Government, desiring to come to terms with their southern neighbours before facing the intransigent Magyars, waived their objections, and on August 19th Roumanian and Bulgarian delegates opened negotiations in Craiovo. Two days later agreement was reached. The 1912 frontier is to be restored, Roumania will repatriate the Roumanian minority in the new Bulgaria, the occupation is to be carried out at once, while a fortnight will be left to clear up the economic settlement. Thus there will be no need in the case of Bulgaria for the imposition of a *Diktat* from Berlin, and the Nazis are doubtless congratulating themselves on having rounded an awkward corner. Russia has been at work in Bulgaria for weeks past, urging the Government not to accept too precipitate a settlement and endeavouring to encourage intransigence in both countries. Roumania's acceptance of the necessity of cession is thus a victory for Berlin, and her compliance will be largely advertised as the result of German diplomacy. Bulgaria will find herself saddled with an uncomfortable obligation, while Russia must, it seems, register a check. The acquisition of new territory will reinforce the authority of Bulgaria's predominantly pro-German Government among the people, yet Russia's whole scheme of securing a Dobrudjan corridor from Bessarabia to Bulgaria depends on the subservience of Sofia. In its present form, there is nothing in the Bulgarian settlement to prevent Germany from establishing rigid military control of what is left of Roumania's Black Sea coast, including the left bank of the Danube. Russia may intervene to assert her influence, but the indirect methods her diplomacy has employed in Sofia and Bucharest in recent weeks suggest that Russia can no more risk a Balkan war and a possible conflict with a powerful neighbour than can Germany.

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Lull in the Far East

Whatever the reasons for the recent outburst of anti-British feeling in Japan, there are signs that either the joint failure of Italy and Germany to launch an effective *Blitzkrieg*, or British counter-arrests of Japanese citizens, or the withdrawal of British troops from Shanghai have induced a more reasonable frame of mind. The anti-British demonstrations have died down as "spontaneously" as they arose, and Australia's decision to appoint Sir John Latham as first Australian Minister to Japan has been well received. The choice of a man who made himself popular in Japan when leading the Australian mission to Japan in 1934 created a good impression. The sudden spurt of goodwill may be sufficient to reconcile Japan to two distinct setbacks in her advance towards East Asian monopoly. After the withdrawal last week of the British forces from Shanghai, Japan claimed the right to take over all the defence zones previously policed by Britain. But Britain and the United States were determined that, if possible, American control should be established, especially in the central business area where Japanese policing would give Japan a precious weapon against the foreign interests. Negotiations took place on August 16th and 17th. Had Italy sided with Japan, deadlock would have been the result. Italy, however, refrained from voting, and Japan was defeated by the British and American vote. Although the Japanese refuse officially to recognise the settlement, the business area has been handed over to the United States marines, and Japan has to content herself with the area adjoining Hongkew. On top of this setback came the report that the Vichy Government had refused to consider the concession of air and naval bases in Indo-China and the passage of Japanese troops to the Chinese frontier. Japan's reactions are not yet known, but the Foreign Office's interest in the lease of British bases in the Western Hemisphere suggests that the Japanese may try to establish a precedent.

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No Food for Germany

No food is to pass the blockade to German-controlled Europe. The Allied Governments, Poland, Norway, Holland and Belgium, are agreed with Mr Churchill that to enable the Germans to divert still more resources to war production would be even more damaging to their unhappy countries' cause than the privations which will be imposed upon them by German rationing and robbery. In Sweden, a lone neutral in the North, blockaded only by Germany, the British refusal to add fuel to the Nazi war machine is freely applauded as realistic and just. In the United States, too, the bulk of opinion does not support Mr Hoover's well-intentioned plan to adopt and maintain German Europe. A country which has proclaimed a total blockade of Britain, as Germany did almost simultaneously with Mr Hoover's proposal, and maintains that no ship is safe, not even the United States refugee vessel *American Legion*, in mined waters, can hardly claim passage for "mercy" ships to its own blockaded preserves. An "empire" built and maintained by loot and plunder cannot appeal to humanity with any force. Nazi propaganda to open the trade channels with North America was well timed but ill founded, and there are signs that it has fallen flat. The world has placed the onus of Europe's sufferings upon Europe's ravager.

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World Economy

It is the economy of the world outside Europe, and not its humanity, that is shocked by the British ban on trade with the German-occupied territories. Producers in the Allied Empires and in the Americas will have more to sell than they can dispose of in the markets left to them. Their pockets are put in danger, and this is the only firm foundation that German baying against the British blockade has got. On Tuesday, Mr Churchill pointed the way to redress their grievance. Not primarily for their sake, but for the sake of the hungry in Europe, he spoke of the need to gather together and maintain actual stocks of food to hasten in when the Germans are driven out. Only in this way can sympathy be made more than pious talk. The food is available in surpluses all over the world, and the only problem is how to buy and store it. It is a perennial problem, even in peacetime, when sharply fluctuating demand, dipping and soaring prices and widely varying harvests place primary producers in constant jeopardy. The plan to buy and store now in wartime is precisely the plan which Mr St. Clare Grondona, who addressed the Royal Empire Society on the subject last week, has advocated for years. His scheme, for a British Corporation to stabilise prices by buying freely for store at a fixed price and selling from store at a fixed selling price, has the disadvantage of being based on a single country. But in its present wartime form the problem is clearly one for many nations, and in its solution the United States could satisfy the high purposes of Mr Hoover without feeding the aggression of Hitler.

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The United States can buy up the surpluses of its own growers; and it has already given birth to a scheme to finance and market the surpluses of its American neighbours. In the British Empire producers can reasonably look to the Dominion and British Governments to finance what they cannot sell. It is mainly a question of place, where to carry and store the stocks without engaging precious shipping space, and it would fit in well with the decentralised pattern of the Imperial war effort if the stocks—of metals and materials as well as foodstuffs—were held as reserves in scattered strategic centres, in Canada, Africa, India and Australasia. The part which Britain can play in assembling and storing reserves from non-Empire sources is limited by considerations of foreign exchange rather than by shipping space; to drain away our reserves would be damaging. There is no reason, however, why Britain and the United States, in collaboration, should not safeguard the pockets of all the primary producers cut off from Europe. As the *Financial News* has emphasised this week, the United States has excess gold in abundance to solve the purely financial problem, and the real question is not to guarantee the purchasing power of the primary producers, but to secure their purchases, to make sure that they can buy and get the goods they need.

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The Rôle of Exports

The problem of buying up surplus primary products and then supplying primary producers with their manufactured requirements is an exercise in economic collaboration, and should fit in precisely with Britain's new campaign for more exports. In July, exports, valued at £33 millions, were £5 millions below June and £11 millions below July, 1939. Because of the collapse of Europe, exports of coal, iron and steel goods, machinery, vehicles, cotton and woollen goods fell, and it is across the Atlantic and the Pacific that the new campaign looks. The United Kingdom Commercial Corporation is to operate in more places than the Balkans and have greater scope and resources. If it also has special powers and Government aid to press its wares it may do good work. Exporters can now insure through the Export Credits Guarantee Department against rises in insurance and freight on their current contracts. This is a start. Exporting is a munitions industry, and with generous assistance and bold direction from the Government it may assist equally in bringing victory to Britain and economic contentment to Britain's friends overseas.

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A Timely Revolt

In May railway charges were increased by 10 per cent. On Monday next, the Charges Consultative Committee is due to hold an inquiry in order to advise the Minister of Transport about a further proposed increase amounting to 7½ per cent.of pre-war rates. The storm of indignation aroused by this announcement was first directed simply against the inequity and inexpediency of the fresh increase itself; the cost of living would be onerously raised for poor travellers; and industrial costs would inevitably go up. Now the protest has been taken deeper. It is realised that the real target should be, not this particular increase, but rather the system of railway finance which makes it possible to propose the increase —indeed, which makes it impossible to refuse it, since all the railway companies have to do is to prove that the cost of working under wartime conditions has risen by a further £15 millions a year. The fact is that there is no limit to the demands that can be made under the agreement of last February; any increase in working costs due to the war must be balanced by higher charges, without any reference at all to the greatly increased volume of traffic, also due to the war. It was a sound realisation of the fundamental absurdity of the railway companies being empowered by the Government to gain both on the swings and on the roundabouts that led a representative body of railway users in the London Transport area to press this week, not only for a postponement of the forthcoming inquiry, but also for an end to the railway agreement itself. The Minister of Transport, scenting danger, has promised every effort to raise the extra £15 millions in some other way. But this will not do. The public must not be left as the railways' legally established milch cow; and railway workers, who find wage increases easy to negotiate now that the companies can always go to the railway users for the money, may perhaps realise that the bulk of railway passengers are working people themselves.

A Bolder Scrap Policy

The national appeal for scrap appears to be bringing out substantial quantities of railings as well as of implements and objects of all kinds which have been rusting in the backyards and in the cellar. But as the supply of this "goodwill" scrap may soon be exhausted, the steel industry may soon have to rely for additional material on the mass of old and derelict structures, such as factories, bridges, railway lines, abandoned pitgear, which have outlived their usefulness. A month ago, Mr Herbert Morrison pointed out in a statement on the scrap situation that arrangements had been made for the preparation of a comprehensive survey of this "demolition" scrap. There are no indications that this work has made much progress; moreover, a survey alone does not bring forth the material. The reason is to be found partly in the adherence to the pre-war system, by which prices are fixed at some dozen main consuming points. Under this system the incentive to collect scrap diminishes with its distance from the centres of consumption. This difficulty could be overcome by a revision of this system designed to stimulate the collection of scrap in outlying districts. Another cause of the sluggishness in the supply of demolition scrap is to be found in legal obstacles to the removal of old buildings and other structures and in the insistence of some owners to secure the "going concern" value for disused structures. These legal obstacles can and must be removed. The Minister of Supply must be given power to requisition all disused structures and to pay compensation on a scrap basis. A railway line which fell into disuse years ago is no longer a railway line; it is scrap. A factory which has been disused for a number of years is no longer a "going concern"; it is scrap. There may be borderline cases, but it should not be too difficult to devise machinery for deciding the category into which they fall. These two steps—the revision of the price system and the removal of legal obstacles—should lead to a substantial expansion in the supply of heavy demolition scrap which will be needed in increasing quantities.

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Economic Warfare

It is only in the air that Britain is yet able to strike directly at the sources of Germany's military strength. The continuous bombing of German bases and centres of production by the Royal Air Force is a remarkable accompaniment to the superb resistance which British airmen are making at home to the forays of their numerically superior adversary; and the toll taken by British bombers of German resources, and of Italian resources, too, in repeated raids on factories, has been relatively far greater than the damage done here by the Nazi fleets. Not unnaturally the story of this war in the air is commonly told in terms of courage and endurance. It is appropriately to the men who fly the British machines—and, as Sir Archibald Sinclair pointed out in his broadcast on Wednesday, to those who have designed and made them—that Mr Churchill has paid the nation's tribute: "Never in the field of human conflict was so much owed by so many to so few." But the battering of German Europe is based upon more than skill and daring. There was cold calculation behind the programme which singled out as a special target the canal which links the industrial valleys of the Ruhr and Rhine with the rest of Germany. There is the same expert and inner knowledge of Germany's economic structure behind every bombing raid against German factories and communications. If the time does come when, in the Prime Minister's words again, "the entire economic and scientific apparatus of German power" lies "shattered and pulverised at home," the men who for many long months have mapped and charted every item of the Third Reich's economic life and followed almost hour by hour every change in the ways and means of the enemy's output and distribution will almost rank for praise beside the flyers who have hazarded everything to give their work of scrutiny a military effect. This is the spearhead of economic warfare, and with all its clouds of bombers the German war machine seems oddly lacking in the same sort of subtle guidance.

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Efficiency of the Ports

A leading article on page 217 of *The Economist* of last week laid stress upon the crucial importance of an unchecked flow of goods through our ports and over our transport system. Before Mr Frank Pick was translated to the Ministry of Information he carried out an invaluable piece of investigation in this connection on behalf of the Ministry of Transport. His terms of reference were to examine the measures taken by port emergency committees to secure a swift turn-

round of ships in port and the rapid clearance of their cargoes. It was discovered in the last war that congestion of vessels and cargoes was, on balance, a greater obstacle to the movement of essential goods into this country than actual enemy attacks and shipping losses. Ships held up are ships out of service, and goods unmoved add nothing to the war effort or the nation's subsistence. At the present time, the menace of enemy attack is at its height; but the supply of shipping available is perhaps more adequate than it has ever been in this war or the last, and the ability of this country to weather the current storm commercially depends vitally upon a free and elastic policy of importation which will permit of the maximum use being made, not only of the ships available, but also of the numerous and widely-scattered facilities for docking and unloading. As a result of Mr Pick's tour, consideration is to be given to the setting up in each port of executive committees to keep in daily contact with the naval and customs authorities, the supervisors of port labour and the Ministries of Food and Supply. It is proposed that the organisation should be sufficiently complete and elastic to permit of the continuance of inward and outward trade even in the event of a complete breakdown of communications; and the objective at all times will be to ensure that neither the flow of imported foodstuffs, raw materials and munitions nor the flow of exports shall be slowed down by fortuitous happenings. These measures are an essential part of the defence of Britain, and only by their full implementation can the country's lifelines, already assured at a distance by the Navy, be held strong and secure where they join the land.

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More Aid to Pensioners

The Act to give supplementary pensions to pensioners proved to be in need of extra financial assistance is now in operation. Instead of the 400,000 eligible claimants expected when the scheme was announced, nearly a million pensioners have proved their claims to additional aid. This number is far in excess of the 275,000 people who were receiving help from local authorities, over and above their pensions, when the plan for supplementary pensions was approved by Parliament; the administration of the Act so far has revealed a disturbingly high degree of distress among old people; and it will cost at least £24 millions a year compared with the £10½ millions originally estimated. The necessity for these supplementary pensions has been demonstrated beyond a doubt, and it is a pity that public discussion has been concentrated on the number of claims withdrawn or rejected—about 340,000—rather than on the surprisingly high number allowed. The chief target of criticism is the way in which the household means test is being administered by the Assistance Board; and it is from households where pensioners are living with married sons or daughters or with more distant relatives that most complaints are forthcoming. They object to the principle of lumping together the means of whole households and to the detailed investigations which are necessary. Actually, the test is not harsh. A pensioner's married son or son-in-law must be earning over 54s. a week for his earnings to affect the amount of the pensioner's supplementary allowance, and with one dependent child his earnings must be over 62s.

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More important, it appears on investigation, is the psychological aspect. The pensioner living with relatives is living in someone else's household, and the household means inquiry spreads the impression that the other members of the household are required to help keep the pensioner. The pensioner seems to become a drag, and to suffer further loss of independence. This is largely illusory. The income limits quoted show that supplementary pensions will never be refused and will very seldom be curtailed in really poor households. The supplementary pensions are net additions to the incomes of necessitous pensioners, no more and no less, and the objections really arise from a widespread misunderstanding of the scheme. Like all means test schemes, it admits a general right to extra aid from public funds but no specific right to any fixed sum. The amount depends on circumstances which must be tested. The trouble in the case of supplementary pensions is that attention has been focused on the extra allowance of 9s. 6d. given to pensioners living alone. This has been taken wrongly as the norm, whereas, in fact, the real position is that the basic supplementary pension under the Act is 3s. 6d. for a man and 2s. 6d. for a woman, or 3s. 6d. if she lives alone. Then a pensioner living alone, or married to another pensioner with no one else in the household, receives an additional 1s. and further assistance with rent amounting normally to 5s. A pensioner living in a larger household has no claim to these extra sums, except in the rare cases where the pensioner is the householder himself and the joint household earnings are very small indeed. If any complaints are valid they should not be directed against the way in which the scheme is being administered but against the scheme itself.

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Mr Menzies' Difficulties

In the middle of his troubles over the Press regulations, the proposed Coalition and the general election controversy, Mr Menzies suffered a serious loss last week in the deaths in an aeroplane crash of three Cabinet Ministers—Brigadier C. A. Street, Minister of the Army, Mr J. V. Fairbairn, Minister of Air, and Sir Henry Gullett, Vice-President of the Executive Council—and also the Chief of the Army General Staff, General Sir Cyril Brudenell White. A not too strong Cabinet is seriously weakened by these deaths; and the Prime Minister who, owing to the lack of available talent, has the additional duties of Minister for Co-ordination of Defence, Minister for Muntions and Minister for Information, will find difficulty in replacing them, especially as the Labour Opposition has refused his offer to give their leaders offices in an enlarged National Government. And now, in a crucial period of the war, Ministers will have to add the burden of electioneering to their task of Government. Under the Australian Constitution, a general election is necessary before the end of next January, and there was opposition from the leaders of both the Country and the Labour parties to petitioning the United Kingdom Parliament for an amendment. Mr Menzies, therefore, has decided to hold the election on September 21st, in order to cut short the period of campaigning as much as possible. At present he can only count on the support in the House of Representatives of the 25 members of his own party and the 17 members of the Country Party. Labour is the biggest single party in the House. But Labour is divided, for there are many extremists in the party, especially in New South Wales—the "Hands off Russia" group—who are opposed to the help Mr Curtin, Leader of the Labour Opposition, is nevertheless giving to Mr Menzies. Now that the United Australia Party and the Country Party have agreed to present a common policy to the electors, which urges concentration on the war effort above everything, it is almost certain that the Government will emerge stronger from the election. It provides for Australia, Mr Menzies has said, "both an opportunity and a challenge."

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Shorter Notes

The Neutrality Act has been amended to permit American ships to enter war zones in order to evacuate children to the United States. Guarantees of safe passage have been asked from the belligerents, but it is understood that the German Government will refuse the request. This cannot have been altogether unexpected.

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The regional advisory committees set up to review the categories in which enemy aliens had been placed are still functioning. Since July 1st they have transferred 17 men and 72 women from Category B to Category C, and 13 men and 29 women from Category C to Category B. On Thursday new categories and conditions for the release of interned aliens were announced. The release of aliens with scientific and academic distinctions and aliens employing British labour will be made easier; and an entirely new category, narrowly drawn, is intended to provide for the release of proved public opponents of the Nazi regime.

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The first decision of the Arbitration Tribunal, set up by the Minister of Labour to arbitrate in industrial disputes when the ordinary methods of discussion between employers and workers fail to reach agreement, has been made in the printing and allied trades. It awards an increase of wages in these trades and in provincial and suburban London newspapers works and offices.

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The movement to test wartime regulations in the light of the rule of law continues. The application of Mr Aubrey Trevor Oswald Lees, detained under Regulation 18B, for a writ of *habeas corpus* with a view to release or trial has been refused by the High Court. Persons detained under this Regulation, in any case, have the right of appeal to an advisory committee.

THE WORLD OVERSEAS

Holland under German Control—I

(By a Dutch Correspondent)

BEFORE the war the people of the Netherlands had attained a fairly high standard of living. The latest estimate (1935-36) put the total income of the income-tax payers at Fl. 2,800 millions. For lack of statistical data, of course, it is impossible to compute the fall in the national income which is primarily and directly due to the incorporation of the country into the German *Lebensraum*. But that this fall is very considerable is beyond doubt. Dutch industry was to a great extent dependent upon sea-borne imports of foreign raw materials and overseas exports of finished products. Dutch agriculture was dependent upon the import of foreign fertilisers. The famous Dutch dairy industry was based upon the import of foreign feeding stuffs. The transit traffic of the Netherlands was an important one, and the rich colonial empire of the East Indies contributed in various forms every year several hundreds of millions of florins to the Dutch national income. In brief, one of the bases of Dutch economy was free intercourse between the nations.

This base was weakened after the outbreak of war in September, 1939, but the loss of national independence means a far more important change. The British blockade has been extended to the Netherlands. The significance of this fact becomes clear from the following table, showing the division of Dutch imports and exports among different countries:—

PERCENTAGES OF 1938 VALUES

Imports from:		*Exports to:*	
Germany	21·3	United Kingdom	22·7
Belgium	11·5	Germany	14·9
U.S.A.	10·8	Belgium	10·2
United Kingdom	8·1	N.E.I.	9·7
N.E.I.	7·2	France	5·8
France	4·6	U.S.A.	3·6
Argentina	4·5	Sweden	3·5
U.S.S.R.	2·2	U.S.S.R.	2·3
Others	29·8	Others	27·3
	100·0		100·0

It may be deduced from this table that, since the extension of the British blockade, between two-fifths and one-half of the former normal imports and exports have been cut off. To replace these losses is a big problem for the Germans.

Another problem is that of unemployment. From the beginning of the depression in the thirties the unemployment problem in the Netherlands was very serious, and the effect of the mobilisation in the last days of August, 1939, as a consequence of which about 400,000 men were called up, was only slight. A survey taken of 900 industrial firms, employing 278,000 labourers, showed that 22,000 labourers were mobilised, but that at the end of 1939 only 6,000 of the unemployed had filled the gaps. Besides, the war reacted unfavourably upon the country's commerce, and traffic in the big ports was reduced to less than one-third. In February, 1940, therefore, there were still 332,000 unemployed. These were distributed among the different occupational groups as follows:—

Building	78,000	Wood, etc.	9,000
Agriculture	56,000	Cutlery, etc.	8,000
Unskilled industrial	56,000	Clothing and textiles	8,000
Transport	38,000	Professional services	8,000
Metal, etc.	25,000	Coal	7,000
Commerce	10,000	Domestic service	6,000
Food, etc.	10,000	Other	13,000

The first effect of the end of war in the Netherlands must have been an increase in unemployment. The official German estimate of unemployment at the beginning of June was 395,000, but to this figure must be added the 57,000 unemployed who worked in Government camps and who were not considered by the Germans to be really unemployed. Thus, total unemployment amounted probably to about 550,000. The Germans had to prevent the spread of unemployment and even to reduce it as soon as possible. This was their second problem.

Moreover, the Netherlands have to be incorporated into the German *Lebensraum*. This presents a multitude of difficulties. Stocks have to be transferred, new markets must be found and, most important of all, the standard of living of the population has to be reduced.

German Reorganisation

In attempting to solve these problems German tactics have been to disturb as little as possible the normal economic and administrative life of the country. They have contented themselves instead with occupying some key-posts, from which they are slowly but surely extending their economic control. Seyss Inquart, the Reichs Civil Administrator for the Netherlands, has arrived at The Hague accompanied by an advisory staff of German specialists, which includes the former Austrian Finance Minister, Dr Hans Fischboeck. The Germans try to shift the direct responsibility for their measures to a committee which is composed of the General Secretaries of the various Departments of State. In the same way German "advisers" are "collaborating" with the highest provincial authorities.

Moreover, the Germans foster active collaboration with prominent Dutchmen. A "National Committee for Economic Collaboration" has been formed under the chairmanship of Dr Fentener van Vlissingen. Long before the German invasion started, Dr Fentener van Vlissingen, formerly chairman of the International Chamber of Commerce, was suspected of Nazi sympathies.

In the economic field the Germans are busy setting up machinery comparable with the system of *Reichsbüros* functioning in Germany. There are now separate *Rijksbureaux* in Holland for oil and oil products, for the ceramic and similar industries, for the distribution of textiles, for wool, for overseas traffic, for food in wartime, for tobacco, and for salvage and scrap. The Germans have also taken over the existing machinery of Government control which was particularly active in the field of agriculture. As in Germany, the *Rijksbureaux* have a very important function. They provide for the distribution of raw materials and of government orders.

A Scarcity of Oil

Seyss Inquart recently declared in an important speech that production had to be speeded up as soon as possible. He emphasised, however, that the difficulties of transport were not to be underrated. These difficulties are in the first place due to the destruction of the means of communication and the lack of oil. Bridges are being rebuilt in one way or another. The lack of oil, however, seems to become more severe, and the distribution of oil for domestic use has been forbidden. Gasoline is very scarce. It was recently reported that 1,000 wood-gas generators had arrived in the Netherlands for use in trucks. In the meantime many trucks are being drawn by horses. More than 600 big motor vessels are idle. The total tonnage of vessels for inland traffic amounts to 3.8 millions, but for the most part only small vessels without internal combustion engines are in use.

Before trying to speed up production, the Germans decided to stabilise existing economic conditions. The banking moratorium, imposed on the first day of the German invasion, was soon called off. The emergency money issued in some parts of the country was withdrawn at the end of June, and it was only on August 3rd that the first new tax was imposed, a tax on profits about which no particulars are as yet known. On July 31st, the prices of essential commodities, as well as rent and wages, were stabilised at the level existing on the last day before the Germans overran the country. Moreover, the Germans tried to develop as quickly as possible new sources of income to replace those which had fallen off. For instance, as many markets for flowers have been lost, it has been decided to grow vegetables instead of flowers. Exports to different countries have been encouraged. Coastal traffic to the Baltic has been resumed; there is some export to Belgium and Switzerland; and an attempt is being made by a well-known Rotterdam shipping company to organise a sailing to Leningrad once a week.

It must be emphasised that this reorientation of Dutch economic life, the success of which is—to put it mildly—very doubtful, is a German, not a Dutch, affair. On August 1st, a supplementary German-Jugoslav trade agreement was signed at Belgrade which covers payments between Jugoslavia and the Netherlands. The Netherlands thus had the doubtful honour of providing the first occasion on which Germany signed an agreement in the name of an occupied State.

August 21st.

Ireland's Exodus

[FROM OUR DUBLIN CORRESPONDENT]

THE time is approaching when economists from many countries will turn their attention to the history of Ireland during the last hundred years. It is only a matter of a few years until the populations of several Western European countries will begin to decrease. A decreasing population is regarded as highly abnormal and productive of new problems unknown in an age of expansion. The population of Ireland has, however, declined steadily since 1847, and valuable lessons can be derived from a study of this unique demographic movement. All the errors of over-investment which might be expected to be found are evident. Schools and other public institutions have become too large and have in many cases been converted to other uses. The railways, long before the appearance of road competition, experienced chronic difficulties owing to the decreasing density of the population which they were built to serve.

Although the symptoms and problems of a falling population may be identical in Ireland and elsewhere, the cause of the decline in Ireland is different. In the other countries which are soon to experience a fall in numbers the cause will be the decline in the birth rate. In Ireland, the birth rate, though falling, is still high enough to maintain a natural increase of population. The rate of natural increase is small, but this is the result of the low marriage rate. The number of births per marriage is sufficiently large to maintain a normal number of children in the population. The result of having a normal number of children, together with an abnormally large number of old people, is that the proportion of non-earners is abnormally high. From the point of view of population growth, the important matter is that the net reproduction ratio is still positive, and it is estimated that the natural increase will continue for at least fifty years. The reason why the Irish population has fallen and continues to fall is, of course, the immense emigration.

Although a fall of population caused by emigration may be for many reasons less deplorable than one caused by a decline in the rate of natural increase, it is, from the purely economic aspect, more expensive to the community. The average age of emigration from Ireland is about twenty. That is to say, the young person leaves the country just when he ceases to be a liability and when he should become an asset. During the last century Irish parents, ratepayers and taxpayers have provided the United States, the Dominions and Great Britain with huge supplies of ready-made labour. The millions that have been spent on the production of this supply of labour have yielded practically no direct return to the mother country and must be regarded as a nationally unproductive investment. Moreover, the Irish population has suffered qualitatively from the emigration, which has tended to exert a differential selection adverse to those remaining at home.

The remedies for a falling population, which are so widely discussed in relation to other countries, would not cure the evil in Ireland. The suggestion that early marriages and large families should be encouraged by subsidies, family allowances and other means is irrelevant in the peculiar Irish circumstances. The problem in Ireland is not to stimulate reproduction, but to find employment for the existing annual stream of young people. Until this problem is solved, artificial encouragement of a higher birth rate would simply increase the number of emigrants twenty years later.

August 12th.

America's Re-armament Programme

[FROM OUR NEW YORK CORRESPONDENT]

THE first phase of the American armament effort started about the beginning of the year, after a long prelude of small expansionary steps, and has consisted of three parts: appropriation of funds, efforts to speed production, and plans for increasing the armed forces. In addition there have been a number of supplementary moves, including hemisphere defence, economic and political mobilisation of all American republics towards a common goal, diplomatic exchanges with belligerents, efforts to assist the Allies, etc.; but these are subordinate in significance to the progress made and to be made in the development of materials of force.

The Budget for the fiscal year 1941, presented by the President in early January, provided $1,800 millions for national defence, an increase of $300 millions over the amount then estimated to be spent for the fiscal year 1940. (In addition, $160 millions supplemental was asked for the balance of the fiscal year 1940.) Public sentiment probably agreed with the President's comment: "I am asking the Congress for Army and Navy increases which are based not on panic but on common sense. . . . This is an increase, of course, over the current year, but it is far less than many experts on national defence think should be spent, though it is in my judgment a sufficient amount for the coming year." However, in special messages to Congress on May 16, May 31 and July 10, the President asked enormous increases in appropriations and authority to enter into contracts, and there were other smaller requests. Total national defence appropriations and authorisations approved or soon to be approved are now officially estimated at $14,702 millions, of which $5,000 millions is expected to be spent this fiscal year; some additional appropriations beyond these figures are probable. As a result, the 1941 fiscal year deficit, estimated at $1,716 millions in January, is now estimated at

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$5,691 millions, compared with $3,612 millions which was reported for the fiscal year 1940. The officially estimated total of expenditures for this fiscal year can only be reached by a very large rise from the present rate; July national defence outlays totalled $177 millions, while the official estimate contemplates a monthly average above $400 millions, compared with less than $100 millions for the calendar year 1939 and $40 millions for the fiscal year 1934. In addition to the foregoing figures, the Reconstruction Finance Corporation has been given vast authority to finance defence industry and the acquisition of strategic materials; in this it is actively engaging, and commitments of $150 millions to finance aircraft and engine companies alone are reported.

Planning Production

The second part of the initial phase, facilitation of production, was started, after several preliminary steps, on May 28, when the President appointed the Advisory Council on National Defence, of which Messrs Knudsen and Stettinius are the most prominent members. The Council, though without statutory power, derives great power over Government operations by Presidential delegation, and has assembled a large staff of industrial executives and experts. Procedure with industry thus far is almost wholly voluntary, but a system of priorities and controls is being formulated for use if necessary. Skilled labour shortages, becoming noticeable, are being combated by training schools; weekly hours are increasing only very slightly. Exports of materials vital to defence are being limited, and special tax provisions to encourage expansion of capacity are being enacted. Mr Knudsen has testified that equipment for an army of 2,000,000 men should be adequate by 1944. Military aircraft output is now at an annual rate of 10,800, and is expected to reach 18,000 by January. A two-ocean navy of 700 fighting ships, aggregating about 3,500,000 tons, is expected to exist in 1946 or 1947, almost doubling the present fleet.

Military Training

The third part of the initial phase opened on June 20th with the introduction of the conscription bill, providing for the registration of all men of 18-65 years of age and prescribing standards for Presidential selection from this pool. The Senate has cut down the age range to 21-31, estimated to include about 12 millions, and, if the bill passes, some 400,000 probably will be called this autumn for training, with more early next year. In addition, the President asked on July 29th for power to call out the national guard for training. Under these two systems the War Department plans to move towards a trained force of two millions. The maximum authorised enlisted strength of the regular army now is 375,000, and its actual total 270,000. The Navy's present authorised strength is 170,000, and its actual strength about 140,000.

August 10th.

Canada's New Cabinet

[FROM OUR OTTAWA CORRESPONDENT]

MR MACKENZIE KING, in announcing the reorganisation of his Cabinet on June 8th, had to admit the failure of his efforts to induce some well-known Conservative business men, who were not in Parliament, to take office, and the new Ministers are all drawn from the Liberal Party. Mr Ilsley, who has been Minister of National Revenue, succeeds Colonel Ralston, who has taken over the important portfolio of National Defence, at the Ministry of Finance; Mr Gardiner, while retaining the Ministry of Agriculture until a new appointment is made, becomes Minister for the newly created Department of National War Services; Mr Howe, who is Minister of Munitions and Supply, hands over most of the duties of the Transport Department to Mr Cardin, the Minister of Public Works. A new Department for Naval Affairs has been created, which is given to Mr Angus Macdonald, the Liberal Premier of Nova Scotia—a valuable reinforcement to the Cabinet. The other two new recruits to the Ministry are from Ontario, Colonel Gibson as Minister of National Revenue, and Mr W. P. Mulock as Postmaster-General.

Mr Mackenzie King claimed that he had done his best to give non-Liberal elements representation in the Cabinet and that under the circumstances he was justified in maintaining a partisan administration, which has been the object of continuous criticism. He made an effort, however, to mollify the Opposition groups by offering four of their leading figures associate membership in the special War Committee of the Cabinet. But the leaders of the Conservative Party felt, with some justification, that they had been slighted by the offers made to other non-parliamentary Conservatives, and rejected the offer and also an alternative proposal that they should take part in regular consultations with Ministers; they took the ground that acceptance of either plan would hamper their freedom of action and that they preferred to continue their voluntary co-operation with untrammelled right of vigilant criticism. The leaders of the two Leftist groups also declined both proposals. The Liberal press approves of the reorganisation, but the Opposition papers are not satisfied with it and are continuing their campaign for a genuine National Ministry.

Plans for the national registration which has been decreed are being rapidly pushed ahead, and it is intended to have it completed by the end of August. But before that some 50,000 young men, who are now liable for compulsory military training for home defence, are to be called up, and all university students are to undergo training as soon as the universities reopen. For the Canadian Active Service Force 40,000 recruits are being called for, and enlistments for it and the Air Force have recently been at the rate of 1,000 per day. Almost every week fresh establishments in connection with the Commonwealth Air Training scheme are being opened, and the difficulties created by the postponed shipment from Britain of planes required for training are being surmounted by increased domestic production and purchases from the United States.

The Canadian Department of Munitions and Supply has taken over the functions of the British Supply Board, although most of the personnel of the latter is remaining in Canada for inspection and other duties. A sign of the speedier production of war materials is visible in the fact that during the first ten days of July the Department placed contracts of a total value of $147 millions, which is more than the total value of the contracts placed in the first three months of the war.

Satisfactory Crop Prospects

The latest reports of the Bureau of Statistics indicate that, as the result of insufficient rainfall during June, the condition of the western wheat crop suffered a deterioration of 4 per cent. during the month, and that at its close it was 10 per cent. lower than at the same date in 1939. In July fairly generous rains in Manitoba and Alberta helped to maintain the crops in promising condition, but although there was some rainfall in Saskatchewan, it was not in most districts sufficient to prevent further deterioration. However, there is still an excellent prospect of an average crop of about 400 million bushels for the three prairie provinces. In Central Canada and the Maritime Provinces the field crops are up to the average, and the pastures and root crops are good, but excessive heat has done damage to the crops of British Columbia.

General business conditions have shown no material change in recent weeks.

The data about the weekly economic index are given below:—

Week ending	Car-loadings	Wholesale Prices	Bank Clearings	Weekly Index
July 8, 1939 ...	77·0	73·2	86·3	102·3
June 22, 1940 ...	99·9	81·5	88·8	104·4
June 29, 1940 ...	93·1	81·6	97·0	104·2
July 6, 1940 ...	95·6	82·2	88·4	103·4

During the first five months of 1940 the Bureau's index of the physical volume of business at 136.9 was about 19 per cent. higher than the figure for the same period of 1939.

July 12th.

South America Takes the Strain

[FROM A CORRESPONDENT]

WHEN war broke out last September it was hoped that there would be a pressing demand by the Allies for primary products, a demand that would much more than compensate Latin Americans for the shutting out of their Central European purchasers and that would set up an increased flow of currencies possessing an international purchasing power.

Things have so far worked out somewhat differently. Brazil has indeed partially resumed her debt service, but even the present exiguous payments hardly look like continuing after the current year, while capital invested in the other countries has received an even poorer return than before the war. This has been a serious misfortune not only to bondholders as individuals but to their Governments. The nominal value of quoted British capital invested in America south of

Panama is in the neighbourhood of *£920 millions* and a difference of 2 or 3 per cent. in the yield makes a difference to Britain's war effort. In 1913, the return was between 4 and 5 per cent.; by *1936* it was down to 1.9 per cent., and it is little if any better now.

During the past seven years Germany's commercial policy brought considerable trade increases even in the case of those countries, such as the Argentine and Peru, that were honouring their commercial debts promptly; large German orders were placed firm, and a study of the South American States' needs was made with a centrally organised thoroughness that Great Britain is only now beginning to imitate. The loss of the German market was thus a serious matter for all these states, and to that loss there has since been added the cutting off of other large areas in Europe and North Africa. Figures for some of the smaller purchasing countries are not easily obtainable, but those relating to trade between eight South American countries and Germany, Belgium, France, Holland and Italy have been brought to a percentage basis in the table given below. Were trade with Germany alone tabulated, the percentages would be roughly halved.

1938 TRADE WITH GERMANY, BELGIUM, FRANCE, HOLLAND AND ITALY

	Exports to (by value) %	Imports from (by value) %		Exports to (by value) %	Imports from (by value) %
Argentina...	34·4	26·2	Colombia ..	25·8	23·8
Bolivia.....	28·2	22·6	Ecuador ...	29·3	34·4
Brazil	35·7	34·8	Peru.....	22·0	30·4
Chile	34·2	32·2	Uruguay ...	40·1	32·3

An analysis of coffee exports from Brazil provides a striking instance of the loss that will fall on the country unless alternative outlets can be discovered, and also on Colombia, another big coffee exporter. In 1938, Brazil's sales totalled 17.11 million bags, of which at least 6.23 million bags were consigned to countries which are now cut off by the British blockade. That the blockade is having a real effect all along the line can be seen by the post-war trading figures. In January to March, 1940, for example, Brazil sent 3,132 tons of cotton to Germany, against 12,689 tons in the corresponding quarter of 1939. In the period August, 1938, to March, 1939, Peru sent 51,296 bales of cotton; in the same period of 1939-1940 the quantity was only 6,243 bales. Even more striking are the Argentine figures of total sales to Germany (in thousands of pesos):—

Sept.	Oct.	Nov.	Dec.	Jan.–Mar.
3,693	2,049	596	256	2

Help from the United States

Corresponding decreases in shipments to France and Italy will soon be apparent, and before many months are out these South American states will have large stocks of unsold goods on their hands unless other arrangements can be made. U.S.A. exporters and importers have already taken active steps to seize the opportunities presented. According to the Chamber of Commerce at Washington, the increase in the value of trade during the first quarter of the present year, compared with January-March, 1939, was as follows:—

PERCENTAGE INCREASES IN EXPORTS TO AND IMPORTS FROM THE UNITED STATES

	Exports to	Imports from		Exports to	Imports from
Argentina...	142	64	Chile	104	65
*Brazil	77	6 (dec.)	Peru.....	46	36
*Venezuela	47	83	Uruguay ...	247	365
*Colombia .	16	17			

* Countries having trade agreements with U.S.A.

An examination of the absolute figures shows that the big percentage changes for Uruguay relate to fairly small dollar amounts, while the big increase in sales to Brazil has had as its object an agreed balancing of mutual trade.

It is natural that a move to fill the vacuum created by the blockade should have come from the United States in the first place, but such increased trade can only go a part of the way to meet South American needs. Cotton, for example, constitutes, in value, about 20 per cent. of total exports in the case of both Brazil and Peru; and, apart from linseed, none of the grains can normally look for United States buyers—over 30 per cent. of the Argentine's exports in 1939 were accounted for by wheat and maize alone, and of this practically none went to the United States. Meat products cannot expect a large market, for total United States imports of canned beef only average about $7 millions a year, nearly all of which already comes from the Argentine. Exports of wool from the Argentine have certainly made a handsome contribution to the increase in total United States imports in the first quarter of 1940, but other Argentinian goods are running very much at last year's level. Chile has increased her sales of skins, manganese ores and nitrate, but it does not look as if the coffee-exporting countries can hope to dispose of very much more of a notoriously inelastic commodity.

Britain's Opportunity—

Among other nations from whom help might be forthcoming, Great Britain is the only one possessing any great purchasing power, with Japan a long way behind. British purchases from the ten South American states amounted in 1938 to £62½ millions and sales to £33½ millions; after allowing for interest on debt, services and other items, payments probably roughly balanced. German trade with the same states (converting marks at an average aski rate of fifteen to the pound) was £39 millions of exports and £49 millions of imports. Theoretically, much of this trade could be carried on between Britain and South America, for it was generally speaking an exchange of primary commodities for manufactured goods. In practice, however, the change over has not everywhere proved easy, as is shown by the following figures for the Argentine:—

(000,000 pesos)	Sept., 1938–Mar., 1939	Sept., 1939–Mar., 1940
Exports to U.K.	275	250
Imports from U.K.....	134	130

Recent Brazilian figures show that that country's total exports for the first quarter are £350,000 (gold) above those of 1939 and that this increase is more than accounted for by British purchases, which rose from £756,000 (gold) to £1,562,000 (gold). British exports to Brazil, however, show only a small rise.

In June, the conclusion of Payments Agreements between Britain and Argentina and Brazil was announced, to be worked on the same lines as the one at present in force with Sweden, and it is expected that similar agreements will in due course be concluded with Peru and Chile. But there is nothing in these agreements that will create additional trade, their purpose being rather to ensure that British sales to a country will be compensated by corresponding purchases and payments.

—and Difficulties

This limiting factor of bilateral agreements was clearly recognised by the Germans, who elaborated a whole series of compensation agreements based on a mark whose value, always below that of the free mark, varied from country to country and from time to time. The depreciated mark, however, was not itself the most important factor in tempting trade into new channels. Germany's success was due mainly to drive in a market otherwise peopled by timorous commercial travellers employed by firms who were too frightened by the experience of the past to be able to devise a new approach. To-day, British needs should bring to Britain's trading the same zeal that distinguished Germany, and with the pound at $4.03 there seems no need to make use of an aski pound. It is clear, however, that British prices are often too high even now, but that this is a small hindrance compared with delay, inability to supply and escape clauses. The German population of Southern Brazil, amounting to some 600,000 persons, is actively Nazi and may be counted on to do all it can to hamper Britain's effort. Germans are less numerous in other states, but wherever they are found they constitute active centres for anti-British propaganda. The influence of the large Italian element in the Argentine and Peru is not by any means uniformly hostile, but there are plenty of Italians, and also Spaniards, who regard with pride the achievements of their kinsmen in Europe and who would prefer to discourage any increase in the links that bind South America to Britain.

So much of what Britain buys from South America competes with the commodities supplied by the Dominions that it has always been difficult in the past nine years to reach trade agreements that are not open to the charge of deserting the Empire producer. That difficulty remains, but in this hour it should be possible to brush on one side for the time being the tangle of fears and scruples that has so long impeded the trade road to the southern republics. The burden of reorganising half a continent's foreign trade cannot, however, be shouldered by Britain. The immediate causes of the breakdown lie in current events, but underlying the present catastrophe are other causes that demand large-scale treatment on a long-term basis. As things are, it must be mainly the job of the United States to devise the necessary remedies, but if she is prepared to attempt the task, there will perhaps open out to Britain a valuable opportunity for co-operation.

July 20th.

Letters to the Editor

British Policy in Danubia

TO THE EDITOR OF THE ECONOMIST.

SIR,—The Axis mediation between Hungary and Roumania makes plain Hitler's overwhelming interest in preserving peace in that region. Germany's hands are to be left free for action in the West. Armaments, oil, minerals and food indispensable to her war effort must continue to be drawn from the Danube Basin without interference.

To dam up this main source of German supply is of great importance for the outcome of the war. It is hardly feasible to buy ahead of the Germans now, and the Danube Basin will for some time to come remain inaccessible to military intervention. Political influences alone can penetrate there to-day. The Danubian population, which has always been Anglophil and would even now prefer to see Britain victorious, must be inspired with hope; the 70 millions of Czechs, Austrians, Hungarians, Slovaks, Croats, Serbs, Roumanians now being exploited by Germany must be brought to see in Great Britain the power which will save them.

Even after the outbreak of this war, however, British plans for the future of the Danube Basin were left obscure, and remain so. A cunning propaganda falsely credits Britain with the intention of restoring the *status quo*, and the declaration of specific aims — however praiseworthy these may be in themselves—gives the appearance of truth to this propaganda, thus breeding distrust among the Danubian peoples and strengthening the Nazi hold over them.

The disappointments of twenty years of full sovereignty in the Succession States have made the Danubian peoples recognise that, being each in isolation, they are a prey to economic distress and unable to defend their independence. It is this knowledge which renders them receptive to a programme uniting them on the basis of Equality of Rights and a Customs Union, thus guaranteeing liberty and prosperity to each separate nation. This would offer them a prospect and give a direction to their aspirations. Then the resistance of the Czech and Viennese workers would be roused, the Danubian peasants would conceal their foodstuffs from the Nazis and, at a favourable moment, open revolt would break out. What is more, the millions of their brothers living in the United States will add their voices to the chorus of those who clamour for aid to Britain.

Yours faithfully,
LEO GESTETNER.

London, S.W.7.

The Minimum

TO THE EDITOR OF THE ECONOMIST

SIR,—I was greatly interested by the suggestion made in the article "The Minimum" in *The Economist* of July 6th, that now in the midst of war "the time has come for the State to guarantee to every individual—as it never has done explicitly in peace—a sufficient quantity of food, clothing, shelter and the acknowledged necessities of life." A system of "State subsidies to keep prices low, in conjunction with rationing, and even differential prices so that poor people with needy families are assured of their minimum" is suggested as a possible method of guaranteeing sufficiency for all.

Low and differential prices (even combined with rationing) are not, of course, the only method of assuring to everyone a minimum, and I question if they are the best method, particularly when one reflects on the possible intricacies of differential prices, which might have to be graded to suit more than one of the lower income groups, such as family units where there may be varying degrees of poverty and hardship but no young children and consequently no benefit to be derived from the proposed family allowances. May I submit an alternative method of ensuring the distribution of the minimum, with particular reference to food, but capable of extension to include all the acknowledged necessities?

Rationed quantities of the foods necessary to maintain health should be distributed free of direct charge, as one of the rights of citizenship, to every individual, and that these foods should be paid for collectively by the State. Such a method of distribution, depending on control of rations only, rather than of rations together with subsidised and differential prices as well, would be comparatively simple to administer. The mere possession of a ration book, irrespective of the holder's cash purchasing power, would entitle the holder to draw from his registered retailer the requisite supplies of food, in exchange for coupons which would be detached as at present. The retailer would then "pay" the coupons into his bank, which in turn would have them redeemed by the State at the one level of prices—unsubsidised and in fact based on cost—determined by the Ministry of Food.

The question of providing a minimum "is not," the article in *The Economist* continues, "a question of extra outlay so much as one of guiding expenditure in the most needed direction." With the rationed quantities of the staple foods forming both a maximum and a minimum, the actual expenditure by the State would not be greater than—if as great as—the current total of individual expenditure on the foods concerned. The question remains of how the State would reimburse itself for this expenditure. There is much to be said in favour of a graduated universal income tax, without any of the usual personal allowances, since wives, children and other dependants would all be receiving an allowance of food, guaranteed by the State. Suppose the graduated income tax began at a flat rate of 4s. in the £ on all incomes up to £500 (rising to something over 5s. on the whole of all incomes between £501 and £1,500 and to 7s. 6d., the current figure, on the whole of all incomes over £1,500), then an old age pensioner drawing 10s. a week would have 2s. income tax deducted at the post office, but his ration book would bring his real income up to something over 15s. weekly. Again, a wage earner drawing £3 a week would pay 12s. income tax weekly, so that, if married, he would be receiving a considerable "family allowance of food," according to the number of his dependants. If single, he would be paying something more than the value of the food received.

In effect, increased old age pensions, family allowances, and a more equitable and elastic system of taxation, would all be achieved by implementing on lines such as the above the excellent and progressive suggestion made in *The Economist* for guaranteeing a minimum standard of living.

Yours faithfully,
EDWARD CORDEROY.

Brighton.

Oil for Coal

TO THE EDITOR OF THE ECONOMIST

SIR,—Events in this war are compelling us to abandon wrong courses and to adopt right courses. The defeat or defection of all our land allies has forced us to abandon the false strategy of fighting on land and to adopt our true strategy of fighting at sea and relying mainly upon offensive blockade and defensive convoy for victory. Similarly, if, as is widely discussed, the sources of our oil in Iran and Iraq fell into hostile or unfriendly hands, many of our warships and merchant ships would be forced to abandon foreign oil and to burn instead their strategically right and war-financially right fuel—British and Empire coal.

Do our naval and merchant ship authorities know of the performance of the coal-burning *Invicta*? A leading shipping journal announces that this new fast cross-Channel steamer's mechanical stoking makes her coal-burning as smokeless and as "flexible" as oil-burning, with boiler rooms actually cleaner than with oil, and healthier due to absence of oil fumes. Methods of enclosed and dustless bunkering and conveying, well known for 25 years, would enable long-voyage ships to bunker either all coal or all oil or any proportion of either, the boilers being able to burn either fuel.

Our Navy changed from coal to oil while in the middle of the last war, largely because of the laborious manhandling of coal. As events may force it to change back again to its natural and proper fuel—British coal bunkered and burnt without any manhandling—the Navy should have *Invictas* to practise on.

Yours faithfully,
GEOFFREY BOWLES.

London, S.W.1.

THE BUSINESS WORLD

Scientific Looting

THE Germans have brought the planning and execution of their various warlike activities about as near to an exact science as any human activity can hope to come. The methodical character of the German mind has found its full expression under the regimented political and economic system of the Nazis. The seizure of key positions in Norway on the first day of the invasion and the synchronisation of the activities of the Fifth Column in Holland with those of the invaders by land, sea and air provide characteristic examples of the scientific planning and execution of military operations. In the sphere of economic warfare, the German-Nazi mind expresses itself most characteristically in the scientific looting of conquered countries.

The exploitation of countries in a state of political or economic dependence upon Germany began long before the war, when Germany took advantage, to an increasing degree, of the influence she succeeded in securing in the countries of South-Eastern Europe. Yet, even though these countries were exploited by an almost infinite variety of cunning devices, they were comparatively fortunate, for they did receive something from Germany in return for their goods, even if it was only mouth organs, aspirins or inferior machinery at excessive prices. They were tricked and bullied into doing more and more trade with Germany on less and less satisfactory terms, it is true, but because of the fact that it was theoretically possible for them to trade with other countries, and because of the British trade offensive in the Balkans, there was apparently a limit beyond which Germany could not exploit them.

No such limit exists in the case of the unfortunate countries now under German control. There is no need for Germany to send them even aspirins and mouth organs in exchange for their goods; she can secure all their supplies and output without giving anything in exchange. Reliable figures are not obtainable, but as far as it is possible to ascertain, Germany has a huge surplus of imports in trade with all the occupied countries. Moreover, practically the whole of German export trade with these territories is in goods needed either by the armies of occupation or by the factories engaged on contracts for the German armed forces; to keep these factories going Germany is sending raw materials, fuel and machinery. Otherwise, her exports to these territories are known to be negligible. From the Nazi point of view, it would indeed be foolish to waste the products of German labour upon countries which can be forced to surrender all they possess without payment.

This does not mean, of course, that the owners of goods requisitioned or bought by Germans are not paid for them —in the technical sense of the term. The Germans are too clever to resort to the crude form of looting, except in the more remote countries such as Poland. As a general rule, they pay for everything and pay generously—with the conquered nation's own money. That is the point: no matter what form the payment takes, it is in fact always the monetary authorities of the conquered country who provide the cash. Germany, in addition to inflating her own currency, is in a position to inflate the currencies of other nations.

The methods of payment in occupied territories can be summarised under the following headings: (1) payment in Reichsmark notes; (2) payment with Reichskredit-Kassenscheine; (3) acceptance of bills drawn on German Government departments; (4) issue of bank notes by occupation authorities; (5) settlement through exchange clearing; and (6) payment with the aid of advances from central banks. In each case the net result of the transaction is that Germany obtains something for nothing, and the financing of the purchase entails an expansion of currency or credit in the conquered countries. Even when payment is made in Reichsmarks, it does not mean that the recipients are enabled thereby to buy German goods, for imports from Germany are strictly controlled. The Nazi Government is not at all keen on proceeding with its original scheme for the economic unification of Germany with her conquered *Lebensraum*. Sooner or later, the Reichsmark notes will find their way to the central banks of the countries concerned, which are then compelled to buy them in unlimited amounts at an exchange rate fixed heavily in favour of the Reichsmark. By overvaluing the Reichsmark in terms of the currencies of the conquered nations, the German authorities encourage private German purchases of goods from the occupied territories, and Germany can buy from the conquered countries at low prices and sell to them at high prices by this simple device of fixing a high Reichsmark rate.

While German officers and soldiers and the swarm of civilian visitors who descend upon occupied territories at least pay in Reichsmark notes, the occupation authorities and the German Government pay for their purchases mostly by means of "requisition notes," which are exchanged later for the notes of the Reichskredit-Kasse. These notes are payable after the conclusion of peace. Most producers and merchants, however, are unable to wait indefinitely, and have to obtain advances on these notes from their central banks. Once more, it is the latter who provide the cash. The same is the ultimate result when orders placed by the German Government with industrial undertakings in occupied countries are financed by bills drawn upon the Government department concerned. These bills have to be rediscounted by the central banks of the occupied countries, and simply add to swell their claim against the Reichsbank or the German Government. A similar result is produced when the goods are purchased by German importers on the basis of the pre-war clearing agreements which are still in operation. There is now nothing at all to prevent Germany from running up a large debit balance in her clearing accounts with the conquered countries. The latter are no longer in a position to set a limit to that debit balance by restricting their own exports to Germany; and their exporters have in any case to be financed by their central banks.

But, notwithstanding the small extent of her economic interests and the international agreements to which she was a party, Spain recently included Tangier in the list of her imperial claims. The Spanish High Commissioner at Tetuan on June 14th notified the French Consul that in agreement with the French Government the Spanish Government intended to occupy Tangier at once. On the same day the British Consul at Tangier received a note from the Spanish Consul stating that the military occupation of Tangier and its zone had been carried out, with the exclusive object of securing the strict neutrality of Tangier. It is interesting to note that this agreement with the French Government was reached just before the French Cabinet decided to surrender; and, as was apparent from Mr Butler's statement in the House of Commons, the British Government had no part in the agreement, since it was only notified after the occupation by Spain had taken place. How a non-belligerent country could secure the neutrality of Tangier against some unspecified threat is very far from clear.

The real reason for the Spanish claim to Tangier must be considered in conjunction with the claim to Gibraltar: Spain's object, in fact, is control of the Straits. The occupation of Tangier is the first step towards that Spanish Empire which is the dream of the Falangists and which many people have thought fantastic.

Safeguarding Municipal Credit

EXCEPTIONAL strains reveal hidden weaknesses. The market for Home Corporation loans on the Stock Exchange has lately shown a growing realisation of the far-reaching effects which "total" war (geographically and economically) may have on stocks whose investment reputation has been almost above suspicion. The process began even before the war, when there were the beginnings of a rudimentary attempt in the market to discriminate according to differing degrees of prosperity or political colouring in different areas. And a certain amount of criticism was heard of financial tendencies like the growing resort to the competitive issue of short-term non-marketable mortgage obligations. The war has superimposed on this background some entirely new problems. It has benefited some industrial areas by bringing war orders, but it has entirely killed, for the time being, the main "industry" of many East and South Coast seaside towns. And everywhere the danger of air raids has introduced a new risk factor whose potential effect on rateable values no borough treasurer can ignore or assess.

Up to the present, admittedly, the effect of the war on the Home Corporation security market has been perceptible, but not extensive. The Actuaries' Index of Home Corporation security prices was actually nearly 4 points higher at the end of last July than a year earlier, or in December, after four months of war. In the intervening period, of course, the entire market for trustee securities has hardened, under the lead of British Government stocks. But the end-July, 1940, Index number at 122.9 (December 31, 1938 = 100) compares with 128.2 at the end of last April—a fall of 5.3 points, against a corresponding decline of 3.1 points in the price index for 2½ per cent. Consols. And last month, when the Consols Index rose by nearly 3 points, the Home Corporation Index declined slightly. Closer analysis reveals that this was the result of stability or slight improvement in the price of stocks in localities with a relatively favourable war risk factor and a limited, but growing, tendency among investors to by-pass securities of towns in the front line in the battle of Britain. On the whole, however, the movement has not gone very far, thanks to widespread confidence in our power to repel any enemy attack on our shores.

There is certainly no immediate suggestion that Home Corporation securities will fail fully to maintain gilt-edged levels. It is still appropriate to ask, nevertheless, whether the assumptions on which the market has built up its development and status necessarily hold to-day. The maxim that all are equal before the judgment seat has been rather rigidly applied, legally and investment-wise, to this market. Long-term loans of all corporations with populations of over 50,000 are eligible for trustee investment, although there are enormous variations in their respective rateable values, debts, rate poundages and the nature and financial profitability of their municipal services. Certain councils are "popular" with investors in peacetime—in the sense that any new loans they issue are readily subscribed. But all corporation loans are underwritten, and the difference between black sheep and white never amounts to more than half a point to a point in the issue price.

This tendency to put all Corporation securities under a single umbrella was based on over-generalisation even before 1914, when economic conditions in almost every part of England were, on the whole, progressive. But, since the end of the last war the contrast between, say, a borough in a vigorously expanding Midland area or a popular seaside holiday-cum-residential resort, at one extreme, and a Corporation in a Special Area, at the other, has been one of kind and not merely of degree. That is well brought out by the specimen figures for some representative towns assembled in the table at the foot of this page. Even when allowance is made for the fact that rates are generally higher in large cities than in smaller towns, and in industrial than in residential areas, and for the assistance given in the more vulnerable areas by Exchequer grants under the 1929 Act, the differential burden of rates is still a grave disadvantage to towns like Gateshead, with its poundage of 16s. 6d. and East Ham, with its 18s. 6d.—not to mention distressed Merthyr Tydfil with its 30s. 6d. Business or residence in these places does not offer the material inducements which make the payment of relatively high rates in great cities worth while to many people. And rateable values *per capita* are necessarily lowest in the more distressed areas. Manchester's figure of over £9 3s. 9d. per head and Cardiff's of £8 13s. 8d. compare with only £4 18s. in Gateshead and £3 11s. 8d. in Merthyr Tydfil. True, the distressed boroughs, on the whole, have the lowest debt per head, but they have correspondingly fewer revenue-producing assets and public services to offer their citizens. And their public assistance burden—the best index, by and large, of local economic hardship—is, or was, so heavy that without the help of Exchequer grants their position long before now would have been dire indeed. In the years before the present war, their populations, almost without exception, were declining—and that, not as the result of an outward spread of population into satellite "dormitory" areas, but owing to departures representing pure loss from all civic points of view.

All these tendencies had their roots in big economic changes, which started long before the war. The present plight of many English seaside towns is serious enough in all conscience, but it is mitigated by the fact that in pre-war days many of these towns, helped by modern transport developments, had attracted an increasing population and built up a particularly sound municipal financial position. Contemporary interruption of normal life may range, in their case, from the loss of an annual influx of visitors to the

SOME STATISTICS OF ENGLISH TOWNS

(Figures for 1939–40, unless otherwise stated)

	Total Increase or Decrease in Population between 1931 (Census) and 1938 (Estim.)	Total Estimated Population	*Per Capita* Figures: Debt	*Per Capita* Figures: Rateable Value	*Per Capita* Figures: Rates Levied	Total Rates (in the £)	Of which, for Public Assistance (in the £)	Total Exchequer Grants* (in the £)	Stock Exchange Position of Typical Non-Callable Stock: Rate of Interest	Redemption Dates	Amount Quoted	Current Price	Yield % to Redemption†
	(%)		£	£ s. d.	£ s. d.	s. d.	s. d.	s. d.	%		£		£ s. d.
Large Cities—													
Birmingham	+ 4·1	1,041,000	58·6	7 4 8	5 6 1	15 9	2 8¾	2 9½	3¼	1957–62	5,000,000	94½	3 12 6
Liverpool	− 3·3	827,400	65·0	8 4 1	5 16 5	15 10	3 8¼	3 10¼	3	1954–64	4,000,000	89¼	3 15 0
Manchester	− 4·4	732,900	65·1	9 3 9	6 14 1	16 3	4 0½	2 4¾	3	1958–63	5,000,000	90¾	3 15 6
Cardiff	+ 0·3	224,280	44·0	8 13 8	5 5 6	12 10	3 6¼	2 6¾	3	1956–58	1,419,500	90	3 16 0
Pre-War Depressed Boroughs—													
East Ham	− 9·0	129,500	15·4	5 18 1	5 6 4	18 6	6 1⅞	2 11¼	...	...	...	...	...
Gateshead	− 4·3	117,000	17·4	4 18 0	3 14 9	16 6	7 9	6 7	5	1945–55	500,000	103	4 11 0
Merthyr Tydfil	− 12·4	62,250	11·9	3 11 8	4 17 7	30 6	16 2⅝	14 3⅛	...	...	...	...	...
War-Affected Areas—													
Brighton	− 0·6	146,500	63·6	13 3 7	6 7 8	10 2	1 8⅝	0 11⅛	4¾	1945–77	1,790,000	102	4 10 0
Hastings	+ 2·0	64,318	42·8	12 1 0	6 2 1	10 8	1 10⅝	2 0⅝	5	1947–67	1,350,000	105	4 6 6
Portsmouth	+ 3·7	258,400	27·0	7 9 4	4 1 7	11 6	1 10⅛	1 11⅜	5	1942–62	850,000	101¼	4 8 0
Southampton	+ 2·3	180,100	43·2	9 1 3	5 0 11	11 9	2 7	1 10⅛	5	1947–67	2,500,000	105¼	4 6 6
Southend	+ 15·0	138,100	32·9	11 4 9	6 12 3	12 5	1 10	0 9	3	1916–46	153,320	96	4 4 0

* Under Local Government Acts, 1929 and 1937. † Allowing for accrued interest and tax at 8s. 6d. in £.

money

A DUAL RESPONSIBILITY IN TIME OF WAR

The responsibility of Directors, Trustees and others in control of money is twofold in wartime. It is their duty to safeguard the immediate financial interests of their shareholders and beneficiaries. But in the present emergency that duty can only be fully discharged by taking into account the larger interests of the Nation. The value of money itself depends upon the maintenance of the country's financial stability.

Leaders of Business and Finance are therefore urged to invest all available funds in National War Bonds (1945-7) without delay and to continue their full support as and when further funds become available for investment.

2½% NATIONAL WAR BONDS

(1945-47). A full Trustee Security — Price of issue £100 per cent — Subscriptions of £100 or multiples of £100 will be received until further notice — Interest accrues from date of purchase — Prospectus and application forms obtainable from Banks or Stockbrokers.

Issued by The National Savings Committee, London

compulsory evacuation of resident civilians. Clearly, in these circumstances, figures of rateable value cease to have much meaning. There would seem to be the strongest possible case for special Government assistance—preferably made direct to local shopkeepers, hotel proprietors, etc., to enable them to meet their municipal and other obligations, and maintain the framework of their businesses in being until the end of the war.

Should State intervention and assistance go further? Certainly, if the war is prolonged, the position of some (though not all) of the depressed areas of peacetime will be temporarily mitigated, but the situation of some erstwhile prosperous boroughs may be parlous. Such a state of affairs is bound ultimately to produce a much wider spread of prices for Home Corporation securities than at present. A Treasury guarantee of the service, under all contingencies, of the debt obligations of any Corporation which might find itself embarrassed, would probably cost the authorities very little and would fully preserve the market's price structure. As a war measure, limited to Corporations in the front line defence zone, there might be much to be said for it. But if it were extended to other towns which were "indirect" war victims, it would be difficult to know where to draw the line. Should a given town be included, for example, because its main industries, being of a quasi-luxury character, were deliberately damped down in the national interest? And there would be serious objection to the extension of the guarantee to cover every borough, or to its indefinite prolongation in peacetime; for it would remove one of the most salutary checks on municipal expenditure. Much more desirable, indeed, both as a wartime and peacetime measure, would be the formation of some sort of mutual credit pool by Corporations themselves, somewhat on the lines of that formed by 24 Danish municipalities who successfully floated a joint loan in the London market in 1922. Delicate questions of interference with jealously guarded local liberties would be bound to occur, but, given a modicum of goodwill, they should not prove insoluble. Local embarrassment as a direct result of military operations would, rightly, remain for relief by the State. But, pending a fresh rearrangement of local burdens, carrying still further the principle of 1929—a measure which cannot long be postponed after the war—a debt pooling scheme would go far to tide over any possible difficulties of the near future. Treasury guarantee of the pool would be probably a mere formality, making assurance trebly sure. It would, from every point of view, be preferable to a policy of waiting to afford support in individual cases, when matters had gone far enough to necessitate it.

Finance and Banking

The Problems of Treasury Finance

The mystery of the wherewithal of Treasury financing in the past few weeks remains unsolved. For the sixth week in succession no appeal had been made for Treasury deposits from the banks. The Treasury bill tender issue is now running no more than level. The weekly issues of £65 millions—a figure which must be regarded as the ceiling for this particular form of Treasury financing—have now been running for more than three months and from this source therefore the Treasury is gaining no net inflow of funds. The weekly revenue deficit last week amounted to £52,596,000, or about twice the receipts from the three issues of Government securities now on tap and from increased Savings Banks deposits. The extent to which the Government is covering expenditure by liquidation of capital, represented by gold and mobilised dollar securities, can only be dimly estimated. The visible trade balance is running against us this year at the rate of about £700 millions. The net balance after allowing for our necessarily reduced invisible exports would probably be running at around £500 millions, or say £10 millions a week. To that extent the Treasury bills previously issued to the market on behalf of the Exchange Equalisation Account are released and return to the "tap" bills held by the Account. The extent to which the balances of various members of the sterling area are accumulating in London provides another source of financing which is utilised for placing Treasury bills—probably issued for the most part via the "tap"—and longer-term securities previously held by Public Departments.

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Extra-budgetary funds also make their contribution to the bridging of the gap between revenue and expenditure. Lord Essendon this week disclosed yet another of these funds, in which is deposited a part of the cash paid by the Government in respect of ships lost through enemy action. In this connection it should be noted that, since the total cash disbursements made by the Government under their Pool War Risk scheme have been running somewhat ahead of the rate at which ship building permits can be obtained, the shipping companies are in fact in a position to invest funds temporarily in Government securities—and, on Lord Essendon's evidence, are doing so. But this is a purely temporary investment of funds earmarked for other purposes, and the securities in question will have to be liquidated as soon as the capital expenditure for which the funds are intended can be incurred. None the less, such temporary investment swelling the accumulation of extra-budgetary funds must help in large measure to account for the mystery of Treasury financing over the past few weeks. The next detailed monthly statement on the National Debt should throw much-needed light on the whole question.

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Meanwhile public deposits at the Bank of England, though down by as much as £16,000,000 on the week, are at a fairly normal level, namely £14,545,000. The banks, for their part, have been abundantly provided with funds over the past week. Although the discount market has been able to sell them rather larger quantities of bills after obtaining a quota of 48 per cent. at last week's tender, compared with allotments of 41, 42 and 31 per cent. in the preceding weeks, the banks' appetite has been far from satisfied. The larger market quota of bills was the result of reduced applications for bills from non-banking quarters. In previous weeks the big Stock Exchange money houses had been appreciable direct tenderers for Treasury bills. Last week they abstained from the tender owing partly to the uncertainties of the war situation and vague fears of difficulties that might be encountered by a non-market house in disposing of bills in the extreme emergency of an evacuation of the City of London. Last week's tender may also have been influenced by the fact that it provided the first experience of the A.R.P. rule, whereby the closing of the lists at the Bank of England is postponed to one hour after the "all clear" signal if a warning is in operation at the time when the lists should normally close.

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"Free" Sterling at Par

The "free" sterling rate in New York has this week appreciated to $4.03, thus touching the middle price of the official quotations. The trend of the war news, the costly repulse of the first large-scale aerial attack on this country and the tenor of Mr Churchill's speech may have played some part in this movement. But its fundamental causes lie deeper. They are to be found in the rapid depletion of the strictly limited supplies of "free" sterling available for the American market. That market has virtually dried up, and it should be safe to assume that before very long "free" sterling quotations in New York will be of rare occurrence and that they will reveal no appreciable discount on the official rates.

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Ban on Reimported Banknotes

The problem of reimported Bank of England notes has been rapidly and effectively tackled by the authorities. An Order-in-Council issued on Wednesday of this week prohibits the import of Bank of England notes into the United Kingdom from all countries other than Eire. The Treasury announcement accompanying the Order justifies the ban by reason of the fact that "considerable amounts of Bank of England notes were held in France and other territories occupied by the enemy, and may therefore fall into enemy hands." Within the sterling area Bank of England notes will continue to be freely negotiable and will be interchangeable with the currency authorities of the various territories concerned. Eire is excluded from the ban for the good reason that a similar prohibition of imports of bank notes is being imposed by that Dominion. The import ban thus stretches around the British Isles. Similar restrictions on the import

of the domestic paper currency are being applied throughout the sterling area. The rigours of the ban are being tempered to the extent that travellers from overseas will be allowed to bring in £10 of Bank of England notes. Moreover, in order to prevent *bona fide* foreign holders of Bank of England notes being penalised by the new Order, special facilities are being given to holders in neutral countries to remit these notes immediately and to credit the proceeds to their Special or Registered Sterling accounts. In order to get the benefit of such facilities, these holders will have to remit the notes to this country within the next few days—the intervals of the latest permissible post marks being nicely graded in accordance with geographical factors—slightly spiced perhaps by political considerations. (Portugal, for example, is given several days longer to remit than Roumania.)

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The inevitable corollary of such a step is the development of a "black" market in sterling bank notes. It will be the first such market to emerge in the history of our currency. The occasion may justify a slight sigh of regret—but no more. The importance of the evil which this move is intended to ward off is self evident. No other satisfactory method could have been devised to prevent the enemy from realising part of the loot yielded by his invasion of France and the Low Countries. Any remnant of legitimately held Bank of England notes, which fail for one reason or another to beat the time limits imposed for their return, will ultimately find its way back to this country by way of the individual quotas allowed to each traveller arriving from overseas. Any heavy depreciation of Bank notes in foreign markets will merely indicate that the enemy is making serious attempts to sell part of his ill-gotten gains. Such depreciations will have no disturbing effect whatever on our commercial or financial transactions with the non-sterling area, since at no important point does the negotiation of Bank notes enter into such operations.

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Edinburgh Bills

Tenders were received this week for an issue of £300,000 of Edinburgh bills dated August 23rd and repayable February 15th next. The demand for these bills of close on six months' currency seems to have been fully in keeping with the current plethora of credit in the market. The discount market, which applied on the basis of a rate of $1\frac{1}{8}$ per cent., missed the bills, which were allotted at an average rate of barely 1 per cent. The fact that Edinburgh bills are rarely seen, together with their eligibility for rediscount at the Bank of England, no doubt contributed to the keenness of the demand for them. But the fine rate at which they were actually issued—a finer rate than that current for the shorter-dated British Government Treasury bill—must be explained in terms of that local patriotism which ever prompts Scottish banks to outbid the Sassenachs in tendering for the bills of their own corporations.

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From "Free" to Special Accounts

The recent announcement that facilities had been given to Argentine, Brazilian, Hungarian and Portuguese holders of "free" sterling balances to transfer them to Special accounts now operating with these countries was widely interpreted as a weak concession, tending to diminish the efficacy of exchange control as a whole. The provision of these conversion facilities was not, however, a concession made after the payments agreements with the countries in question had been signed, but formed part of the general settlement with them. Had the facilities in question not been given these balances would not have been blocked, but would have been free to feed the "free" markets in sterling in countries other than those with which Special or Registered Account arrangements had been made. In other words they would in any case have swollen the offerings of sterling and ultimately diminished the exchange income of the British authorities less directly, perhaps, but equally effectively, as they will by their inclusion in Special accounts. The amounts in question were, in any case, negligible. Similar facilities are not, of course, being given to American and Swiss holders of "free" sterling balances.

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Bank of England Salaries

The recent decision of the Proprietors of the Bank of England to increase by £30,000 the yearly provision for payment of salaries and pensions to members of the Court of Directors seems to have aroused a considerable amount of Parliamentary curiosity. Nor does Sir Kingsley Wood, in his answers to questioners who have raised this point, appear to have succeeded in clearing up a position which is perfectly simple and has about it none of the sinister features implied by some of the questions. This additional allocation is merely the result of the change in status and the extension in the scope of activities of the Bank of England, which began in 1931 and gained immense momentum with the outbreak of the war. The remuneration of the Governor, Deputy Governor and directors of the Bank, was laid down in the Charter and fixed at exceedingly modest figures based on the assumption that all these offices would be of part-time character or held for short periods. This assumption began to lose its reality in the post-war period when the Governorship in fact became a permanent office. After 1931, the creation of the Exchange Equalisation Account, the negotiation of a number of clearing and payments agreements and the more conscious management of the general credit situation caused such an extension in the work of the Bank that three permanent directors, apart from the Governor and Deputy Governor, were elected to the Court. Their number was increased to five after the outbreak of the war, which brought an immense addition to the work of the Bank. The control of the foreign exchange market alone called into existence a new section rivalling in size most of the existing departments of the Bank. In 1932 authority had already been taken to appropriate a larger sum than that authorised by the Charter for the remuneration of full-time directors and endowing a pensions fund in their favour. These appropriations naturally had to be increased with the recent additions made to the number of full-time directors. There is no mystery about the allocation; it hides no attempt, as one Socialist Member suggested, to evade Excess Profits Tax. If Sir Kingsley Wood had handled the question with rather more comprehension of the subject with which he was dealing, the whole position would have been quickly explained to everyone's satisfaction—especially to that of his Socialist questioners, to whom the recent extension in the scope of the Central Bank's activities can have given nothing but the fullest satisfaction.

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Higher Workmen's Compensation Premiums

It was only to be expected that insurance premiums would sooner or later follow the upward trend of prices, but so far the movement has been mainly confined to the life and marine branches, where the risks of war are weightiest. The recent Workmen's Compensation Act has, however, produced an all-round increase in rates in the employers' liability branch also. In this case, the higher premiums are not specifically an effect of the war, for the Act merely gives partial expression to long-standing aspirations for a more liberal scale of benefits. The insurance companies, tariff and non-tariff, collected premiums of about £6.7 millions in 1937, the last year for which official statistics are available, and with the increases in employment and wages that have since occurred, the figure is probably now running at something in the region of £8.0 millions. The tariff companies have now raised their premium rates by 10 per cent., the whole of which is likely to be absorbed in additional benefits and expenses. At present, employers are safeguarded against an excessive rise in tariff rates, since the companies subscribing to the Accident Offices Association are bound to return to their insured the difference between actual claims and $62\frac{1}{2}$ per cent. of premiums. In other words, profits *plus* expenses are limited to $37\frac{1}{2}$ per cent., though this arrangement may be altered in the future. Admittedly, the position is less favourable so far as non-tariff companies are concerned, for some are reported to have increased their premium rates by as much as 25 per cent. Such increases are clearly unreasonable, unless rates have been cut uneconomically in the past. The Act falls far short of the long overdue re-casting of our workmen's compensation system, but it is unlikely to be superseded while the war lasts. The companies have at least the expectation of a period of legislative quietude, though other repercussions of the war (as, for example, the greater incidence of accidents due to the intensive operation of industry) will become increasingly important.

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Captain Roger Chetwode

The City of London has lost one of its most promising young bankers by the death of Captain Roger Chetwode. After a solid apprenticeship in banking with the house of Morgans in New York, Captain Chetwode had been a partner in the merchant banking firm of H. S. Lefevre and Company and in March of last year had become a director of Erlangers. His short career in that firm had given the most brilliant promise. It is a real tragedy that his death at the early age of 34 should leave so much of that promise unfulfilled

Investment

Stronger Trend Continues

The gratifying ability of the stock markets to maintain the firmer trend, which has now been in evidence almost uninterruptedly since the beginning of July, derives equally from both psychological and technical factors. The movement which raised the *Financial News* Index of Ordinary Shares from 49.4 on June 26th to 61.2 at the end of last week, and to 63.4 on August 22nd, started in the darkest hour of the war, when the French Government had capitulated and enemy use of the larger part of the French Fleet was still a possibility. If air attacks on Great Britain had been made at that time with last week's intensity they would probably have still further depressed the markets. The inability of *Blitzkrieg* to achieve such a result in mid-August strongly suggests that investors have already made up their minds about the outcome of any attempted invasion, and have not altogether lost in wartime the forecasting reputation they earned—and frequently deserved—in time of peace. The movement, however, has been predominantly an equity phenomenon. Gilt-edged stocks have made fair headway, but there has been, on the whole—certainly in the last two or three weeks—a perceptible shift of interest, first to the ordinary shares of leading industrial companies (including those in some war industries, like aircraft manufacture, which have hitherto been relatively unpopular), and, this week, to some of the more "speculative" groups, such as South African gold mines. That technical factors, however, have also played a significant part is beyond doubt. Even a slight increase of demand has, at times, revealed so acute a shortage of stock that buying orders for a few hundred shares have significantly put up prices, and orders for a thousand or more have, in some instances, been unexecutable. The following table shows some representative price movements during this week and since the beginning of the present recovery:—

	June 26, 1940	Aug. 16, 1940	Aug. 22, 1940	Change since June 26	Change since Aug. 16
3½% War Loan	96¼	100⅝	150	3¾	⅝
2½% Consols	71	73½	73⅞	2⅞	⅜
4% Egyptian Unified	57	60	63	6	3
L.M.S. Ord.	10	12¼	12½	2½	¼
B.A. Gt. Sthn. 4% Deb. Stk.	50	37	36½	13½	½
Rolls Royce Ord. £1	50/–	62/6	65/–	15/–	2/6
Bass Ratcliff Ord. £1	98/1½	105/–	106/–	7/10/–	...
Neepsend Steel Ord. 5/–	12/6	18/6	18/1½	5/7	1½d.
Imperial Chemical Ord. £1	19/–	25/9	25/10½	6/10½	1½d.
Turner and Newall Ord. £1	45/–	57/6	57/10	12/10	4d.
Woolworth (F. W.) Ord. 5/–	40/–	55/6	58/–	18/–	2/6
Crown Mines 10/–	265/–	252/6	250/–	15/–	2/6
Sub-Nigel 10/–	155/–	155/–	152/6	2/6	2/6

Some of this week's price changes shown in the table have a special explanation. The further rise in Egyptian Unified, for example, is understood to reflect special buying from Near Eastern sources. The reaction in Home Rail junior stocks has been due to fears lest the latest proposals for increased charges should provoke strong pressure for modification of the terms of the railways' agreement with the Government at the end of this year. Generally speaking, however, the recovery in equity share values has now gone far enough to raise hopes in some quarters of a major revival of interest — accompanied by a broadening of business which would be more welcome to most Stock Exchange firms—in the autumn, if developments in the Battle of Britain continue favourable. Time alone will show whether this view is correct, but, if so, it will be difficult entirely to dissociate the result from a belief, among a growing number of investors, that even under 100 per cent. E.P.T. and "moral" dividend limitation, ordinary shares still have "hedging" qualities in a potentially inflationary situation.

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Blueprint for Denham

The Denham scheme is a controversial topic, but the test is not whether it is a perfect substitute for the existing "House"—none could be found—but whether it will serve as a reasonably efficient emergency centre in the critical conditions which alone would compel evacuation from the present Stock Exchange. A recent inspection of the facilities which are now under option to the Stock Exchange authorities suggests that, for all the obvious limitations of the site—difficulties of transport, communication and accommodation—it might have been very difficult, even in the months preceding the war, to find a more suitable alternative. The accommodation provides, in the first place, for the administrative offices of the Stock Exchange itself. Clearly, they must have first call, for the primary task, if zero hour is reached, is to set up the emergency clearing scheme. Without this scheme selling brokers would have endless difficulty in obtaining the cash due to their clients, and buying brokers the securities due to purchasers. The clearing scheme is now generally understood and admitted to be a prior charge on the Denham organisation. It will be housed in a series of small offices at the studios. In addition, there is sufficient office accommodation to house a certain number of jobbers (sharing rooms), to provide a small reference room, to set up branch banking offices (including one of the Bank of England) and a Stamp Office. These quarters will be cramped. But that was inevitable, even granted the ideal site. And a site which might have been ideal from the point of view of office accommodation would almost certainly not have provided a dealing space as large as the film stage which has been secured. This is a spacious building (though not so large in area as the "House" itself), air-conditioned, soundproofed and unimpeded by *pillars or supports*. It requires the eye of faith, perhaps, to imagine dealings in such unaccustomed surroundings, but in some respects the dealing area would have conveniences which are not enjoyed by the existing quarters of the Stock Exchange.

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Denham will certainly not provide space for a full complement of jobbers and brokers. Much business will have to be carried out by telephone from emergency offices in the surrounding district. Even the clearing scheme itself is bound to have teething troubles, and the interval of three weeks before Denham begins to function according to plan is possibly an optimistic estimate of the time which will be required to prepare even this primary part of the scheme. If the Denham plan works—and there appears to be no reason, judging from the accommodation, why it should not work—patience and forbearance will be needed in the initial stages. Once the early difficulties are overcome, however, the Stock Exchange will have an object lesson in emergency organisation which might profoundly affect its future. Perhaps it requires such an emergency to persuade a traditional and august institution to examine its methods and to contemplate the possibility of change.

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Baltic Bonds

Lithuania, Latvia, Estonia and part of Poland have been taken under the protective wing of the Soviet Republic. But what is being done to safeguard the interests of British holders of bonds issued by these erstwhile independent nations? Following the decision of the United Kingdom to prohibit by Order in Council the transfer of gold lying in the Bank of England to the account of the first three States, negotiations are proceeding between the U.S.S.R. and Great Britain. It has been stated in the House of Commons that Soviet objections to the blocking of the balances of the Baltic States are being weighed up "in the light of important legal, political and financial considerations." Does this survey of the position cover sterling loans? There are three outstanding. The original issue of the 7 per cent. Estonian Sterling Bonds amounted to £700,000, of which £568,000 is outstanding. This loan is secured by a first charge on the excise duties on tobacco, beer, matches and other articles. On June 17th last, when dealings were prohibited, the bonds were quoted at 35. In 1939, the price reached a high level for the year of 94. Then there is the City of Riga (Latvia) 4½ per cent. (now 4 per cent.) Loan of 1913, of which £759,228 is outstanding. In 1934, the principal amount of the loan was, by agreement, reduced by 40 per cent., and the interest payable cut by ½ per cent. The bonds are now quoted at 10, a figure much below the 1939 best of 39½. And there are the 5 per cent. Sterling Conversion Bonds of the City of Vilno (Poland), of which £376,220 is outstanding. This issue is now valued in the market at around 10 compared with a 1939 high level of 36½. The issue is a direct obligation of the city, secured on all its capital assets and revenue. On too many occasions in the past the interests of British citizens, who have financially assisted in the development of trade and commerce overseas, have been compromised by political expediency. The Baltic bondholder will hope for better treatment, but, if he is a realist he will acknowledge the complex political factors that are involved.

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The Stock Exchange Lists

The publication of the Stock Exchange Official and Supplementary Lists in abbreviated form coincided with the announcement that the price is raised from 6d. to 1s. Thus, the unhappy broker will not only receive less, but will have to pay more for it. *C'est la guerre.* In point of fact, the lists have lost little of material importance by this enforced contraction. Skilful manipulation on the part of the printers leaves a generous half of page 16 of the Official List for the inclusion of "Stop Press" bargains in securities which have been temporarily expunged. The original plan for the issue of a fortnightly supplement giving recorded marks in the deleted securities has now been dropped in favour of a supplement to be issued on the first Monday in each month which will show the date and price of the latest mark and the nominal quotation at the previous Friday's close. The first of these monthly issues is due to appear on September 2nd.

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British Sugar Corporation

The British Sugar Corporation is the product of a rare attempt to apply joint stock company principles to agricultural development. Government assistance designed to enable 4 per cent. to be paid on the corporation's capital is forthcoming each year on the basis of a forecast of probable crops and other factors. This is not a method ideally suited to the hazards of agriculture, and for 1938-39, when a net loss of £13,801 was sustained, a 4 per cent. distribution on the £5 millions share capital entailed a £130,000 withdrawal from the dividend equalisation reserve and some depletion of the carry-forward. In recommending the 4 per cent. payment, the directors were, however, supported by an assurance that there would be a supplementary grant from the Government approximately equivalent to the draft made upon reserve. Such a sum, the exact amount of which is not stated, has been included with the trading profit disclosed for the year to March 31st last. Including also a profit of approximately £330,000 arising from increases in the sugar duty, the surplus comes out at £1,182,143, in contrast with only £383,312 for the previous year. If we deduct from the latest profit the two special items of revenue mentioned and add back to 1938-39 the supplementary grant of £130,000, then the increase is from £513,312 to £722,143. The greater part of this improvement is, however, negatived by heavier tax demands. So far as these are normal charges, they account for £175,000 against only £23,000. In addition, £255,000 has been provided for income tax and E.P.T. on the windfall profit springing from sugar duty increases, while the £75,000 balance of that adventitious surplus has been placed to special reserve. Similarly, the £130,000 supplementary grant has been applied to make good the previous year's withdrawal from dividend reserve. That fund also benefits to the tune of £25,000, representing roughly half the sum accrued under the "incentive" clause, which enables the corporation to retain a percentage of any economies resulting in increases of efficiency as compared with the 1936 level. The full sum accruing as "incentive" money is equivalent to about 1 per cent. on the capital, which receives a dividend of 4½ per cent. absorbing £129,375. After taking £59,000 to staff pensions reserve, there is a credit of £42,514 against £61,196 to go forward. At the recent meeting Sir Francis Humphrys revealed that in the past year £2,655,000 had been received by way of Exchequer assistance. To correct an impression that the corporation is exempt from payment of excise duty, he mentioned that, in fact, £7,710,000 had accrued to the Exchequer on account of home-grown sugar produced by the Corporation. The duty would, however, have been received just the same if there had been no home production and additional imports had been undertaken to make good the deficiency. As it is, one of the chief factors justifying the corporation is that such additional imports were unnecessary. Over half-a-million tons of sugar were produced in Great Britain in the past season, representing a notable advance upon the previous year's total of 300,000 tons and being more than sufficient to meet the present ration for the civil population in this country for a whole year.

Blackburn Aircraft Expansion

The report of Blackburn Aircraft for the year to March 31, 1940, confirms the favourable figures of the preliminary statement, discussed in *The Economist* of August 17th. Total profit, after depreciation, has reached a new record level of £191,844, against £142,001. Tax provision is increased by £35,000 to £85,000, and after meeting the 5 per cent. preference dividend and, as in 1938-39, paying £23,000 to capital redemption reserve, equity earnings are up from £52,801 to £69,843. These earnings represent 14.1 per cent. on the increased ordinary capital of £816,812, against 17.8 per cent. in the previous year on a capital of half that amount. The 10 per cent. dividend on the increased capital —15 per cent. was paid on the lower capital in 1938-39—absorbs £49,417, against £44,414. Consequently, the carry-forward is reduced from £14,752 to £10,178 after placing the usual £25,000 to general reserve. In the course of his speech Mr R. Blackburn states that it is unlikely that the company will attract E.P.T. on the net earnings of the past year, but that the incidence of taxation in the future must be expected to rule out higher receipts for shareholders. The balance sheet again gives evidence of a certain strain on liquid capital. Cash holdings are slightly higher at £9,971, against £8,772. The gross amount of stocks and work in progress has risen from £1,374,887 to £3,630,762, of which £2,639,775 has already been received on account. Thus, the net amount of work in progress is £383,900 lower at £990,987. The company's bank loan has been reduced from £961,785 to £860,546 and creditors have fallen from £332,783 to £328,199. Quoted ex dividend at 6s., the 10s. ordinary shares yield £16 13s. 4d. per cent.

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Store Dividend Cuts

The latest interim dividends announced by leading West End store companies have caused a reaction in their shares, though the reductions cannot have come as a surprise to shareholders. Harrods' interim is reduced from 5 to 2 per cent., following a total distribution of 10 per cent. for the year to January 31, 1940, which was covered by earnings of 13.9 per cent. This decision is partially influenced by lower dividends from the company's two subsidiaries, Dickins and Jones and D. H. Evans. D. H. Evans, whose ordinary shares are entirely owned by Harrods, has reduced its payment from 5 per cent. to 3½ per cent., and Dickins and Jones (95 per cent. of whose ordinary capital is controlled by Harrods) from 5 per cent. to nil. The latter announcement follows the passing of the final ordinary dividend for the year to January 31, 1940, when the company made a net loss, after meeting preference charges, of £5,849. D. H. Evans, however, paid a total dividend of 10 per cent. for 1939-40. John Barker has also decided to pass the payment on ordinary shares. The decision follows the reduction of last year's final payment from 15 per cent. to 10 per cent., though the ordinary dividend was covered by earnings of 29.4 per cent. against 30.7 per cent. Peter Robinson has passed all dividends for the half-year to July 31, 1940, on the 7 per cent. preference, 6 per cent. non-cumulative preferred ordinary, and ordinary capital. Dividends on the £475,000, 7 per cent. cumulative preference shares were paid up to January 31, 1940, but the last payment on ordinary capital was of 4 per cent. in respect of 1938-39. The reduced payments are tabulated below, together with the trend of share prices during the past year:—

DIVIDEND COMPARISONS

Years to January 31	Dividend %			Price	
	1st Half, 1939–40	Full Year, 1939–40	1st Half, 1940–41	Aug. 22, 1939	Aug. 22, 1940
John Barker, £1 ordinary shares	5	5	Nil	52/6*	26/3
Harrods, £1 ordinary stock...	5	5	2	51/3*	28/–
Dickins and Jones, £1 ord. stk.	5	Nil	Nil	...	...
Do., £1, 5½ cum. pref. stock	...	5½	...	20/–	10/7½
D. H. Evans, £1 ordinary shares	5	5	3½	...	...
Do., £1, 6% cum. pref. shrs.	3	3	3	25/–	20/–
Peter Robinson, £1 ord. shares	Nil	Nil	Nil	13/1½	2/6
Do., £1, 7% cum. pref. shrs.	3½	3½	Nil	18/9	5/–

* Ex dividend.

The reduction in retail sales in Central London began with the acute political uncertainly of the middle of 1938, which was succeeded by increased taxation, by the partial evacuation of London and by the National Savings Campaign. In future, sales must be further restricted by the incidence of the Pur-

chase Tax and by the Limitation of Supplies orders. Stocking-up orders, which helped to maintain sales in the early months of the war, have been largely satisfied. The *Board of Trade Journal* statistics of retail sales for June, 1940, show a total increase of only 2 per cent. on the previous year for all parts of the country—the smallest monthly increase of the year. But in Central London, sales of non-food goods fell by 39.5 per cent. compared with June, 1939. There is little hope of a speedy return of prosperity for the London department stores. One of the conditions of victory is that retail sales should fall and thus set free purchasing power and production for munitions of war. Shareholders may perhaps draw some spartan comfort from this bitter truth and hold on for post-war recovery.

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Kaffir Development Trends

With the exception of *Grootvlei*, the mines of the Union Corporation group developed a larger footage on reef in the June quarter. This was especially true of *Van Dyk*, whose footage sampled on reef amounted to 15,830 feet, easily a record for the mine. Percentage of payability remains low at 29.2 per cent., though this is an improvement compared with the March quarter. Provided that native labour remains adequate, the improved underground condition in *Van Dyk* should enable development to be at least maintained, and ore reserves to be increased. In both the *Gedulds* increased development was accomplished, though the percentage of payability at *Geduld* itself was much lower than in the previous quarter. This is to be expected, as the major development in this mature mine is completed, and subsidiary development at this stage is likely to be erratic. *Geduld* will become increasingly dependent upon its offshoot, *East Geduld*. The fall in the development results of this mine from 510 inch dwts. to 372 inch dwts. is unimportant, as the figure for the previous quarter was exceptionally high. In the Anglo-American group, development footages also increased, particularly *East Daggafontein* and *Brakpan*. The inch-dwts. for both the latter mine and also for *Springs* show a welcome improvement, and the future *Springs* development will be watched with interest, in view of the importance of the Southern part of the property. *Western Reefs* again shows a good quarterly return. The Kimberley Reef development in both *Daggafontein* and *East Daggafontein* shows a fall, especially in the former; but development on this reef has been so satisfactory for some long time past that no undue importance should be attached to what is possibly a temporary interruption. In the "Johnnies" group, development has been accelerated by *Government Areas, New State Areas* and *Van Ryn Deep*, all of them declining mines, and the development figures for the first two are more satisfactory than for some time past. On the other hand, the payable development in Randfontein shows no expansion over the previous quarter, and the ore reserve position may show a further decline at the end of this year.

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Two Engineering Reports

Satisfactory profits have been earned during the past year by two important engineering firms—Neepsend Steel and Tool and Richardsons Westgarth. Indeed, Neepsend net revenue for the year to March 31, 1940, reaches a new record at £178,489 against £150,944. Inevitably, much of the increase is absorbed by higher taxation, and after placing £60,000 to reserve for E.P.T.—no provision was required in 1938-39—the sum available for dividends shows a fall of £36,745 to £104,186. After meeting the 10 per cent. preference dividend, the balance of £102,255 for ordinary distribution represents a rate of 56.0 per cent., against 62.5 per cent. Record total earnings have encouraged the directors to increase the ordinary dividend from 47½ to 50 per cent. including a 20 per cent. cash bonus. After reducing the allocation to general reserve from £29,247 to £10,000, the carry-forward is £883 higher at £12,867. The directors report that during 1939-40 seven subsidiary companies made losses amounting to a total of £1,681. The consolidated statement shows a decline in cash holdings from £173,228 to £137,804, accompanied by a rise in stocks from £143,535 to £163,072 and in debtors from £208,482 to £337,382. Investments depreciation account has been raised from £20,000 to £30,000, at which level the directors state that current depreciation of investments is more than covered. Taxation reserves are £135,731 higher at £231,429. The marine engineering business of Richardsons Westgarth did not make such striking progress as was realised in 1938, the first year after reorganisation, but the results are satisfactory. After paying debenture trustees' fees, gross income amounts to £174,536, against £175,550. Ordinary earnings, before making provision for E.P.T., amount to £103,982, against £104,432, and the company is repeating last year's 7½ per cent. dividend which absorbs £26,427, leaving, after the addition of last year's balance, a carry-forward of £89,417, from which E.P.T. must be met. The company's balance sheet shows evidence of full employment during 1939. Cash holdings at £52,588 are less than half of the previous year's level of £117,837, but stocks are up from £101,004 to £143,516 and work in progress from £126,017 to £298,233. Assets include liabilities, sundry creditors have risen by £85,986 to £183,321. Both companies should be fully employed in the future, but higher taxation must take a heavy toll of available earnings. Neepsend Steel 5s. ordinary shares at 18s. 1½d. offer the generous yield of £13 16s. per cent., while Richardsons Westgarth 5s. shares, at 3s. 3d., yield £11 10s. 10d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

SENTIMENT in all sections has remained firm during the past week, and the market has derived encouragement from R.A.F. successes. Dealings, however, remained on a small scale until Mr Churchill's speech stimulated fresh buying, which was enjoyed by both gilt-edged and industrial markets. The foreign bond market has been dull, and the home rail market suffered from nervous selling on reports that the pact with the Government might be called in question. There was a good demand for Kaffirs throughout the week, but dealings in the rubber and tea markets were at a minimum.

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The *gilt-edged* market was well maintained, and though business remained restricted until mid-week, the trend of prices was consistently upward. Three and a-half per cent. War Loan was in demand, gaining 1/16 on Tuesday and 7/16 on the following day, when generous gains were also realised by many undated stocks, including 3½ per cent. Conversion and Old Consols. Price rises were encouraged by technical factors, in particular a shortage of stock, as well as by political optimism resulting from aerial successes and the Prime Minister's speech. The *foreign bond* market was generally dull, though support continued to be forthcoming for Japanese bonds, especially the 4 per cent. loan of 1899 and 6 per cent. loan of 1924. Brazilian bonds reacted and the San Paulo Coffee Bonds came on offer. Egyptian Unified rose steadily on Near-Eastern buying, and the German "Dawes" loan was also supported.

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The *home rail* market was discouraged by reports of opposition to the proposed fare increases and the possibility of modification of the railways' agreement with the Government. On Monday, Great Western ordinary, L.M.S. ordinary and Southern preferred ordinary all lost ½ point. The market became steadier in midweek, and support was forthcoming for the senior issues. Argentine rails were depressed by poor traffic reports, but Canadian Pacific preference was in demand.

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Industrial shares were well maintained, though business before Wednesday remained on a small scale. In the iron and steel section, John Brown, Guest Keen, Stewarts and Lloyds and other leading counters were consistently supported. Aircraft shares were encouraged by the Blackburn report, and motor issues were also bought in midweek, when Rolls Royce, Morris, Austin and Ford registered modest gains. Breweries turned dull after a cheerful start, but tobacco shares were encouraged by the B.A.T. interim announcement, and all leading issues were supported. The textile group was firm, both Courtaulds and Coats realising small gains. Among stores, John Barker reacted after the interim announcement, but no general selling developed, and Woolworths and Marks and Spencer rose.

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Kaffirs were strongly supported, and substantial rises were realised by both dividend payers and developing mines, including the Geduldsl, Modder East, Sub Nigel, "Sallies" and City Deep. In midweek, *West Africans* were also in demand. The *oil* market remained dull until Wednesday, when most shares moved fractionally up, and V.O.C. gained 1/16. The *rubber* market relapsed into inactivity, the only price changes being fractional gains or losses over the week for Allied Sumatra, Allied-Dutch and Rubber Trust.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices: 30 Ord. shares*	Security Indices: 20 Fixed Int.†
Aug. 16	1,943	*4,140*	61·2	120·6
„ 19	2,503	*4,570*	61·3	120·6
„ 20	2,370	*4,570*	62·0	120·9
„ 21	2,387(c)	*5,710*	63·1	121·0
„ 22	2,479(c)	*4,590*	63·4	121·1

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26). (c) Excluding stop press bargains.

New York

AT the beginning of the week trading on Wall Street was dull and restricted. Prices moved narrowly and sentiment appeared confused by the development of the war in Europe. Later, markets derived encouragement from the confident tone of Mr Churchill's speech and from prospects of closer collaboration between Canada and the United States. Prices hardened, and, although dealing remained cautious, steel, aircraft and motor issues went ahead. A considerable demand developed for copper shares, though rubber shares failed to respond to news of the increase in the United States rubber reserve. The *Iron Age* estimated steel mill activity at 90.5 per cent. of capacity, against 89.5 per cent. a week ago.

New York Prices

Total share dealings:—Aug. 15, 220,000; Aug. 16, 310,000; Aug. 17, 110,000; Aug. 19, 130,000; Aug. 20, 240,000; Aug. 21, 360,000.

	Close Aug. 14, 1940	Close Aug. 21, 1940		Close Aug. 14, 1940	Close Aug. 21, 1940
1. Railroads			Celanese of A.	27	28⅝
Balt. & Ohio..	3½	3½	Chrysler	69⅜	73¼
Gt. Nthn. Pf..	21⅞	22¾	Curt. Wr."A"	23⅝	25¼
Illinois Cent.	6¾	7⅛	Eastman Kdk.	123½	125
N.Y. Cent....	10¾	11½	Gen. Elec. ...	32¼	32¾
Northern Pac.	6	6⅜	Gen. Motors..	44½x	46⅞
Pennsyl. Rl....	19⅝	20	Glidden.....	12	12
Southern	10¼	11	Inland Steel .	80½	79
			Int. Harvest .	41	43¼
2. Utilities, etc.			Int. Nickel ...	22⅝	24½
Amer. Tel.....	159½	159½	Liggett Myers	94	96½
Amer. W'wks.	8¼	8⅝	Nat. Dairy ...	13⅝	13⅝
Pac. Light.....	37½	38	Nat. Distillers	20⅛	20¼
Pub. Sv. N.J.	34½	34⅞	Nat. Steel	56¼	58
Sthn. Cal. Ed.	26	26½	Proct. Gamble	61⅞	61¾
United Gas ..	11⅝	11¾	Sears Roebck.	75¼x	77¾
			Shell Union...	8	8¼
3. Commercial and Industrial			Socony Vac. .	8½	8½
			Stan. Oil N.J.	33½	34
Amer. Metal..	13¾	14½x	20th Cen. Fox	5½	5½
Am. Roll. Ml.	10⅛	10⅜	U.S. Steel	51	52¾
Am. Smelting	34¼	36½	West'hse El...	95	97½
Anaconda	19	20⅜	Woolworth....	31⅝	32
Briggs	18⅛	19⅝	Yngstn. Sheet	30⅛	31⅜

DAILY AVERAGE 50 COMMON STOCKS

Aug. 15	Aug. 16	Aug. 17	Aug. 19	Aug. 20	Aug. 21
95·5	93·9	94·8	94·5	95·7	97·7

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

STANDARD STATISTICS INDICES
(1926 = 100)
WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	Aug. 7, 1940	Aug. 14, 1940	Aug. 21, 1940
347 Ind'ls ...	80·9	111·4	89·2	87·0	89·1
32 Rails	20·7a	30·7	24·8	24·2	25·1
40 Utilities ..	71·2a	89·4	80·8	79·2	79·7
419 Stocks ...	69·9	94·8	77·6	75·8	77·4
Av. yield* ...	6·61% High	4·30% Low	5·99%	6·17%	6·16%

* 50 Common Stocks. *a* May 22nd.

Capital Issues

Week ending August 24, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	Nil	...	Nil
Nat. Savings Certs.†	2,812,800	...	2,812,800
3% Defence Bonds‡	2,673,745	...	2,673,745
2½% Nat. War Bonds‡	15,805,325	...	15,805,325

† Week to August 13, 1940. ‡ Week to August 20, making total since June 25th £171,563,415.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)...	1,065,962,591	713,007,458
1939 (New Basis) ...	*109,530,735*	*87,004,793*
1940 (Old Basis) ...	1,050,884,434	698,129,301
1939 (Old Basis) ...	*73,431,941*	*52,001,862*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	712,244,446	763,012	Nil
1939 (New Basis)	*59,759,641*	*25,064,148*	*2,181,004*
1940 (Old Basis)	697,986,845	142,456	Nil
1939 (Old Basis)	*35,841,771*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	697,749,490	1,458,755	13,799,213
1939 (New Basis)	*46,620,545*	*8,066,628*	*32,317,620*
1940 (Old Basis)	696,842,669	77,500	1,209,132
1939 (Old Basis)	*39,308,921*	*2,688,459*	*10,004,482*

"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

Company Results of the Week.—Among this week's brewery results, a satisfactory advance has been realised by STRETTONS DERBY BREWERY, with gross earnings of £154,839 against £145,724 and net profits of £88,137 against £85,326. The ordinary dividend is raised from 35 to 40 per cent. A fall in the COVENT GARDEN PROPERTIES gross income from £343,121 to £294,597 is accompanied by a drop of £93,826 in net profits to £46,647 after meeting a transfer of £16,879 for debenture stock issue expenses, and A.R.P. expenditure and repairs to the Royal Opera House. The RHODESIA RAILWAY TRUST is paying a 6 per cent. dividend less tax against 5 per cent. tax free for the previous year after a fall in net revenue from £77,183 to £48,292 for which lower rates were mainly responsible. Among clothing firms, both JOSEPH MAY and CLIFFORD WILLIAMS have enjoyed gross income increased from £18,434 to £42,946 and from £42,450 to £71,154 respectively. With a rise of £18,642 in net profits to £33,286, Joseph May is paying 6 per cent. against nil. Clifford Williams is maintaining the 10 per cent. dividend, despite a drop in net income from £25,263 to £24,790 due to higher tax provision. Gross profits for ALLIED BAKERIES are substantially higher at £484,458 against £370,033. After increase in taxation from £94,988 to £214,272, net profits are £18,642 lower at £212,800. The 15 per cent. dividend is maintained. A wartime fall in demand is responsible for a decline in gross earnings of ARON ELECTRICITY METER from £52,160 to £7,127, leaving a net loss of £10,582 against a net profit of £28,531 in the previous year. No dividend is being paid compared with 15 per cent. in 1938–39. The 15 per cent. dividend has been maintained by BATCHELOR'S PEAS, despite a decline in net earnings from £65,766 to £53,565. BELFAST ROPEWORK have realised a satisfactory recovery in net earnings from £28,559 to £58,523, and the dividend is raised from 5 to 7 per cent. A rise in tax provision has absorbed much of the increase in CORNERCROFT gross profit from £34,717 to £46,875. With net profits at £28,750 against £27,192, the 15 per cent. dividend is repeated. Despite a rise in METAL INDUSTRIES' gross income from £160,423 to £182,554, net profits have declined slightly from £110,906 to £99,660. The 5 per cent. dividend is maintained. THORN ELECTRICAL has also maintained the 20 per cent. dividend, although gross income is £6,672 lower at £42,161 and net earnings have fallen from £35,057 to £24,263. Tax provision amounting to £30,489, against £3,317, has caused a fall in net profits for CHAMBERS WHARF, whose dividend is cut from 30 to 15 per cent. from £38,953 to £25,573. GABRIEL, WADE AND ENGLISH, the timber merchants, earned a satisfactory increase in total income from £126,353 to £218,274, but after taxation net income is down from £88,393 to £70,819. The 10 per cent. dividend will be paid as before.

MISCELLANEOUS

Nyasaland Railways, Ltd.—Speaking at the annual meeting of the Nyasaland Railways (see *The Economist*, August 17th), Mr W. M. Codrington, M.C., the chairman, stated that despite a probable improvement in tobacco and tea tonnage, lower imports due to the war made possible less satisfactory results in the current year. The passage through Parliament of the Colonial Development and Welfare Act, which provides for the cancellation of the Nyasaland debt to the Treasury of £1,255,021, would provide welcome relief for the colony. Mr Codrington urged that the commercial deposit of 60,000,000 tons of bauxite in Nyasaland should be exploited as the basis of a local aluminium industry.

Batchelor's Peas.—Trading profit for the year to June 30, 1940, £130,999 (£101,367). Depreciation, £21,081 (£12,447). Taxation, £50,000 (£16,400). Net revenue, £59,009 (£70,766). Ordinary dividend again 15 per cent. Capital redemption reserve, £5,444 (£5,000). General reserve, £10,000 (£20,000). Carry forward £22,254 (£23,374).

Covent Garden Properties Company, Ltd.—Total revenue, year to June 30, 1940, £294,597 (£343,121). Income tax, £113,972 (£89,873). N.D.C., £7,000 (£9,000). Debenture interest, £85,833 (£96,394). Net revenue, £63,526 (£140,473). Preference and preferred ordinary dividends, £60,600 (£73,225). Ordinary dividend, nil (6). Special contingencies reserve, £50,000 (nil). Debenture stock issue expenses, £16,879 (nil). Carry-forward, £29,285 (£93,238). Total assets, £6,520,738 (£6,532,657).

Ipoh Tin Dredging, Ltd. — Total revenue, year to March 31, 1940, £149,618 (£66,415). Expenses in East, £41,993 (£32,655). Depreciation, £10,458 (£5,230). Income tax and excess profits reserve, £57,737 (£9,052). Ordinary dividend, 31¼ per cent. (9⅜). Carry-forward, £6,798 (£7,098). Total assets, £362,394 (£297,403).

Metal Industries, Ltd.—Profit, year to March 31, 1940, £182,554 (£160,423). Income tax and N.D.C., £59,037 (£41,869). Preference dividend, £16,536 (£18,307). Dividend on "A" and "B" ordinary stock, 5 per cent., as before. Buildings and plant reserve, £6,351 (£6,198). Taxation reserve, £15,957 (nil). Directors' fees, £1,550 (£1,450). Carry forward, £98,245 (£82,196). Total assets, £3,200,520 (£3,265,095).

Port of London Authority.—Surplus on revenue account, March 31, 1940, £1,558,137 (£1,759,031). After crediting investment income and deducting tax, interest on port stock and redemption charges, transfers for maintenance, renewals, and dredging and A.R.P. charges, net deficiency amounts to £351,778 against net surplus of £29,668. Carry forward, £18,859 (£370,637). Capital expenditure, £41,937,149 (£41,351,488). Debtors, £742,793 (£483,581). Creditors, £744,095 (£699,470). Temporary loan, £877,000 (£90,000). General reserve, £1,050,000.

Joseph May and Sons (Leeds), Ltd.—Total profit, year to June 30, 1940, £42,946 (£18,434). Net profit, £33,286 (£14,644). Ordinary dividend 6 per cent. (nil). War contingency fund, £6,000 (nil). Carry forward, £16,475 (£16,189).

Industry and Trade

Trade with Europe at a Standstill

Last April the value of both imports and exports reached the highest level since the outbreak of the war. Since then our trade with Continental Europe has shown a rapid decline and by the end of June had virtually ceased. The value of imports fell from £110.0 millions in April to £105.6 millions in May, £90.8 millions in June and £87.0 millions in July, while domestic exports declined from £48.3 millions in April to £45.5 millions in May, £36.2 millions in June, and £31.2 millions in July. The decline during this period is 20.9 per cent. in the case of imports and 35.4 per cent. in exports. The broad results for July are analysed in the accompanying table; details of imports and exports by commodities are given on page 267. While the steady expansion in our purchases from America and other non-European countries has tended to offset the fall in imports from Europe, exports have suffered a severe shrinkage, not only as a result of the virtual cessation of trade with Europe but also because the shipment of certain goods had to be temporarily restrained in view of the overriding need for munitions. But more raw materials are now being made available for export, and the Export Groups formed by the principal industries are assisting in the effort to secure an expansion in new orders.

	1938	1939	1940	Change between 1939 and 1940	
	£'000	£'000	£'000	£'000	%
July					
Total imports	73,898	78,251	87,007	+ 8,756	+ 11·2
British exports	37,470	40,355	31,189	− 9,166	− 22·7
Re-exports	4,555	3,725	1,819	− 1,906	− 51·2
Total exports	42,025	44,080	33,008	− 11,072	− 25·1
Excess imports over exports	31,873	34,171	53,999	+ 19,828	+ 58·0
Transhipments under bond	2,399	2,612	957	− 1,655	− 63·4
Seven Months ending July					
Total imports	543,119	525,436	698,542	+ 173106	+ 32·9
British exports	270,628	276,619	280,628	+ 4,009	+ 1·4
Re-exports	37,353	31,819	21,192	− 10,627	− 33·4
Total exports	307,981	308,437	301,820	− 6,617	− 2·1
Excess imports over exports	235,138	216,999	396,722	+ 179723	+ 86·8
Transhipments under bond	18,175	18,630	10,935	− 7,695	− 41·3

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Japanese Competition in Cotton Piece-Goods

One of the questions to which the cotton industry will have to turn its attention in its bid for every possible expansion of exports, is the extent of Japanese penetration into markets which might be supplied by Lancashire. The following table shows Japanese exports of cotton piece-goods to some of her principal markets in 1938 and 1939:—

JAPAN'S EXPORTS OF COTTON CLOTH
(Thousand Square Yards)

	Grey		Bleached		Other	
	1938	1939	1938	1939	1938	1939
British India	274,292	300,837	81,814	54,578	113,773	120,562
Dutch Indies	66,208	89,103	65,408	49,883	74,820	229,688
Aden	30,367	44,204	5,173	9,641	5,703	9,060
Australia	33,469	43,188	11,753	12,883	19,173	17,654
Chile	12,007	38,412	2,027	3,895	7,002	9,585
Sudan	55,781	36,320	14,609	11,548	8,321	11,939
Kenya, Uganda and Tanganyika	36,460	35,834	7,858	7,624	40,753	50,626
French Morocco	1,118	2,100	65,970	73,821	19,386	31,948
Thailand	13,911	18,189	28,497	29,045	37,537	35,964
Iraq	9,954	21,934	18,593	21,632	25,065	58,806
Iran	9	12	22,339	4,108	12,701	48,590
Syria	20,583	15,494	13,101	17,429	22,063	36,171
U.S.A.	1,277	31	14,855	67,548	1,229	2,722
Total	*828,991*	*852,806*	*510,419*	*516,265*	*841,400*	*1,076,466*

It is clear that Japan has a growing textile trade, particularly in finished goods. It is difficult for us to improve our footing in the remoter Eastern markets, but this is not where Japanese competition is most severe. The nearer tropical and sub-tropical markets, in which Japan does her most thriving trade, are more easily supplied by countries such as India, which specialise in cheapness rather than quality. Even so, there appears to be an opening in the Near East for British exporters. That India should import so much from Japan is to be regretted; much of the demand might be met by Indian manufacturers, some of it could surely be supplied by Lancashire. In 1938 Great Britain sent only 3,272,000 yards of bleached cotton tissues to the United States, and though up to August, 1939, the figure was nearly 50 per cent. larger than in the preceding year, imports from Japan increased more than fourfold between 1938 and 1939. In view of the present friendly attitude of the United States towards the British war effort, it should not be difficult to secure a larger share in this trade and also in that of some of the Latin-American republics. Most promising of all, there appears to be a considerable section of the Australian market now held by Japanese exporters which should be accessible to Britain if the necessary effort were made. In 1938 Australia imported only 28½ million square yards of unbleached tissues from us, against 33½ million square yards from Japan, and during the first eight months of 1939 our exports to her declined, whereas those of Japan for the whole of 1939 increased by nearly one-third. Though we sent nearly three times as much bleached cotton cloth to Australia in 1938 as Japan sent, our exports up to August, 1939, were lower than in January-August, 1938, while Japan's were higher. In printed and coloured goods Japan has no great hold on the Australian market, but her exports are substantial enough to be worth an attempt to supplant them. Japanese exports to sterling countries have recently been severely hampered by the fall in sterling and by import restrictions, so that there is an opportunity which needs only to be grasped.

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Britain Delivers the Goods

West Riding exporters of woollen goods have been receiving reports from North and South America, especially from the Argentine, which suggest that the enemy is conducting in those markets propaganda directly aimed against their industry. Suggestions are being put about that British exporters will not be able to fulfil their commitments in these markets. If air raids do not prevent production, they will at least prevent shipment, it is suggested; whereas if orders were placed in Germany they could be delivered by October. German agents appear to be well supplied with funds for this propaganda, and, to counter it, the Export Council is contemplating a levy of a few pence per bale to form a fund which would be vested in a representative trust. Meanwhile, individual firms are taking action. A Union Jack, together with the slogan "Britain Delivers the Goods," is being stencilled on every packing case sent out by one firm, and this device has been recommended by the Export Council for imitation by other firms. Other exporters have sent out special cabled assurances of delivery, and these have in some instances evoked replies which suggest that the German propaganda was not being taken as seriously as reports suggested. As our exports during the first half of the year were 49.5 million square yards, compared with 46.7 millions in the first half of last year, our customers, especially the Argentine, which took a large share of these, have the best of all reasons for knowing that we do in fact deliver the goods.

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The Coffee Surplus

The countries of the Western Hemisphere are faced with difficult marketing problems in respect of many commodities which can no longer be exported to Continental Europe. One of the most important of these is coffee, of which there had already been an unmarketable surplus for many years before the war. The world's yearly output was normally about 33 million bags of 50 kilos each. Brazil's crop was on the average about 22 million bags; the Colombian crop about four millions; that of the Dutch East Indies two millions; and East Africa, Guatemala, El Salvador and Venezuela all produced about a million each. Consumption, on the other hand, only averaged about 25 millions, divided almost equally between the United States and Europe. The large Brazilian crop is of poorer quality than the others, and they have been consequently in steady demand. Until the war they found a ready sale, and it was always the Brazilian crop which was left on the market. In the effort to balance supply and

demand, Brazil has destroyed about 70 million bags of coffee during the past nine years, and has also imposed heavy export taxes. This strengthened the prices abroad, not only of Brazilian coffee, but also of its competitors', so that all the coffee-exporting countries were profiting at Brazil's expense. In November, 1937, Brazil abandoned this policy, drastically reduced the export tax, and embarked on free competition in the world's markets. This change was followed by an increase in her exports from 12 million bags in 1937 to 17 million bags in 1938, and 16½ million bags were exported in 1939 in spite of the war. The price in New York of Santos No. 4, on the other hand, fell from 11 cents in October, 1937, to 8½ cents in November, and is now about 7 cents. The blockade of Europe has reduced the demand for all qualities, and the outlook for all the coffee-producing countries is serious. Brazil, for example, expects to have an export surplus of 21 million bags this year, and is quite likely to be unable to export more than 11 millions. The Government has decided to take over about 10 million bags at a cost of about £5,625,000, of which half are scheduled for destruction.

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A meeting at which all the coffee-producing countries of Latin America were represented was held in New York in June, the last month of the coffee year. It was decided that exports from these countries to the United States, the only important coffee market still open, should be regulated. The total suggested was 15,900,000 bags, of which Brazil's quota was to be 9,322,000 and Colombia's 3,200,000. So far the plan has not been adopted, as not all the countries were satisfied with their quotas. Some hesitation was also felt at the prospect of placing so much indirect control over prices in the hands of the United States, though it is difficult to see how that result can be avoided.

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American Rubber Purchases

By an agreement concluded on June 29th, America undertook to purchase 150,000 tons of rubber as a reserve against an emergency, at a price of 18-20 cents per lb. c.i.f. New York. Subject to an emergency, this reserve was to be withheld from the market until the end of 1943 and liquidation was then to be limited to 100,000 tons per annum. It was announced this week that America's reserve is to be raised to 330,000 tons. The additional 180,000 tons are to be imported before the end of 1941 at a price of 17-18½ cents per lb. f.o.b. Since America's consumption of crude rubber amounted to nearly 600,000 tons in 1939, the proposed reserve is not excessive. Its accumulation will compensate the rubber-growing industry for the disappearance of its Continental market and it will provide the Allies with additional foreign exchange for the purchase of American goods and munitions. At 1s. per lb., the sum involved in the transaction would be about £37 millions.

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The Fur Trade

The world centre of the fur trade is shifting, for the second time in the last few years. Persecution of the Jews in Germany led to the migration to London of the fur trade, which had been mainly in the hands of Jewish merchants in Leipzig. The auctions in London were attended by merchants from all over Europe and America, and furs came there to be sold from all over the world. Competition was keen and the prices realised reflected accurately the situation on the world market. The war has interfered with this and no auctions have been held since May. The only potential buyers of pelts now are those of the American countries, and sellers do not feel sufficient confidence in the political situation to risk sending large stocks of valuable furs to London. Moreover, since July, a special licence has been required for the import of furs, and such licences are not forthcoming unless the authorities are satisfied that the pelts are for use in the export trades. The consequence of all this is a gradual transfer of the business to New York. This seems a loss to London of "invisible" exports in the shape of commissions, insurance premiums and transport charges. The home trade, however, is still very active. The import restrictions and the prospect of the sales tax have caused a considerable appreciation of existing stocks, and there is a substantial demand for the finished product, both for home consumption and for export. The organisation of the Fur Trade Export Group will further help to foster the export trade, and the industry hopes that the trade agreement with Russia will improve the raw material supply position.

COMMODITY AND INDUSTRY NEWS

THE price of cotton has continued its upward trend in the absence of an announcement of the shipping programme. The prices of English barley and oats have risen, and there has been more interest in Plate maize, resulting in an advance of 6d. per 480 lb. on the week. The jute market has been easier, and it has been impossible to obtain supplies or prices of flax. The news of the United States' agreement to purchase further quantities of rubber has been welcomed; it is likely to stabilise the price level, the producers are assured of a market for a further period, and traders are pleased since the purchases are to be made "through normal channels."

Cotton (Manchester).—Rather more orders have been booked, as the firmer raw material prices have stimulated demand. Most of the contracts, however, have been for very restricted quantities. Future imports of raw cotton remain uncertain. In the yarn market most of the demand has been for coarse American counts, and some very fair weights have been sold. There has been little business in Egyptian yarns. Inquiry for cloth has shown a slight improvement. Demand for Java is still active, but offers for India remain disappointing. Manufacturers have derived their chief support from Government buying, particularly from the Air Ministry and the Admiralty. Home trade buyers remain cautious.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended Aug. 9, 1940	Week ended Aug. 16, 1940	From Aug. 1 to Aug. 18, 1939	From Aug. 1 to Aug. 16, 1940
American	31·0	34·9	38	71
Brazilian	9·1	5·4	18	16
Peruvian, etc.	3·5	4·1	10	9
Egyptian	5·7	6·9	12	14
Sudan Sakel	1·3	1·5	10	3
East Indian	2·4	4·0	17	7
Other countries	3·8	12·4	12	16
Total	56·8	69·2	117	136

Source: *Liverpool Cotton Association's Weekly Circular.*

Rubber.—A further agreement between the United States Government and the International Rubber Regulation Committee for the purchase of 180,000 tons of rubber between June and December, 1941, is discussed in a Note on page 258. The market in this country has been firm during the past week, with interest chiefly centred on the trend of consumption in the United States.

Grains. — The yield of wheat in the United States has considerably exceeded expectations and prices are lower, in spite of the loan scheme. Canada's minimum prices now appear to be high, and it is possible that the United States will compete for Canada's export trade. Total

(*Continued on page 262*)

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Aug. 10, 1940	Week ended Aug. 17, 1940	From Aug. 1 to Aug. 19, 1939	From Aug. 1 to Aug. 17, 1940
N. America	290	450	1,336	740
Argentine, Uruguay	279	364	777	643
Australia	...*	...*	255	...*
Russia	...	...	32	...
Danube and district	30	24	153	54
Other countries	...	...	105	...
Total	599	838	2,658	1,437

* Unobtainable.

Source: *The Corn Trade News*

AMERICAN WHOLESALE PRICES

	Aug. 14, 1940	Aug. 21, 1940
	Cents	Cents
GRAINS (per bushel)—		
Wheat, Chicago, Sept.	72 3/4	70 1/8
,, Winnipeg, Oct.	73 5/8	73 5/8
Maize, Chicago, Sept.	60 1/2	61
Oats, Chicago, Sept.	27 5/8	28 1/8
Rye, Chicago, Sept.	40 5/8	38
Barley, Winnipeg, Oct.	32 5/8	33 1/8
METALS (per lb.)—		
Copper, Connecticut	11·50	11·00
Tin, N.Y., Straits, spot	50·62 1/2	50·62 1/2
Lead, N.Y., spot	4·75	4·90

	Aug. 14, 1940	Aug. 21, 1940
	Cents	Cents
METALS (per lb.)—*cont.*		
Spelter, East St. Louis, spot	6·50	6·50
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	4·04	4·00
Coffee, N.Y., cash—		
Rio, No. 7	5 1/4	5 1/8
Santos, No. 4	6 7/8	6 7/8
Cotton, N.Y., Am. mid., spot	9·97	9·98
Cotton, Am. mid., Sept.	9·43	9·28
Cotton Oil, N.Y., Sept.	5·35	5·45
Lard, Chicago, Sept.	4·62 1/2	4·75

	Aug. 14, 1940	Aug. 21, 1940
	Cents	Cents
MISCELLANEOUS (per lb.)—*cont.*		
Petroleum, Mid-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	19 9/16	19 3/8
Do. do. Sept.	19 9/16	19 3/8
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·65	2·62
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·65 1/2	0·69 1/2
Moody's Index of staple commodities, Dec. 31, 1931 = 100	150·00	150·80

COMPANY MEETINGS

FURNESS, WITHY AND COMPANY, LIMITED

WARTIME PROBLEMS

LORD ESSENDON'S REVIEW

The forty-ninth annual general meeting of this company was held, on the 20th instant, in London.

Lord Essendon, in moving the adoption of the report and accounts, said:—

So far as the accounts are concerned, I would preface my usual summary with the general comment that the past year should be looked upon as having covered three distinct periods—the pre-war period, the first few months of war when the shipping industry was adjusting itself to the new conditions, and the third period, commencing in February last, when all liner tonnage was requisitioned by H.M. Government. The first period showed a fairly substantial improvement over the corresponding period of the previous year, particularly in our New York-Bermuda service, for instance.

The capital remains unaltered; the general and investment reserve account amounts to £1,500,000, or 25 per cent. of our ordinary capital; there is a new item, viz. fleet replacement account.

THE YEAR'S PROFITS

One important feature is that there are no charges on the company's assets, and the only item which carries anything in the nature of a fixed charge is the 5 per cent. cumulative dividend on our £1,500,000 preference share capital. The net profit for the year, including dividends received, amounts to £618,651, an increase of £113,500. After adding to the profit for the year the amount of £188,428 brought forward there is a total available for appropriation of £807,079. Provision has been made for the preference share dividend, viz. £45,000, and your directors recommend the payment of a dividend of 5 per cent., less income tax, on the ordinary stock; that there be set aside for depreciation the sum of £300,000 and that a fleet replacement account be created and credited with £100,000, which will leave a balance of £189,579 to be carried forward to the current year, practically the same as the amount brought in.

FLEET REPLACEMENT ACCOUNT

Special reference should be made to the fleet replacement account. It will be remembered that early last year the Government announced various proposals for the assistance of British shipping. The outbreak of war prevented the enactment of those proposals.

Our own company has been fortunate in that we have not lost any vessels, either by war or marine risks, since we last met. Subsidiary and associated companies have not fared so well. Two companies have lost two vessels each and two other companies one vessel each by war risk, and there has been one total loss by marine risk of a vessel owned by an associated company. These vessels will need to be replaced in due course in order to maintain the services normally operated by them. In addition other vessels will need to be built to replace normal wastage. Provision must be made for increased costs, otherwise our fleets will automatically dwindle in number, in earning power and in ability to perform the services which we are accustomed to maintain. The increased costs are certain to be in excess of anything that can be taken care of by normal depreciation, and consequently your directors are proposing to place £100,000 to the credit of a replacement account.

NO THOUGHT OF PROFITS

It is desirable to emphasise what I have recently said on another occasion—and I am certain I voice the view of the great majority of shipowners—that the shipping industry has no thought of making profits from the war. Our thoughts are concentrated on two main objects, the first being to contribute the maximum effort of mind and material to the successful prosecution of the war, and the second to do what lies in our power to protect the future of our industry.

The £100,000 which we are now setting aside represents only 2½ per cent. on the original cost of our existing vessels, and it is clear that the increased cost of replacement will much exceed this figure; consequently, your directors attach the utmost importance to the necessity of augmenting the fleet replacement fund whenever circumstances permit. Our subsidiary shipping companies are adopting a similar policy.

With these thoughts in mind I may say that the industry pressed the Government very hard, but without success, to take the question of replacement costs into consideration in their requisition arrangements. In doing so we had the interest of the shipping industry in mind, as well as the national need for maintaining an efficient mercantile marine.

THE WHITE PAPER

The Minister of Shipping, in the White Paper recently published, stated his point of view on this subject very fairly and emphasised his realisation of the "necessity of maintaining the British Mercantile Marine in adequate strength and in a position of full competitive efficiency." At the same time, it is stated in the White Paper that His Majesty's Government were unable to agree to include in the rates of remuneration now being paid any allowance towards providing for future replacement. I may be permitted to state that what the industry asked for was that a separate amount representing a small percentage of the capital cost of each ship should be set aside—not paid in cash, but merely credited to the account of the owner of each requisitioned ship—as a reserve for replacement purposes after the war.

As regards the excess profits tax, in view of the necessities of the Exchequer I think on the whole we should approve the Chancellor's decision to establish this tax on the basis of 100 per cent., coupled as it was with a statement recognising the necessity for treating industry fairly. This particularly concerns the shipping industry, which in the years immediately preceding the war had experienced a long series of years of depression, with the exception of one short period.

AGREEMENT WITH GOVERNMENT

It is obvious that with taxation at such a high level there will be very little, if any, margin of earnings over and above ordinary depreciation reserves available for putting aside towards the cost of new building. It is equally obvious that the Government will desire new ships to be built, and that shipbuilders will, in due course, be seeking orders for new ships. The shipping industry must make such provision as may now be possible for these future necessities, and therefore, in agreement with the Government an arrangement has been made by which instead of receiving in cash the full value of ships lost by war risk while in Government service, a portion of such value, representing the increase in the insurance value of the ship since the outbreak of war, will be set aside in a Government fund, bearing interest, which will be earmarked specifically for new building in conjunction with the pre-war, or basic value, of the vessel to be replaced. This agreement has much merit in itself, but it serves another purpose which is very welcome to the shipping industry, viz. the avoidance of so-called capital profits being taken out of the industry.

It should, however, be made clear that in effect it is simply a matter of shipowners leaving part of their capital in the hands of the Government so that they may have the use of it pending its ultimate employment in the building of new merchant ships.

SUPPORT OF WAR LOANS

I hope that it may be possible for us to meet next year in happier circumstances. In the meantime our full energies will be directed towards backing up the Government in the prosecution of the war. Our sphere is a comparatively small but important one, and shareholders should know that our company and its subsidiaries have already subscribed about £750,000 to the new War Loans.

It is quite evident that we are all called upon to make heavy sacrifices, but they will be made cheerfully, and willingly, to achieve victory, and I am tempted to close these remarks with a quotation from a speech made by the American Senator, Key Pittman, which to my mind aptly expresses the spirit and determination of all members of the British Empire, viz. "It is evident that nobody dies but once and life's period is limited; so it is far better to die a few days earlier for Christianity, justice and liberty than to live a little longer in cowardice and degeneracy."

The report and accounts were unanimously adopted.

ANGLO-IRANIAN OIL COMPANY, LIMITED

STOCKHOLDERS' CONFIDENCE IN THE BOARD

The thirty-first ordinary general meeting of the Anglo-Iranian Oil Company, Limited, was held, on the 20th instant, at 20 Aldermanbury, London, the Rt. Hon. Lord Cadman, G.C.M.G., F.R.S. (the chairman), presiding.

The secretary (Mr H. T. Kemp) read the notice convening the meeting and the report of the auditors.

The chairman said that the speech which in normal circumstances he would have delivered had been placed in the hands of the stockholders with the report, balance sheet and profit and loss account. He therefore asked to be allowed to take it as read. (Agreed.) He then moved: "That the report, balance sheet and profit and loss account for the year ended December 31, 1939, be approved and adopted."

Sir George L. Barstow, K.C.B., seconded the resolution, and it was carried unanimously, no questions being asked or remarks made.

The chairman next moved the re-election of the retiring directors, Sir John B. Lloyd, Mr F. C. Tiarks, Mr G. C. Whigham and Sir Trevredyn R. Wynne.

This was seconded by Mr Robert I. Watson and unanimously approved.

On the motion of Mr Charles Gay, seconded by Major E. Thomas, the auditors, Messrs Brown, Fleming and Murray, were re-appointed.

VOTE OF THANKS

Sir Francis H. Humphrys, G.C.M.G.: Mr Chairman, ladies and gentlemen, before this meeting is concluded I feel sure that stockholders will wish to express their confidence in the chairman and the directors. There will naturally be some disappointment that the directors have felt unable to recommend the payment of a final dividend on the ordinary stock, but few, I think, if any, will disagree that in times like these it is necessary that the resources of the company should be conserved.

It has been my privilege to visit the company's principal oil fields and refinery in Iran and to witness the magnificent organisation which has been set up there. I have also had many opportunities of observing and admiring the consummate tact and skill with which the chairman is in the habit of achieving his objects, however difficult they may be to attain. When the chairman says that stockholders may be assured that the board will do everything in their power to maintain the interests of the company, no one will doubt the eventual success of their endeavours. The best guarantee of this is that in days gone by at all times whenever there were opportunities for profitable trading stockholders have reaped the benefit of the board's skilful management in the form of excellent dividends.

It gives me much pleasure to propose a vote of thanks to the chairman and directors for the great ability with which they have conducted the affairs of the company during a very difficult year.

TRIBUTE TO STAFF

Mr Paul Capper: Mr Chairman and gentlemen, I have great pleasure in seconding that, but I should particularly like to include in this vote of thanks all the members of the staff. (Hear, hear.) I am pleased to say that over the last 15 years I have met a great many of them and I am very proud to think—or to hope—that they include me among their friends. Over that space of time I have met accountants, technicians, draughtsmen, chemists, engineers, meter men, operatives and controls in private life, and I can assure you that in their conversation they display great interest in oil. I am afraid that I am not clever enough to understand all they say, but they nearly always talk about oil and how to produce it. I know also that their work is extremely capable, and I am therefore anxious that we should include them in this vote of thanks.

We are passing through very difficult times, very serious times, and we are apt to think more of the men who are guarding our country than of those who are carrying on their work here also in their various capacities. I hope, therefore, that in accepting this vote of thanks, which I hope will be passed with acclamation, the chairman will take it on behalf of himself, his colleagues on the board and the members of the staff. (Applause.)

The vote was unanimously accorded amid applause.

The proceedings then terminated.

BRISTOL AEROPLANE COMPANY, LIMITED

CHANGE-OVER TO WAR CONDITIONS

CONTRIBUTION TO THE NATIONAL EFFORT

The thirtieth ordinary general meeting of the Bristol Aeroplane Company, Limited, was held, on the 22nd instant, at Bristol.

Mr W. G. Verdon Smith, C.B.E. (the chairman), said that the net profit for the year, after provision for taxation, was £319,976, which was less by £58,011 than the corresponding figure for the previous year, notwithstanding that additional capital was introduced into the company's business at the end of 1938. Although gross revenue for the year was £989,992, provision for income tax, National Defence Contribution, and excess profits tax required £635,000. With £9,901 brought forward, the amount available for distribution and transfer to general reserve was £329,877. Of this amount £100,000 had been placed to general reserve, raising it to £570,000, the net dividend on the preference shares required £19,500 and the interim dividend on the ordinary shares of 4 per cent. absorbed £85,800. The directors now recommended a final dividend on the ordinary shares of 6 per cent., less income tax, leaving £10,727 to be carried forward.

In view of the company's heavy tax liability it was not surprising that the total distribution for the year was lower than for the previous year. In this connection he would mention that an amount, not large comparatively, had had to be provided by reason of the fact that after the issue of the accounts for the year 1938 the first War Budget added a further 1s. 6d. in the £ on income tax.

Their associated company, Rotol Airscrews, Limited, had continued to make excellent progress. A profit-earning stage had been reached, but in to-day's circumstances it had been decided that, after providing for taxation, the remaining profits should be retained in the business.

DEMANDS UPON COMPANY'S RESOURCES

In the period under review they had experienced a change-over from a peacetime programme of expansion and development to a state of war. It was sufficient to say that, just as in the pre-war period, the company had made every effort to assist in the gigantic national task of preparation for defence, so in war they were doing everything possible to utilise to the full all the resources which they could command in order to meet the even greater demands now placed upon them.

For many years export of the company's products to foreign countries had been regarded by the directors as of great importance, and at previous meetings he had referred to the extent and variety of the company's foreign markets. For the time being their efforts were being concentrated upon the fulfilment of Government orders.

There was, however, every reason to believe that the goodwill and reputation of the company's products built up throughout the world over the last thirty years would serve the company in good stead when, upon the termination of hostilities, their export trade could be resumed.

NATIONAL SAVINGS

In the course of the past months the directors had had continually in mind the urgent importance of encouraging the National Savings Movement, and it was satisfactory to report that the introduction of War Savings groups at their various factories had received enthusiastic support from staff and workpeople alike. They would continue their endeavours to promote within the organisation the success of this vital element of national financial policy.

Their whole object and determination now was to contribute all in their power to secure that the national cause should not lack the material resources necessary for victory. This great responsibility was fully realised not only by the directors but by the whole of the staff and workpeople of the company. It would be appropriate, therefore, to express the appreciation of the directors for the sustained enthusiasm of the company's employees who, notwithstanding the pressure and strain of war conditions, had carried out their duties with energy and determination.

The report was unanimously adopted.

GOLD EXPLORATION AND FINANCE COMPANY OF AUSTRALIA, LIMITED

POSITION APPRECIABLY STRONGER

The sixth ordinary general meeting of this company was held, on the 20th instant, in London.

Mr P. E. Marmion, who presided, said that the increase of nearly £20,000 in the revenue from dividends and interest was largely due to the continuation of excellent returns from their holding in Victoria Gold Dredging Company, dividends from which amounted to 11s.(A.) per share, compared with 4s.(A.) during the previous year.

With regard to Gold Mines of Kalgoorlie, there was a substantial increase in the tonnage milled, a satisfactory reduction in working costs and an improvement of 36 per cent. in net profits. With these favourable factors he would have no hesitation in happier times in taking a hopeful view of Gold Mines of Kalgoorlie's prospects.

A marked improvement had taken place in the position of the Central Norseman Company, their chief interest in Western Australia. The mill treated a total of 88,267 tons for 37,678 oz. of gold, an average of 8.54 dwt. per ton, compared with 64,344 tons for 14,394 oz., an average of 4.47 dwt. per ton for the previous year. Working costs, excluding development, were reduced from 33s. 1d. (Australian) to 28s. 3d. per ton, and operating profit amounted to £A254,000.

Western Mining Corporation last year earned an operating profit of £A24,000, mainly from its 75 per cent. interest in Cox's Find at Erlistoun, which enabled it to repay £A15,750 on account of its loan from this company.

Summarising the position, the chairman said that at Norseman excellent progress had been made with development and a considerable working profit had resulted from the year's operations. They had been able to provide for the share of the losses sustained by Gold Mines of Australia and to reduce further the debit balance on profit and loss account, these two items amounting to £100,000. In addition, they had reduced their ultimate liability to noteholders by very nearly £200,000. The company's position was thus appreciably stronger than it was last year.

The report and accounts were unanimously adopted.

MERLIMAU PEGOH, LIMITED

IMPROVED RESULTS

The thirtieth annual general meeting of Merlimau Pegoh, Limited, was held, on the 22nd instant, at 19 Leadenhall Street, London.

Major W. M. Sime, O.B.E., J.P. (the chairman), said that during the year ended March 31st last the output of their group amounted to 6,700,000 lbs., compared with 6,000,000 lbs. in the previous 12 months. The increase in crop was less than proportionate to the increase from 49⅜ per cent. to 64⅜ per cent. in the exportable allowance. In the previous year more than the exportable allowance was harvested in order to build up stocks in anticipation of the higher releases which subsequently materialised, while during the year under review part of the increased exportable allowance was met by drawing on those stocks.

The effect of a larger crop sold at a higher price was clearly shown in the accounts. The net proceeds item increased by £51,500, against an increase of only £7,500 in expenditure, and the profit from their own estates was consequently £44,000 higher. Dividends and interest, consisting almost entirely of dividend from their subsidiary companies, increased by £42,000, making a total increase in net revenue of £86,000. The profit amounted to £151,609, of which £59,000 had been set aside to provide for income tax and Excess Profits Tax. After deducting debenture interest and the interim dividend, the year ended with a credit balance of £57,475, and that would permit the payment of a higher final dividend than the 7½ per cent. which the directors recommended, but they thought it prudent in the present circumstances to strengthen the financial position.

He would not venture to forecast the current year's prospects beyond indicating that their exportable allowance for the first nine months was 81⅔ per cent. and the price of rubber was over 1s. per lb. Shareholders would have noticed that in the accounts before them less than £59,000 was provided for taxation, and it was fairly certain that in the current year's accounts the tax provision would be considerably greater. He did not know what the contribution of the rubber plantation industry towards the winning of the war amounted to, but he was sure it was very substantial.

The report was unanimously adopted.

KUALA MUDA RUBBER ESTATES, LIMITED

SIR FRANCIS VOULES ON E.P.T.

The fifteenth annual general meeting of Kuala Muda Rubber Estates, Limited, was held, on the 21st instant, in London.

Sir Francis M. Voules, C.B.E. (the chairman), said that the crop of rubber collected during the year amounted to 2,057,265 lbs. Rubber sold had realised an average gross price equivalent to 11.20d. per lb. London landed terms, and the cost of production was 4.33d. per lb. f.o.b. The profit amounted to £52,791, and they recommended a final dividend of 3 per cent., making 5¼ per cent., less tax, for the year. Their standard production for 1940 was 3,334,600 lbs. They had sold 1,043,840 lbs. of this year's crop at an average gross price equal to 11.66d. per lb. London landed terms.

The debentures fell due for redemption on December 31st next and steps would be taken to deal with the matter. Having regard to the position of the company, it was regrettable that so high a rate as 7 per cent. should still have to be paid, but, owing to war conditions and the Treasury embargo on new issues, he was afraid it was a case of *force majeure*.

With regard to excess profits tax, which had now been increased to 100 per cent., it was open to grave doubt as to whether such a rate was really an economic unit, even from the point of view of the Government. He would respectfully suggest that a rate of 80 per cent. would not only have been more equitable, but probably more advantageous to the Government, especially if the Government were to stipulate that the 20 per cent. coming to the company were to be lent to the Government without interest and repayable by instalments after the war. It was obvious that this rate of 100 per cent. created many difficulties. He found it most regrettable that the Chancellor, by imposing an E.P.T. of 100 per cent., had created a conflict of interests which acted as a deterrent to enterprise, efficiency and maintenance of reserves. He sincerely trusted the Government would take some steps to put an end to a state of affairs which he regarded as unfortunate and unnecessary, and which would affect investors holding many millions of pounds in tin, rubber and other interests of a wasting nature.

The report was unanimously adopted.

(*Continued from page* 259)

sales by the Australian Wheat Board amounted to 118 million bushels, leaving a surplus of 52 million bushels on July 1st. This season's wheat crop is not progressing well and the yield is likely to be considerably smaller than last year's.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended Aug. 10, 1940	Week ended Aug. 17, 1940	From Apr. 1 to Aug. 19, 1939	From Apr. 1 to Aug. 17, 1940
Argentina	95	269	8,451	4,705
Atlantic America	89	62	456	1,044
Danube Region	15	15	1,035	678
S. & E. Africa	...*	...*	1,290	800†
Indo-China, etc.	...	...	652	91
Total	199	346	11,884	7,318

* Not received. † Incomplete since July 6th.
Source: *The Corn Trade News*

Oils and Oilseeds.—Official maximum prices remain unchanged but are to be revised towards the end of next week. The second official estimate of the United States linseed crop is 730,000 tons, compared with 504,000 tons actually harvested last season and normal requirements of about 1 million tons.

Metals.—The price of tin has declined steadily throughout the week, but that of all other metals is unchanged. There was little demand for tin in this country and quiet conditions were reported from New York. Activity in the iron and steel industry in this country is well maintained, and the *Iron Age* estimates steel mill activity in the United States at 90.5 per cent. of capacity, compared with 89.5 last week.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	June 30 1940	July 1–28 1940	Sept. 3, 1939–July 28, 1940
British:—	(Tons gross)		
Merchant ships:—			
(a) Cargo vessels	188,034	211,974	1,164,953
(b) Naval operations	40,946	...	74,929
Naval Auxiliaries	71,113	...	109,021
Naval Trawlers	131	2,300	15,235
	300,224	214,974	1,364,138
Allied	140,822	26,148	334,625
Neutral	79,432	59,595	737,932
Grand Total	**520,478**	**300,017**	**2,436,695**

(a) Engaged in merchant trading.
(b) Diverted from mercantile voyages for naval purpose, e.g. evacuation.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to August 17, 1940, total ordinary revenue was £18,952,000, against ordinary expenditure of £71,548,000, and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £846,217,000, against £201,051,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Receipts into the Exchequer (£ thousands)

Revenue	Estimate, 1940–41	Apr. 1, 1939, to Aug. 19, 1939	Apr. 1, 1940, to Aug. 17, 1940	Week ended Aug. 19, 1939	Week ended Aug. 17, 1940
ORDINARY REVENUE					
Income Tax	450,500	42,468	73,020	4,558	4,634
Sur-tax	75,000	8,290	9,590	110	350
Estate, etc., Duties	85,100	33,990	34,610	1,320	1,520
Stamps	19,000	6,660	5,380	250	260
N.D.C.	70000	9,630	8,520	410	780
E.P.T.		...	18,210	...	1,370
Other Inland Revenue	1,000	330	180	10	...
Total In. Rev.	700,600	101,368	149,510	6,658	8,914
Customs	302,050	96,072	109,042	4,555	4,655
Excise	164,050	45,470	56,716	6,979	3,916
Total Customs and Excise	466,100	141,542	165,758	11534	8,571
Motor Duties	35,000	8,379	9,271	...	111
P.O. (Net Receipt)	13,291	6,724	9,500	500	1,100
Crown Lands	1,150	530	450	...	...
Receipts from Sundry Loans	5,000	3,266	581	464	...
Mis. Receipts	13,250	2,296	11,477	427	256
Total Ordinary Revenue	1234391	264,105	316,547	19583	18952
SELF-BAL. Post Office and Broadcasting	86,222	28,076	28,150	1,400	900
Total	1320613	292,181	374,697	20983	19852

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

Expenditure	Estimate, 1940–41	Apr. 1, 1939, to Aug. 19, 1939	Apr. 1, 1940, to Aug. 17, 1940	Week ended Aug. 19, 1939	Week ended Aug. 17, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	98,235	102,613	76	514
Payments to N. Ireland	9,400	2,557	2,642	...	...
Other Cons. Fund Serv.	7,600	3,304	3,323	36	34
Total Supply Serv.	247,000 2419790	104,096 358,503	108,578 1081587	112 20750	548 71000
Total Ordinary Expenditure	2666790	462,599	1190165	20862	71548
SELF-BAL. Post Office and Broadcasting	86,222	28,076	28,150	1,400	900
Total	2753012	490,675	1218315	22262	72448

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £266,595 to £3,007,339, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,239,500 to about £9,791 millions.

(£ thousands)

OTHER ISSUES (NET)		OTHER RECEIPTS (NET)	
Overseas Tde. Guar.	18	Bullion Adv. Repaid	85
P.O. & Teleg. Acts	250		
Anglo-Turkish Agt.	68		
	336		85

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to August 17, 1940, are:—

(£ thousands)

Ordinary Exp.	1,190,165	Ord. Revenue	346,547
Misc. Iss. (net)	5,072	Gross borr.	851,902
Inc. in balances	613	*Less*—	
		Sinking fds.	2,599
		Net borrowing	849,303
	1,195,850		1,195,850

FLOATING DEBT

(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
Aug. 19	510·0	570·1	47·5	...	...	1127·6
1940						
May 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
„ 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0	„ „				
„ 20	815·0	„ „				
„ 27	826·0	906·5	43·6	...	30·0	1806·2
Aug. 3	831·0	Not available				
„ 10	836·0	„ „				
„ 17	836·0	„ „				

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Average Rate s. d.	Per Cent. Allotted at Minimum Rate
1939						
Aug. 18	30·0	63·1	30·0	15 7·39		28
1940						
May 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
„ 21	65·0	97·6	65·0	20 4·97		60
„ 28	65·0	110·3	65·0	20 5·22		51
July 5	65·0	105·4	65·0	20 5·10		55
„ 12	65·0	112·3	65·0	20 4·97		48
„ 19	65·0	118·8	61·0	20 4·45		37
„ 26	65·0	125·8	60·0	20 4·44		31
Aug. 2	65·0	122·1	65·0	20 4·86		42
„ 9	65·0	122·5	65·0	20 4·62		41
„ 16	65·0	116·5	65·0	20 5·21		48

On August 16th 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 48 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 August 23rd.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
Aug. 6	3,132	2,996	12,485
„ 13	2,813	2,674	11,342
„ 20	...	...	15,805
Totals to date	137,278*	141,088*	171,563†

* 38 weeks. † 9 weeks.

Interest free loans received by the Treasury up to August 20th amounted to 7,786, of a total value of £15,288,637. From the beginning of the campaign up to July 27th, principal of Savings Certificates to the amount of £19,322,000 has been repaid.

BANK OF ENGLAND RETURNS

AUGUST 21, 1940

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circultn.	609,585,244	Other Govt. Securities	615,714,063
In Banking Dept.	20,651,866	Other Secs.	2,761,641
		Silver Coin	509,196
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	237,110
	630,237,110		630,237,110

BANKING DEPARTMENT

£		£	
Props.' capital	14,553,000	Govt. Secs.	151,812,838
Rest	3,499,645	Other Secs.:	
Public Deps.*	14,544,970	*Discs., etc.*	*8,833,673*
		Securities	*22,425,938*
Other Deps.:			
Bankers	*123,371,628*		*31,259,611*
Other Accts.	*48,680,880*	Notes	20,651,866
		Gold & Silver Coin	925,808
	172,052,508		
	204,650,123		204,650,123

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Aug. 21, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	609,585	− 4,322	+101521
Deposits: Public	14,545	− 16,147	− 7,826
Bankers'	123,372	+ 15,756	+ 31,240
Others	48,681	− 100	+ 12,452
Total outside liabilities	796,183	− 4,813	+137387
Capital and rest	18,053	+ 21	− 125
COMBINED ASSETS			
Govt. debt and securities†	778,542	− 9,814	+383641
Discounts and advances	8,834	+ 3,449	+ 3,123
Other securities	25,188	+ 1,593	− 3,198
Silver coin in issue dept.	509	− 5	− 204
Gold coin and bullion	1,163	− 15	−246100
RESERVES			
Res. of notes and coin in banking department	21,578	+ 4,307	− 17,621
"Proportion" (reserve to outside liabilities in Bankg. dept.)	11·5%	+ 2·3%	−14·5%

COMPARATIVE ANALYSIS*

(£ millions)

	1939 Aug. 23	1940 July 31	1940 Aug. 7	1940 Aug. 14	1940 Aug. 21
Issue Dept.:					
Notes in circ.	508·1	609·5	613·7	613·9	609·6
Notes in banking dept.	38·4	20·7	16·6	16·3	20·6
Govt. debt and securities†	295·2	625·9	626·1	626·6	626·7
Other secs.	4·1	3·6	3·3	2·8	2·8
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	246·4 *148·50*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*
Deposits:					
Public	22·4	22·7	19·2	30·7	14·5
Bankers'	92·1	106·3	114·1	107·6	123·4
Others	36·2	52·3	48·6	48·8	48·7
Total	150·7	181·3	162·7	156·4	186·6
Bkg. Dept. Secs.					
Government	99·7	152·9	157·3	161·7	151·8
Discounts, etc	5·7	3·3	3·1	5·4	8·8
Other	24·3	21·5	22·0	20·8	22·4
Total	129·7	177·7	182·4	187·9	183·0
Banking dept. reserve	38·4	21·6	16·4	17·2	21·6
"Proportion"	% 26·0	% 11·9	% 9·5	% 9·2	% 11·5

* Government debt is £11,015,100; capital £14,553,000 † Fiduciary issue raised from £500 millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; Roumania, of June 1st; France, of June 8th; Bulgaria, Prague, Switzerland and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Mellie Iran, of June 22nd; Greece, Jugoslavia, and Lithuania, of June 29th; Portugal, of August 3rd; Japan, Canada, and Argentina of August 17th.

U.S. FEDERAL RESERVE BANKS
Million $'s

12 U.S.F.R. Banks	Aug. 24,	Aug. 8,	Aug. 15,	Aug. 22,
RESOURCES				
Gold certifs. on hand and due from Treas.	14,168	18,274	18,388	18,487
Total reserves	14,522	18,646	18,762	18,853
Total cash reserves	345	359	362	354
Total U.S. Govt. secs.	2,423	2,446	2,446	2,446
Total bills and secs.	2,440	2,458	2,457	2,458
Total resources	17,681	21,839	22,120	22,093
LIABILITIES				
F.R. notes in circn.	4,572	5,281	5,293	5,310
Excess mr. bank res.	4,740	6,330	6,390	6,420
Mr. bank reserve dep.	10,829	13,286	13,340	13,419
Govt. deposits	724	923	940	889
Total deposits	12,157	15,596	15,724	15,794
Total liabilities	17,681	21,839	22,120	22,093
Reserve ratio	86·8%	89·3%	89·3%	89·3%
BANKS AND TREASURY: RESOURCES				
Monetary gold stock	16,501	20,568	20,689	20,800
Treas. & bk. currency	2,903	3,025	3,027	3,030
LIABILITIES				
Money in circulation	7,098	7,929	7,944	7,976
Treas. cash and dep.	3,058	3,199	3,221	3,180

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million $'s

ASSETS	Aug. 2, 1939	July 17, 1940	July 24, 1940	July 31, 1940
Loans, total	8,166	8,517	8,514	8,517
Investments	14,078	15,226	15,433	15,481
Reserve with F.R. bks	8,684	11,729	11,526	11,449
Due from domestic bks.	2,793	3,262	3,181	3,140
LIABILITIES				
Deposits: Demand	17,462	20,932	20,984	20,984
Time	5,243	5,316	5,314	5,320
U.S. Govt.	549	428‡	530	526
Inter-bank	7,635	9,201	8,984	8,239

BANK OF SWEDEN.—Million kronor

ASSETS	June 7, 1939	May 23, 1940	May 31, 1940	June 7, 1940
Gold reserve	614·6	780·7	792·6	806·3
Secondary cover:—				
Swedish assets	219·5	986·4	968·0	940·7
Foreign assets	737·9	435·8	432·5	424·4
LIABILITIES				
Notes in circulation	959·1	1394·3	1467·1	1419·3
Deposits: Government	504·7	169·6	121·2	117·1
Banks & others	446·1	95·6	58·0	81·8

‡ Including "gold abroad not included in gold reserve."

RESERVE BANK OF INDIA
Million rupees

ASSETS	June 7, 1940	July 19, 1940	July 26, 1940	Aug. 2, 1940
Gold coin and bullion	444	444	444	444
Rupee coin	396	293	385	375
Balances abroad	194	202	207	222
Sterling securities	1,295	1,315	1,315	1,315
Indian Gov. rupee secs.	486	496	496	496
Investments	72	86	89	89
LIABILITIES				
Notes in circn.: India	2,400	2,291	2,255	2,252
Burma	134	127	125	126
Deposits: Govts.	107	120	148	176
Banks	208	295	317	289
Reserve ratio	66·4%	69·1%	66·7%	66·9%

SOUTH AFRICAN RESERVE BANK
Million £'s

ASSETS	July 28, 1939	July 12, 1940	July 19, 1940	July 26, 1940
Gold coin and bullion	26·64	36·03	37·11	37·03
Bills discounted	5·51	1·58	1·49	1·49
Inves. & other assets	15·97	33·28	33·89	33·81
LIABILITIES				
Notes in circulation	18·46	21·57	21·04	21·79
Deposits: Government	1·82	2·25	2·40	1·98
Bankers'	21·19	39·62	39·51	39·99
Others	5·32	7·11	8·13	8·36
Reserve ratio	56·9%	51·1%	51·7%	51·2%

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

ASSETS	June 3, 1940	June 10, 1940	June 17, 1940	June 24, 1940
Gold and English stg.	16·08	16·08	16·08	16·08
Other coin, bullion, etc.	6·73	6·88	6·60	7·70
Call money, London	42·99	41·32	43·28	42·99
Secrts. and Treas. bills	83·35	84·85	87·61	87·94
Discounts and advances	34·01	33·84	34·20	33·48
LIABILITIES				
Notes issued	55·28	56·03	56·88	60·88
Deposits, etc.	106·78	108·25	111·34	108·21

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

ASSETS	July 1, 1940	July 8, 1940	July 15, 1940	July 22, 1940
Gold and stg. exch.	16·22	16·06	15·94	15·74
Advances to State	25·02	24·97	24·96	25·48
Investments	2·54	2·54	2·54	2·54
LIABILITIES				
Bank Notes	18·70	19·01	19·01	19·49
Demand liabs.: State	23·16	5·63	22·55	22·25
Banks and others		16·08		
Reserves to sight liabs.		38·5%		

BANK OF LATVIA—Million lats

ASSETS	June 5, 1939	May 30, 1940	May 27, 1940	June 3, 1940
Gold coin and bullion	92·84	71·54	71·53	71·53
Foreign currency	39·95	29·91	29·90	29·66
Short-term bills	52·83	58·37	58·82	59·85
Loans against securities	95·90	156·32	153·64	152·56
LIABILITIES				
Notes in circulation	84·51	104·71	103·71	104·77
Deposits & current accts.	138·56	127·89	130·74	128·19
Government accounts	71·49	69·88	70·83	72·48

BANK OF ESTONIA
Million Estonian krones

ASSETS	June 15, 1939	May 23, 1940	May 31, 1940	June 7, 1940
Gold coin & gold bullion	40·89	40·90	40·90	40·91
Net foreign exchange	8·59	4·27	4·30	4·45
Home bills discounted	11·92	17·21	18·58	18·24
Loans and advances	12·45	27·17	30·27	25·32
LIABILITIES				
Notes in circulation	49·76	64·73	62·73	60·61
Sight dep., of which	27·54	26·32	34·04	28·73
(a) Government	10·20	15·61	11·72	8·97
(b) Bankers	14·43	6·39	4·10	3·38
Reserve ratio	64·0%	49·6%	46·7%	50·8%

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between August 16th and August 22nd. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. fcs. (25·22½) 17·65–75. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), 99·80–100·20.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent. pm.-par. Canada, ½ 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 £	Aug. 16, 1940	Aug. 17, 1940	Aug. 19, 1940	Aug. 20, 1940	Aug. 21, 1940	Aug. 22, 1940
Budapest, Pen.	27·82	19½*‡	19½*‡	19½*‡	19½*‡	19½*	19½*
Belgrade, Din.	276·32	155* 200*(g)	155* 200*(g)	155* 200*(g)	155* 200*(g)	155* 200*(g)	155* 200*(g)
Sofia, Lev.	673·66	315*	315*	315*	315*	315*	315*
Helsingfors, Mk	193·23	180–210	180–210	180–210	180–210	180–210	180–210
Alexandria, Pst	97½	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝
Madrid, Pt.	25·22½	37¼* 38·10(b) 43·80(c)	37¼* 38·10(b) 43·80(c)	37¼* 38·10(b) 43·80(c)	37¼* 38·10(b) 43·80(c)	37¼* 38·10(b) 43·80(c)	37¼* 38·10(b) 43·80(c)
Istanbul, £T	110	510* 520(b)	510* 520(b)	510* 520(b)	510* 520(b)	510* 520(b)	510* 520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16
Kobe, Yen	†24·58d.	13⅞–14⅝	13⅞–14⅝	13 15/16–14 11/16	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (a).	17·38	23½–	22½–	22½–	22½–	22½–	22½–
Montevideo, $	† 51d.	26½‡ 21½– 24½‡	25½‡ 21½– 24½‡	25½‡ 21½– 24½	25½‡ 21½– 24½	25½‡ 21½– 24½	25½‡ 21½– 24½
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16	3 7/16–4 1/16
Bogota, Pes.	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † 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.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Aug. 19,'39	Week ended Aug. 17,'40	Aggregate January 1 to Aug. 19,'39	Aggregate January 1 to Aug. 17,'40
Working days:—	6	6	194	195
Birmingham	1,566	1,590	79,084	74,898
Bradford	444	1,106	27,830	53,734
Bristol	1,272	1,917	43,369	58,287
Hull	727	467	26,158	25,399
Leicester	606	734	23,337	24,933
Liverpool	3,886	5,137	162250	189123
Manchester	7,764	10112	312392	375979
Newcastle	1,190	985	50,362	44,154
Nottingham	364	389	16,219	14,191
9 Towns	17819	22437	741001	860698
Dublin(a)	4,485	4,814	195957	193801
Sheffield*	884	590	35,412	22,124
Southampton†	...	70	...	1,473

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940. (a) Figures for weeks ended Aug. 12, 1939, and August 10, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between August 16th and August 22nd:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1⅛–⅝%; 3 months, 1⅛–⅝%; 4 months, 1⅛–1⅛%; 6 months, 1⅛–1⅛%. Treasury bills: 2 months, 1–1⅛%; 3 months, 1⅛%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, 1%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
Aug. 16	23 1/16	22 15/16	Aug. 21	23 3/16	22 15/16
„ 19	23 7/16	22 9/16	„ 22	23¼	22⅞
„ 20	23 7/16	22 9/16			

NEW YORK EXCHANGE RATES

New York on	Aug. 15, 1940	Aug. 16, 1940	Aug. 17, 1940	Aug. 19, 1940	Aug. 20, 1940	Aug. 21, 1940
London:—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	402½	402¼	400½	401½	402½	402¾
Switzerland, Fr.	22·80	22·79	22·79	22·79	22·79	22·79
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	40·00	40·00	40·00	39·95	39·95	39·95
Stockholm, Kr.	23·86	23·85	23·85	23·86	23·85	23·86
Montreal, Can. $	86·625	86·625	86·625	86·625	86·060	86·000
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	5·55	5·59	5·70	5·61	5·58	5·67
B. Aires, Peso. (mkt. rate)	22·55‡	22·75‡	22·65‡	22·65‡	22·75‡	22·75‡
Brazil, Milreis	5·10	5·10	5·10	5·05	5·05	5·05

‡ Official buying rate 29·78. (c) Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Alton and Company	June 30	54,938	...	37,125	96,029	5,750	27,563	45	...	+ 3,812	52,034	38,114	42½
Colchester Brewing	June 30	35,763	...	16,404	80,104	3,018	7,648	10	1,671	+ 4,067	34,579	15,907	10
Lichfield Brewery	June 30	32,508	8,807	14,672	42,248	3,953	10,523	10	...	− 196	40,617	25,659	10
Showells Brewery	June 30	52,271	...	33,018	72,768	8,453	14,400	30	5,000	+ 5,166	52,521	32,816	30
Stretton's Derby Brewery	June 30	154,839	...	88,137	155,515	7,537	72,375	40	...	+ 8,225	145,724	85,326	35
Financial Land, etc.													
Covent Garden Properties	June 30	294,597	...	46,647	139,885	60,600	...	...	50,000	− 63,953	343,121	140,473	6
London Electrical Trust	June 30	54,022	...	32,649	46,998	18,900	13,200	5½	...	+ 549	55,781	33,603	5½
Rhodesia Railways Trust	Mar. 31	78,736	...	48,292	234,092	...	75,497	6	...	− 27,205	176,880	77,183	5†
Thames Estates, etc.	June 30	18,510	...	4,643	7,229	3,412	...	...	...	+ 1,231	22,740	7,106	2
Hotels, Restaurants, etc.													
Oddenino's Hotel, etc.	Dec. 31	15,728	1,183	86	1,817	997	...	...	...	− 911	20,102	2,702	Nil
Iron, Coal and Steel													
Neepsend Steel, etc.	Mar. 31	173,708	...	104,186	116,170	1,931	91,372	50	10,000	+ 883	150,944	140,931	47½
Richardsons, Westgarth,	Mar. 31	174,747	31,444	103,983	115,844	...	26,428	7½	...	+ 77,555	175,760	89,772	7½
Rubber													
Central Johore	Mar. 31	13,666	...	4,380	7,458	...	4,447	12½	...	− 67	7,261	4,906	10
Kawie (Java)	Mar. 31	37,440	...	5,379	14,501	...	5,625	7½	902	− 1,148	16,728	3,065	5
Textiles													
Collier (S.) and Co.	June 30	12,820	...	8,521	9,795	...	6,000	10	2,000	+ 521	8,200	7,050	10
May (Joseph) and Sons	June 30	42,946	...	33,286	49,475	15,000	12,000	6	6,000	+ 286	18,434	14,644	Nil
Williams (Clifford) & Son	June 30	71,154	3,567	21,790	35,038	...	14,375	25	5,000	+ 5,415	42,520	25,263	25
Wilson Brothers Bobbin	July 15	19,125	...	19,125	21,577	...	14,250	5	5,000	− 125	20,505	15,505	5
Trusts													
Third Scottish American	July 1	92,376	...	35,218	48,670	7,000	23,067	19	5,000	+ 151	91,416	41,325	19
Waterworks													
East Worcestershire	June 30*	15,923	...	6,598	24,674	1,237	4,000	10	1,250	+ 111	14,870	6,351	10
Other Companies													
Aeroplane, etc., Castings	Mar. 31	48,518	12,561	18,607	27,084	...	8,625	15	...	+ 9,982	50,086	25,379	15
Allied Bakeries	June 30	484,458	17,032	212,800	283,088	39,159	123,643	15	40,000	+ 9,998	370,033	231,113	15
Aron Electricity Meter	Mar. 31	7,127	...	*Dr.10,582*	4,137	...	...	...	...	− 10,582	52,160	28,531	15
Batchelor's Peas	June 30	131,046	21,081	53,565	76,938	14,684	30,000	15	10,000	− 1,119	101,404	65,766	15
Belfast Ropework	June 30	67,416	...	58,523	79,616	3,250	25,500	7	25,000	+ 4,773	33,965	28,559	5
Blackburn Aircraft	Mar. 31	191,844	...	82,044	96,796	12,301	49,417	10	25,000	− 4,674	142,001	67,301	15(a)
Chambers Wharf, etc.	June 30	56,782	...	25,573	29,664	13,556	10,250	15	...	+ 1,767	43,012	38,953	30
Cornercroft, Ltd.	June 18	46,875	...	28,750	32,031	3,600	20,156	15	5,000	− 6	34,717	27,192	15
Fulton (William) and Sons	June 30	26,126	8,000	5,884	7,241	4,300	...	...	...	+ 1,584	8,801	*Dr.11,673*	Nil
Gabriel Wade & English	May 31	218,274	10,311	70,819	122,735	16,250	33,100	10	20,000	+ 1,469	126,353	88,393	10
Hlovo Sugar Estates	Mar. 31	99,394	...	14,169	30,733	...	19,800	6	...	− 5,631	87,946	23,296	5
Metal Industries	Mar. 31	182,554	...	99,660	181,857	16,536	67,075	5	...	+ 16,049	160,423	110,906	5
Mellor Bromley & Co.	Feb. 29	73,071	...	20,748	33,191	4,398	7,406	7½	...	+ 8,944	28,836	14,848	5
Santa Rosa Milling	Dec. 31	37,036	...	407	3,911	2,406	...	...	...	− 1,999	24,612	5,682	Nil
Selecta Gramophones	Mar. 31	6,421	535	2,799	4,731	...	2,750	5	...	+ 49	6,687	3,391	5
Thorn Electrical	Mar. 31	42,161	...	24,263	36,180	1,856	11,500	20	15,000	− 4,093	48,833	35,057	20
Trawlers, Ltd.	Mar. 31	11,577	4,173	4,687	4,426	...	...	...	3,000	+ 1,687	9,230	*Dr. 8,343*	Nil
Young Accumulator	Mar. 31	19,409	3,184	6,997	11,515	...	5,563	5	...	+ 1,434	15,528	7,718	5
Totals (£'000's):	*No.ofCos.*												
Week to Aug. 24, 1940	*38*	*3,196*	*122*	*1,384*	*2,386*	*267*	*838*	...	*235*	+ *44*	*2,835*	*1,590*	....
Jan. 1 to Aug. 24, 1940	*1,586*	*320,521*	*25,724*	*171,867*	*243,846*	*38,241*	*105,479*	...	*20,205*	+ *7,942*	*297,101*	*178,299*	...

* For half-year. (a) Absorbed £44,414

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%		%	%		%		%	%		%
BANKS					Armstrong Shock Abs.	...	2½	...	5	Limmer Lake Asphalt	3*	...	Sept. 18	4½*
British Linen Bank	16p.a.*	...	Sept. 14	16p.a.*	Barlow and Jones	6¼*	...	...	2½*	Mallinson (George)	7½*	...	...	7½*
Industrial of Japan	6 p.a.	...	...	6 p.a.	Belfast Ropework	4†	7	...	5	Manvers Colliery	...	7	...	6
National of Egypt	4*	...	Sept. 2	4*	Brazilian Warrant	...	5	...	2	Metal Industries	...	5	...	5
TEA AND RUBBER					Brightside Foundry	25	...	...	35	Oakey (John)	2½*	...	...	2½*
Abaco Rubber	...	7	...	Nil	British American Tob.	‡10d*	...	Sept. 30	‡10d*	Redditch Gas	3½*	...	...	3½*
British Assam Tea	...	6	...	5	Brown Brothers	2½*	...	Oct. 1	2½*	Singleton and Cole	7½*	...	...	6*
MINING					Canning (W.) and Co.	5*	...	Sept. 12	5*	Smith (Stephen)	...	12½	...	12½
Tekka, Ltd	6d. ps*	...	Aug. 31	3d. ps*	Coleman and Co.	4*	...	...	4*	Transparent Paper	5*	...	...	Nil*
INDUSTRIALS					County of London Elec	3*	...	Sept. 30	3*	Tunnel Port. Cement	7½*	...	...	10*
Aeroplane Castings	...	15	...	15	Croydon Gas	3*	...	...	3½*	United Glass Bottle	3½*	...	...	3½
Aplin and Barrett	5*	...	...	5*	Dobson and Barlow	...	8½	...	8½	Waddington (John)	...	6	...	7½
					Flower and Sons	5*	...	...	5*	Winterbtm. Book Clth.	1½*	...	...	1½
					Folland Aircraft	5†	8	...	8	Witbank Colliery	10†	17½	...	17½
					Houghton Main Col.	7†	10	...	7	Wolverhampton Gas	3½*	...	...	3½

‡ Free of income tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	+ or −	Aggregate Gross Receipts 1940	+ or −
B.A. and Pacific	6	Aug. 10	‡1,112,000	− 159,000	6,673,000	− 968,000
B.A. Gt. Southern	6	10	‡1,753,000	− 176,000	11,516,000	− 246,000
B.A. Western	6	10	‡663,000	− 13,000	3,782,000	− 429,000
Canadian Pacific	32	14	$3,426,000	+ 802,000	97,543,000	+ 18839000
Central Argentine	7	17	‡1,374,000	− 572,500	10,144,700	− 5,026,550

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	Aug. 21, 1940	Name	Aug. 21, 1940	Name	Aug. 21, 1940
For. Bond.	Unquoted	National D.	9/6–10/6	Key. Gold	7/3xd bid
Limited Inv.	10/9–12/3	Century	10/3–11/9	Br. Ind. 4th	9/11½–10/10½
New British	6/9–7/9	Scottish	9/—10/6	Elec. Inds.	11/—12/6
Invest. Tr.	8/6–10/6*	Univ. 2nd	11/6–13/–	Met. & Min.	8/9–10/3
Bk. & Insur.	11/9–13/9*	Inv. Flex.	7/6–8/9xd	Rub. & Tin	Unquoted
Insurance	11/6–14/–*	Inv. Gen.	11/4½–12/4½	Producers	4/9–6/9
Bank	12/9–14/9*	Key. Flex	7/9 bid	Dom. 2nd	4/—5/—
Sct. B.I.I.T.	9/6–11/6*	Key. Cons.	7/3 bid	Orthodox	5/6–6/6

* Free of commission and stamp duty.

LONDON ACTIVE SECURITY PRICES AND YIEL

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 High	Low	Prices, Jan. 1 to Aug. 21, 1940 High	Low	Name of Security	Price, Aug. 21, 1940	Ch'ge since Aug. 14	Yield Aug. 21, 1940 £ s. d.
				British Funds			
71⅛	61	76¾	68⅛	Consols 2½%	71		3 7 0
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	108		3 13 10f
...	...	98¾	98½	Conv. 2% 1943–45	98		2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	99		2 12 7
99⅛	92⅞	103	97¾	Do. 3% 1948–53	100		2 19 2
99½	87	102¼	94	Do. 3½% after 1961	101	1	3 9 6f
112⅛	103¾	112	107½	Do. 5% 1944–64	109¼		2 11 9
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	91½		3 2 4
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	97		3 0 0
95⅛	87½	99½	95	Fund. 3% 1959–69	98		3 2 9
109½	100½	113¾	105⅝	Fund. 4% 1960–90	112		3 4 4
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	101		2 8 7k
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	100		2 19 0
...	...	100¾	100	War Bds. 2½% 1945–47	100		
108⅝	102	111½	105 13/16	Victory Bonds 4%	110		3 5 9j
...	...	100⅞	98	War L. 3% 1955–59	100		2 18 9
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	101	1	3 9 7f
83⅞	73	89⅛	80¼	Local Loans 3%	85	1	3 9 7
99	91	100	97½	Austria 3% 1933–53	98		3 1 1
64	55½	71¼	59¾	India 2½%	67		3 14 6
90	78	97¼	82¼	Do. 3½%	91½		3 16 6
115¼	104½	115	105¼	Do. 4½% 1958–68	109		3 16 2
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austrla. 5% 1945–75	102		4 12 9
112⅛	103	110⅞	106	Nigeria 5% 1950–60	107		4 3 0
103⅛	92	105⅞	100	N. Zealand 5% 1946	101		4 15 8
110	102	108½	103	S. Africa 5% 1945–75	104		4 1 7
				Corporation Stocks			
111⅛	104	110¼	104	Bir'ham 5% 1946–56	105		4 3 5
81⅝	72	85	78	L.C.C. 3%	79		3 15 6
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91		3 12 1
102¾	95	104	97	Middx. 3½% 1957–62	98		3 13 2
				Foreign Governments			
91⅛	73¾	92¾	77¼	Argen. 4½% Stg. Bds.	79		5 13 2
65⅛	34	58½	22	Austria 4½% 1934–59	30		11 5 0l
95	50	64	25	Belgian 4% (36) 1970	*		
23⅛	6½	35½	20	Brazil 5% Fd. 1914	26		9 12 0p
19	9	23	9	Chile 6% (1929)	14		10 11 0q
55⅛	23½	45¼	12	China 5% (1913)	18		
72	30	63	25	Czecho-Slovakia 8%	*		
86¼	58	79¾	50½	Egypt Unified 4%	63	5	6 7 0
12⅛	9	10½	8	French 4% (British)	*		
44	4	7⅝	5	German Dawes 5%	5		
33⅛	3	6½	3¾	Do. Young Ln. 4½%	4		
30	15	24½	12½	Greek 6% Stab. Ln.	*		
35⅛	15	25	17	Hungary 7½%	10		
61⅛	33	65	44	Japan 5½% 1930	*		

Prices, Jan. 1 to Aug. 21, 1940 High	Low	Last two Dividends (a) (b)	(c)	Name of Security	Price, Aug. 21, 1940	Ch'ge since Aug. 14	Yield Aug. 21, 1940 £ s. d.
		%	%	**Railways**			
10	3¼	Nil	Nil	B.A. Gt. Sthn. Ord.	4		Nil
9⅛	4⅞	Nil	Nil	Can. Pac. Com. $25	*		
52	22	3½ c	1½ a	Gt. Western Ord.	28		12 10 0
80	34½	5 c	2½ a	LNER 5% Pref. 1955	50		10 0 0
60	20	4 c	2 a	Do. 4% 1st Pf.	30	1	13 2 4
24	9	Nil c	1½ c	L.M.S. Ord.	12¼		12 4 0
60⅛	21⅛	4 c	2 a	4% Pf. 1923	32		12 6 0
70⅛	35	2 b	2 a	4% Pf.	47		8 8 0
65¼	24	1½ c	¾ a	Lon. Trans. "C"	28		5 7 0
22	7	Nil c	1¼ c	Southern Def.	9½		12 16 5
79	35½	5 c	2½ a	Do. 5% Pf. Ord.	46	1	10 17 5
104	58½	2½ a	2½ b	Do. 5% Pf.	77		6 12 0
				Banks and Discount			
67/9	50/6	10 b	7½ a	Alexanders £2, £1 pd.	51/3	1/3	6 16 6
342½	316½	6 a	6 b	Bank of England	330	5	3 12 6
£51	£43½	8 c	8 c	Bk of Montreal $100	*		
30/9	19/-	5 a	5 b	Bk. of N. Zealand £1	22/6		7 1 10e
73/3	46/6	7 b	7 a	Barclays Bank £1	63/6	1/-	4 8 0
9⅛	5¼	5 a	5 b	Chtd. of India £5	6¼		7 16 9
52/-	45/-	5 b	5 a	District B. £1 fy. pd.	47/6		4 4 0
£95	£52	£2½ b	£2½ a	Hongkong and S. $125	£62½	£1	8 0 0
54/6	30/-	6 b	6 a	Lloyds £5, £1 pd.	39/6	2/-	6 0 0
8¾	5 17/32	7½ b	7½ a	Martins £20, £2½ pd.	6¾		5 11 0
85/-	68/-	8 b	8 a	Midland £1, fy. pd.	76/6	1/-	4 3 9
5⅝	4	5 b	5 a	Nat. Dis. £2½ fy. pd.	4½		5 5 0
32⅛	23⅛	8 a	8 b	N. of Ind. £25, £12½pd	24¾		8 0 0
60/9	39/-	7½ b	7½ a	Nat. Prov. £5, £1 pd.	50/-	1/6	6 0 0
444	385	8½ b	8½ a	Royal Bk. of Scotland	395		4 6 0
48/6	29/-	6¼ b	3¾ a	Union Discount £1	35/-		5 14 3
85/-	46/-	9 b	9 a	Westmtr. £4, £1 pd.	60/6	1/6	5 18 9
				Insurance			
24⅝	15¾	40 a	50 b	Alliance £1, fully pd.	19		4 12 6
13⅛	8⅜	4/6 a	6/- b	Atlas £5, £1¼ pd.	9		5 16 6
16⅝	8 25/32	†25 b	†22½ a	Pearl (£1), fy. pd.	12	½	3 19 0†
15 5/16	9 5/16	6/- a	6/- b	Phœnix £1, fy. pd.	11		5 9 0
28⅝	6¼†	†84·075c	†12½a	Prudential £1 A	19		4 6 0†
8¼	5	11 a	19 b	Royal Exchange £1	6½		4 8 8
7	4¼	†10 b	13¾ a	Sun Lf. Ass. £1 fy. pd.	5		5 10 0
				Investment Trusts			
498	472½	11 a	14 b	Alliance Trust	475		5 9 2
187¼	180	3½ a	8½ b	Anglo-Amer. Deb.	180		6 13 4
188	139	6 b	4 a	Debenture Corp. Stk.	144	6	6 18 0
187	160	5 a	8 b	Invest. Trust Def.	160		8 2 0
165¼	139	3 a	7 b	Trustees Corp. Ord.	145½		6 16 0
175	140½	6 b	4 a	United States Deb.	152		6 11 0
				Breweries, &c.			
125/6	96/3	†20 b	†5 a	Bass Ratcliff Ord. £1	105/-		4 15 2†
57/6	36/3	11 b	5 a	Courage Ord. £1	42/-	9d	7 12 0
70/3	46/-	6¼ a	10 b	Distillers Ord. £1	56/-		5 16 0
83/-	45/-	14 b	11 a	Guinness Ord. £1	65/-		7 14 0
76/6	47/-	16 b	7½ a	Ind, Coupe & Allp. £1	65/-	3/9	7 1 6
52/9	30/6	6 a	11 b	Watney Combe Def. £1	40/6		7 6 0
				Iron, Coal and Steel			
6/6	3/-	10 c	10 c	Baldwins 4/-	3/9		10 13 3
34/7½	13/1½	†5 a	†10 b	Brown (J.) Ord. 10/-	21/3	1/3	7 1 0†
8/9	3/6	4 a	6 b	Cammell Laird 5/-	5/6	3d	9 1 9
24/7½	11/3	3 a	5 b	Colvilles Ord. £1	15/7		10 4 0
28/1½	12/6	10 c	10 c	Dorman Long Ord. £1	15/-		13 6 9
26/11¼	13/6	†2½ a	†4 b	Guest Keen &c.Ord.£1	20/7		6 6 0†
27/9	13/1½	15 b	7½ a	Hadfields 10/-	19/4	1/10	11 12 0
22/7½	11/3	2 a	5½ b	Powell Duffryn £1	12/6		12 0 0

Prices, Jan. 1 to Aug. 21, 1940 High	Low	Last two Dividends (a) (b)	(c)	Name of Security	Price, Aug. 21, 1940	Ch'ge since Aug. 14	Yield
		%	%	**Iron, Coal, &c.** *cont.*			£
34/6	20/-	10 c	12½ c	S. Durham Ord. £1	22/6	1/3	1
54/9	33/9	†7½ b	†2½ a	Staveley Coal, etc. £1	38/9		5
47/6	26/-	12½ c	12½ c	Stewarts & Lloyds £1	33	7½d	7
39/-	17/6	10½ b	4 a	Swan, Hunter £1	23/9		1
24/3	11/6	5½ b	2½ a	Un. Steel Cos. Ord. £1	16/1½		6
21/10½	9/6	4 a	6 b	Vickers 10/-	14		[illegible]
				Textiles			
8/10½	2/6	Nil	Nil	Brit. Celanese 10/-	[illegible]	3d	
38/6	21/3	5 a	5 b	Coats, J. & P. £1	[illegible]	1	6
39/10½	20/3	7 c	2½ a	Courtaulds £1	[illegible]	3d	6
35/9	22/6	2½ a	5 b	English Swg. Ctn. £1	25	1/3	6
24/4½	11/9	Nil c	7½ c	Lancs. Cotton Corp £1	16	1	0
61/3	42/6	†10 c	†8½ c	Patons & Baldwins £1	45	7½d	3
				Electrical Manufactg.			
43/1½	26/3	10 c	10 c	Associated Elec. £1	55	1/3	5
92/6	66/3	5 a	15 b	British Insulated £1	72/6		5 1
69/-	46/3	5 a	10 b	Callenders £1	50		6 0
20/-	11/6	12½ b	7½ a	Crompton Park. A 5/-	11		6 13
33/9	16/3	10 c	10 c	English Electric £1	33/6	1/3	8 8
83/-	52/6	20 c	20 c	General Electric £1	65/9		5 10
				Gas and Electricity			
38/3	23/6	5 b	3 a	Clyde Valley Elec. £1	30	1/3	5 6
42/6	20/6	10½ c	3 a	County of London £1	32/6		7 1
27/-	18/-	2½ a	3½ b	Edmundsons £1	21/6		5 1
18/3	11/6	1⅞ b	2¼ c	Gas Light & C. £1	14/9	3d	5
83½	29	2 a	4 b	Imp. Cont. Gas Stk.	67	2	16
32/6	23/6	2½ a	5 b	Lancashire Elec. £1	26/3		5
21/-	12/-	2½ b	Nil a	London Ass. Elec. £1	15/-	7½d	3
31/4½	17/6	2½ a	4½ b	North-East Elec. £1	22/6		6
42/3	22/-	6 b	3 a	Northmet Power £1	27/6		6
38/7½	24/-	2½ a	5½ b	Scottish Power £1	28/1½		5
39/6	24/-	5 b	3 a	Yorkshire Electric £1	28/9		5
				Motor, Cycle and Aircraft			
17/6	7/6	30 c	15 c	Austin 5/-	13/9		5
16/4½	6/-	4 a	6 b	Bristol Aero. 10/-	10/- xd	7½d	10
36/3	17/3	12½ c	12½ c	De Havilland Air. £1	21/3		11
16/9	7/-	†15 c	†12½ c	Fairey Aviation 10/-	10/-	6d	12
18/7½	12/4½	5 c	6 c	Ford Motors £1	15/6		7
15/7½	6/-	17½ b	15 a	Hawker Siddeley (5/-)	9/6	6d	17
60/7½	39/4½	12½ b	2½ a	Lucas, J. (£1)	50	2/6	6
88/3	28/9	25 c	20 c	Leyland Motors £1	50		8
27/7½	16/9	45 c	40 c	Morris Motors 5/- Ord.	18/9		10
4 21/32	2⅛	5 a	15 b	Rolls-Royce £1	[illegible]		6
12/3¾	6/-	22½ c	25 c	Standard Motor 5/-	11/6	1/6	10
				Shipping			
22/7½	12/3	4 c	5 c	Furness, Withy £1	16	6d	6
23/9	13/6	4½ b	2 a	P. & O. Def. £1	8	6d	8
20/-	13/-	5 c	5 c	Royal Mail Lines £1	21/6		6
10/9	4/-	Nil c	Nil c	Union Castle Ord. £1	6	6d	
				Tea and Rubber			
16/7½	5/9	6 c	4 c	Allied Sumatra £1	[illegible]		0
27/3	14/-	2 a	4 b	Anglo-Dutch £1	11/1	7½d	8 0
32/10½	20/-	2½ a	7½ b	Jokai (Assam) £1	25		8 0
3/11¼	2/3	4 a	6 b	London Asiatic 2/-	3		6 13
34/9	20/-	4 a	6 b	Rubber Trust £1	31		8 4
3/3	1/7½	9 c	5 c	United Serdang 2/-	1		4 14
				Oil			
60/3¾	23/11½	20 c	5 c	Anglo-Iranian £1	28/1		3 11
27/7½	14/6	17½ b	12½ c	Apex (Trinidad) 5/-	21/10	1/10	6 17
73/6	35/-	5 a	16 b	Burmah Oil £1	41/3	1/3	10 4
81/10½	28/9	†20 c	†5 c	Shell Transport £1	33/9	7½d	3 0
80/-	45/6	7½ b	7½ a	Trinidad Leaseholds £1	65	2/6	4 12
				Miscellaneous			
62/6	38/9	7½ a	7½ b	Assoc. P. Cement £1	55	1/3	5 9
44/3	23/9	5 b	Nil a	Barker (John) £1	27/6		3 12
44/6	27/6	m29 c	30 9 c	Boots Pure Drug 5/-	40	2/6	3 17
56/-	28/9	4 a	8½ b	Brit. Aluminium £1	44/1		7 5
107/6	53/11½	†20 c	†19⅛ c	Brit.-Amer. Tob. £1	76/3	3/9	5 0
60/-	42/6	7 a	10 b	British Oxygen £1	57/6	1/3	6 0
52/6	32/6	12½ b	7½ a	Brockhouse (J.) £1	42/6		12 6
65½	27	4 c	4 c	Cable & Wir. Hdg.	18		8 6
6 5/16	3⅛	15 b	11⅔ a	Carreras 'A' Ord. £1	4		6 13
38/9	19/9	9 c	12 c	Dunlop £1	29/3	6d	6 3
10/11½	4/-	5 c	Nil c	Elec. & Mus. Ind. 10/-	6/9	9d	
28/3	16/3	15 a	25 b	Ever Ready Co. 5/-	[illegible]	9d	
6 5/16	3¼	7½ a	20 b	Gallaher Ltd. Ord. £1	[illegible]	6d	8
28/6	16/3	25 b	15 a	Gestetner (D.) 5/-	[illegible]		7
93/9	64/4½	20 b	5 a	Harrison & Cros.Dt.£1	17/6		11
40/6	25/-	5 b	2 a	Harrods £1	6		7
33/9¾	17/6	3 a	5 b	Imp. Chem. Ord. £1	27/6		5
13/9	5/-	5 c	Nil c	Imp. Smelting £1	36		6
6 11/32	3 5/16	†15½ b	†7½ a	Imp. Tobacco £1	[illegible]		
$49 9/16	$30¼	$2 25 c	$2 00 c	Inter. Nickel n.p.	4		5
12/3	9/-	5 a	7 b	International Tea 5/-	*		
34/3	15/-	4¾ a	5¼ b	Lever & Unilever £1	10/9	6d	5 12
35	24/6	20 c	10 c	London Brick £1	18/9	7½d	10 1
87/6	67/6	5 a	15 b	Lyons (J.) Ord. £1	33/9		5 19
54/4½	25/-	15 a	23⅓ b	Marks & Spen. 'A' 5/-	77/6		5
4 1/32	2¾	5 a	12½ b	Metal Box £1	55		5
87/6	45/-	12½ b	7½ a	Murex £1 Ord.	3	6d	5 1
23/7½	13/9	4 a	6 b	Pinchin Johnson 10/-	70		5 1
17/6	12/6	15 b	3 a	Ranks Ord. 5/-	16/-	1/-	6
61/6	36/3	2½ a	12½ b	Spillers Ord. £1	15		6
57/9	35/-	10 b	3½ a	Tate and Lyle £1	52/6	1/3	5 14
45/6	29/6	5 b	5 a	Tilling, Thos. £1	44/1	7½d	6 1
26/3	16/-	25 c	20 c	Triplex Safety G. 10/-	33/9	2/6	5 19
96/9	59/9	13¾ b	10 a	Tube Investments £1	18/9	1/3	10 13
68/-	41/3	11¼ b	3¾ a	Turner & Newall £1	80	2/6	3 18
52/6	38/9	7½ b	5 a	United Dairies £1	57/6	1/3	5 4
28/3	15/-	22½ c	28⅛ a	United Molasses 6/8	42/6	1/3	5 19
66/3	38/9	50 b	20 a	Woolworth Ord. 5/-	19/4		7 19
				Mines			
65/7½	26/3	95 c	95 c	Ashanti Goldfields 4/-	57/6	2/6	5 12
11/9	6/3	†3½ a	†3 b	Burma Corp. Rs. 9	32/6	3/9	9 0
51/3	22/6	10 b	3¾ a	Cons. Glds. of S. Af. £1	7/4½ xd		8 17
15	11½	95 b	95 a	Crown Mines 10/-	27/6		10 0
8¼	2 17/32	Nil c	Nil c	De Beers (Def.) £2½	12		7 12
41/6¾	25/3	11¼ b	11¼ a	Randfontein £1	[illegible]	¼	Ni
11 5/16	5⅝	25 b	25 a	Rhokana Corp. £1	30	1/3	15 0
16/-	7/-	5 b	10 a	Roan Antelope Cpr. 5/-	[illegible]	¼	6 19
10⅛	6⅞	75 b	75 a	Sub Nigel 10/-	12	1/-	6 5
7 11/16	5	2·6 o	5·6 b	Union Cp. 12/6 fy. pd.	[illegible]		9 12
88/9	30/-	Nil	Nil	W. Witwatersrand 10/-	5	⅛	7 0
					52/6	11/3	Ni

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Worked on 9% basis. (e) Allowing for exchange. (f) Flat yie (g) Worked on 22½% basis. (i) Annas per share. (j) Yield worked to average redemption—end 1960. (k) Based on redemption at par in 194 (l) Yield based on 75½% of coupon. (m) Including bonus of 5% free of tax. (n) Yield on 1·523% basis. (o) For 15 months to December 31, 1939. Al cash dividend 10 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	Aug. 13, 1940	Aug. 20, 1940
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—	s. d.	s. d.
No. 1, N.Mt. 496 lb. f.o.b.Vc.	25 9	26 3
Eng. Gaz. av., per cwt.*	9 4	13 9
Flour, per 280 lb.—		
Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	15 9	18 9
Oats „ „ „ „	14 2	14 6
Maize, La Plata, 480 lb., f.o.b.	13 9	14 3
Rice, Burma, No. 2, per cwt. f.o.b.	9 6	9 6
MEAT—Beef, per 8 lb.—		
English long sides	4 8 / 6 0	4 8 / 6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4 / 8 0	4 4 / 8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)—		
Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)—		
Accra, g.f.	35 0	35 0
Grenada	55 0 / 59 0	55 0 / 59 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	45 0	45 0
Costa Rica, medium to good	65 0 / 95 0	65 0 / 95 0
EGGS (per 120)—English (Std.)	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English, King Edward	7 0 / 7 6	7 0 / 8 0
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
Refined London—		
Granulated, 2 cwt. bags	36 10	36 10
West India Crystallised	36 9 / 37 9	36 9 / 37 9
TOBACCO (per lb.)—		
Indian stemmed and unstemmed	0 7 / 2 4	0 7 / 2 4
Rhodesian, stemmed and unstemmed	1 0 / 2 6	1 0 / 2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	7·97	8·31
„ Giza, F.G.F.	12·65	13·15
Yarns, 32's Twist	14·50	14·70
„ 40's Weft	15·75	15·95
„ 60's Twist (Egyptian)	27·35	27·50
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 3	s. d. 24 3

	Aug. 13, 1940	Aug. 20, 1940
COTTON—*continued.*		
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	35 3	35 3
„ 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 3	13 3
„ 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 3	12 3
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26 0 0	26 0 0
JUTE (per ton)—		
Native 1st mks., c.i.f. London	25 15 0	Nom.
Daisee 2/3, c.i.f. Dundee, Sept.-Oct. (new)	Nom.	24 10 0
SISAL (per ton)—African, Aug.-Oct.—No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	14 0 / 14 9	14 0 / 14 9
China fil	15 9	15 6
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—		
64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3 / 28 9	28 3 / 28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14 × 20)	26 0	26 0
NON-FERROUS METALS (per ton)—		
Copper (d)—Electrolytic	62 0 0	62 0 0
Tin—Standard cash	263 0 0 / 263 5 0	261 10 0 / 261 15 0
Three months	263 15 0 / 264 0 0	262 0 0 / 262 5 0
Lead (e)—Soft foreign, cash	25 0 0	25 0 0
Spelter (e)—G.O.B., spot	25 15 0	25 15 0
Aluminium, ingots and bars	110 0 0	110 0 0
Nickel, home delivery	190 0 0 / 195 0 0	190 0 0 / 195 0 0
Antimony, Chinese	90 0 0 / 92 0 0	90 0 0 / 92 0 0
Wolfram, Chinese ......per unit	...	...
Platinum, refined ......per oz.	9 10 0	9 10 0
Quicksilver ......per 76 lb.	54 10 0	54 10 0
	s. d.	s. d.
GOLD, per fine ounce	168 0	168 0
SILVER (per ounce)—		
Cash	1 11 1/16	1 11 7/16

	Aug. 13, 1940	Aug. 20, 1940
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(b)	s. d.	s. d.
4-ton loads and upwards per ton	44 6	44 6
CHEMICALS—		
Acid, Oxalic, net ......per ton	60/0/0	60/0/0
	s. d.	s. d.
„ Tartaric, English, less 5%	1 10½	2 0½
Ammonia, Sulphate ... per ton	9/6/0	9/13/0
Nitrate of Soda ...... per ton	10/14/0	10/14/0
Potash, Sulphate ...... per ton	11/18/0	11/18/0
Soda Bicarb. ...... per ton	11/0/0	11/0/0
Soda Crystals ...... per ton	5/0/0 / 5/5/0	5/0/0 / 5/5/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland 40/50 lb.	0 4¼	0 4¼
Cape, Jo'burg Ord.	0 4½	0 4½
Dry Capes, 18/20 lb.	0 5⅞	0 6
English & Welsh Market Hides—		
Best heavy ox and heifer	0 7 / 0 8⅜	0 7 / 0 8⅜
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 6 / 3 0	1 6 / 3 0
Shoulders	1 0 / 1 10	1 0 / 1 10
Insole Bellies	0 9 / 1 2	0 8 / 1 1
Dressing Hides	1 10 / 2 2	1 10 / 2 2
PETROLEUM PRODUCTS (per gal.)		
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
Fuel oil, in bulk, ex instal. Thames—		
Furnace	0 7¼	0 7¼
Diesel	0 8	0 8
ROSIN (per ton)—American	25/0/0 / 30/0/0	25/0/0 / 30/0/0
RUBBER (per lb.)—	s. d.	s. d.
St. ribbed smoked sheet	1 1⅛	1 1
SHELLAC (per cwt.)—TN Orange	80 0	80 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)—		
Linseed, raw	44/0/0	44/0/0
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	19/15/0	19/15/0
Oil Cakes, Linseed, Indian	7/5/0	7/5/0
Oil Seeds, Linseed—		
La Plata	...	...
Calcutta	16/12/6	16/12/6

(b) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (c) Higher Pool prices in some zones. (d) Price is at buyers' premises. (e) Including import duty and delivery charges. * Average weeks ended August 3rd and August 10th.

OVERSEAS TRADE RETURNS

Total Imports (Value C.I.F.)	Month ended July 31 1939	Month ended July 31 1940	Seven Months ended July 31 1939	Seven Months ended July 31 1940
I.—*Food, Drink and Tobacco*—	£	£	£	£
Grain and Flour	5,653,118	6,750,170	35,174,828	60,184,167
Feeding-stuffs for Animals	672,580	646,231	6,105,850	6,046,032
Animals and Meat	8,431,666	7,052,839	58,368,325	64,733,104
Dairy Produce	6,305,847	5,111,947	41,665,704	44,558,741
Fresh Fruit and Vegetables	2,611,957	2,081,009	24,172,274	22,787,611
Beverages	3,001,178	2,781,506	22,178,540	25,364,729
Other Food	5,132,747	4,204,113	33,700,439	44,111,952
Tobacco	1,101,465	1,527,611	7,763,605	5,302,411
Total, Class I	32,910,558	30,155,426	232,129,565	273,088,747
II.—*Raw Materials and Articles Mainly Unmanufactured*—				
Iron Ore and Scrap	1,126,871	1,651,440	5,201,415	10,239,671
Non-Ferr. Ores and Scrap	1,283,438	1,768,704	9,441,492	14,486,996
Wood and Timber	5,408,651	3,698,702	21,386,233	18,125,896
Raw Cotton and Waste	2,022,245	2,514,046	14,944,971	38,446,680
Wool, Raw, Waste and Rags	3,494,135	7,013,809	31,709,760	50,333,016
Other Textile Materials	983,924	1,559,182	9,554,142	18,012,866
Seeds and Nuts	2,725,082	3,567,743	19,370,713	32,652,108
Hides & Skins, Undressed	1,408,004	1,360,326	10,453,599	12,242,411
Paper-making Materials	1,134,157	1,106,438	8,392,523	9,251,876
Rubber	508,256	2,299,718	4,753,214	9,588,911
Miscellaneous Materials	1,165,227	1,441,127	8,198,375	13,287,612
Total, Class II	21,259,990	27,981,235	143,406,467	226,668,043
III.—*Articles Wholly or Mainly Manufactured*—				
Iron and Steel and Mfrs.	1,910,683	3,173,685	9,132,732	15,720,287
Non-Ferr. Metals and Mfrs.	4,024,946	7,790,464	23,306,621	34,866,788
Machinery	2,289,597	2,297,159	15,018,215	18,909,739
Chemicals, Drugs, etc.	1,478,974	1,340,604	9,577,523	11,481,201
Oils and Fats, Mftd.	4,575,337	5,759,985	27,674,566	50,427,356
Paper, Cardboard, etc.	1,552,280	1,006,261	8,890,938	10,717,287
Vehicles	312,487	3,229,988	2,800,373	10,160,704
Miscellaneous Articles	7,317,059	3,798,729	48,964,347	42,750,979
Total, Class III	23,461,263	28,397,175	145,365,315	195,034,341
IV.—*Animals, not for Food*	290,609	214,379	1,840,361	1,323,920
V.—*Parcel Post*	328,889	259,315	2,693,992	2,426,998
Total	**78,251,309**	**87,007,530**	**525,435,700**	**698,542,049**

U.K. Exports (Value F.O.B.)	Month ended July 31 1939	Month ended July 31 1940	Seven Months ended July 31 1939	Seven Months ended July 31 1940
I.—*Food, Drink and Tobacco*—	£	£	£	£
Beverages	1,030,384	1,557,387	8,155,019	13,035,182
Foods	1,545,020	647,244	9,718,023	6,367,840
Tobacco	422,671	410,214	2,853,739	3,013,981
Total, Class I	2,998,075	2,614,845	20,726,781	22,417,003
II.—*Raw Materials and Articles Mainly Unmanufactured*—				
Coal	3,751,866	1,753,292	22,431,737	20,038,627
Other Raw Materials	1,509,076	738,005	11,254,974	8,216,498
Total, Class II	5,260,942	2,491,297	33,686,711	28,255,125
III.—*Articles Wholly or Mainly Manufactured*—				
Coke and Manfd. Fuel	327,469	85,515	2,136,523	1,969,742
Pottery, Glass, Abrasives	884,299	995,535	5,590,261	7,360,528
Iron and Steel and Mfrs.	3,490,438	2,291,734	21,628,456	20,768,623
Non-Ferr. Metals and Mfrs.	1,275,487	778,261	8,707,590	8,579,523
Cutlery and Hardware	852,266	805,983	5,448,621	6,154,027
Elec. Goods and Apparatus	1,035,384	1,083,296	7,355,580	8,542,776
Machinery	4,434,416	2,496,590	32,123,084	24,583,168
Wood and Timber Mfrs.	90,794	59,530	662,594	542,783
Cotton Yarns and Mfrs.	4,450,684	3,881,923	29,002,847	32,623,889
Woollen Yarns and Mfrs.	2,552,573	2,265,319	16,421,438	19,320,769
Silk Yarns and Mfrs.	568,112	891,192	3,374,914	5,452,078
Other Textile Mfrs.	864,076	1,212,565	6,759,545	8,574,818
Apparel	637,885	582,997	4,943,686	5,000,186
Footwear	145,602	119,072	996,417	1,365,762
Chemicals, Drugs, etc.	1,975,857	2,140,974	13,944,334	18,876,878
Oils and Fats, Mftd.	440,395	282,377	3,042,620	2,015,814
Leather and Manufactures	326,902	281,855	2,478,437	2,733,105
Paper, Cardboard, etc.	619,416	916,907	4,158,279	6,341,568
Vehicles	3,422,872	1,869,511	27,960,614	21,449,942
Rubber Manufactures	134,150	116,151	886,793	1,374,737
Miscellaneous Articles	2,468,289	2,398,170	17,412,217	21,243,308
Total, Class III	30,997,366	25,555,457	215,034,850	224,874,024
IV.—*Animals, not for Food*	54,726	78,098	357,369	578,459
V.—*Parcel Post*	1,043,916	449,547	6,812,901	4,503,606
Total	**40,355,025**	**31,189,244**	**276,618,612**	**280,628,217**

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Enterprise and Economy in War

A LETTER from Mr Francis W. Hirst, who was Editor of *The Economist* at the beginning of the last war, is printed on page 279. Mr Hirst takes issue with the general order of ideas on economic organisation for war which have been advanced in these columns since the outbreak of the present war; they may be summarised as calling for a much readier and more conscious acceptance by the State of its responsibility for organising the war effort of the nation. Mr Hirst, by contrast, would call for less organisation and less control and for more private enterprise; the most urgent task of the State at the moment, he maintains, is to enjoin economy on its servants; and he believes that "by adopting the totalitarian system . . . we should be far more likely to lose the economic war of exhaustion than to win it."

The view that Mr Hirst here expresses is, as he would himself admit, that of a minority. But it is not thereby deprived of its title to a respectful hearing. On the contrary, it raises issues which urgently demand clear thought.

One confusing issue can best be put aside at the outset. The argument relates to wartime only; it is no part of the intention of *The Economist* to preach the doctrine of the all-consuming State for use in time of peace. It is true that Mr Hirst might well take exception to the views on the proper rôle of the State in economic affairs that have been expressed in *The Economist* in recent years. To-day, three things are asked of an economic system: it is required to endeavour to make the people's standard of economic welfare not merely higher, but also more equally distributed and more secure against harmful fluctuation. Poverty is not now the only enemy; it has been joined by inequality and unemployment. This three-fold object of economic policy is a very new thing. The second of the three objects would not have been admitted to partnership fifty years ago, nor the third a single generation ago. An economic doctrine whose Golden Rule is the utmost freedom for private enterprise, however admirable it may have been for the simpler problem of an earlier day, is not an adequate formula for the more complex needs of the present world. *The Economist* has frequently expressed its opinion that the problem cannot be solved without some "purposive direction" from the organs of the State. Candour requires this digression; it would be wrong to pretend that advocacy of more or less complete State control in time of war can be combined with support of complete *laissez faire* in time of peace. But it *is* a digression; the views that Mr Hirst quotes from *The Economist* were clearly related to a context of war. No one but a fanatic would dream of suggesting that in time of peace "the Government must assume responsibility for the total organisation of industry" or that "manufacturers and merchants would be the Government's agents" and "workers would be the Government's servants."

The issue between Mr Hirst and *The Economist* can, in fact, be narrowed down to this: is Government control or private enterprise more efficient as a war-winner? In a short letter, Mr Hirst naturally could not develop his reasons, but he does sketch two lines of thought. The first is that control, by stifling private enterprise, removes the mainspring of all economic activity. The second is that Government expenditure on the present level threatens to produce national bankruptcy and, therefore, by implied extension, collapse such as would lead to defeat in war. It will be as well to examine each line of argument in turn.

Government control and private enterprise should not be thought of as elements that are entirely incompatible with each other; on the contrary, in the structure of control many efforts have been made to leave room for private enterprise—with the result, all too often, that too much

room is left for private interests at the expense of the public interest. The substantial issue is not whether economic affairs in wartime can be run entirely by central control or entirely by private enterprise—both are impossibilities—but whether the need of the moment is for more or less control. In naming exports, Mr Hirst has brought forward the example that is most favourable to his case. Export business is one which is pre-eminently suited to private enterprise—though even there, in the peculiar circumstances of war, Government intervention (rather a different thing from control) may be needed before private enterprise can operate. But even if, on the particular issue of exports, Mr Hirst's full case were conceded, he would have to concede, in return, that the war will not be won by exports alone.

To win the war we need to be better equipped than the enemy in such things as ships, guns, tanks and aircraft. Would a relaxation of Government controls increase the output of these things? There are four limiting factors in the production of munitions: the supply of labour, of raw materials and of machinery, and the organisation needed to knit the three together. Labour in the numbers needed can only be supplied by moving workers from one place to another and from one occupation to another and by devices such as dilution and up-grading. Can this best be done by deliberate control or by a return to the freedom of the labour market? It is perhaps more practical to ask whether it could be done at all, within a period of months, by any means other than deliberate control. Raw materials can only be supplied in the amounts needed for war work by a strict system of rationing, coupled with deliberate and, if necessary, uneconomic steps to increase output. The problem of allocating machinery is similar. And as for the fourth element, the need for organisation, that is merely a synonym for control from the centre. It is all very well to say that capitalists would show more enterprise if they were left alone to respond to the profit motive; but if they could get neither labour nor materials nor machines their enterprise would be fruitless.

The system of free competition is the most economic and efficient device yet discovered for distributing the employment of labour and capital in accordance with the money demand expressed for them. Even so, it only works slowly. In war, the problem is to redistribute resources quickly, to do things that private industry has never had to do, and to distribute very scarce resources in accordance with a scale of priorities that has nothing to do with money demand. It is a task that can only be done by control and direction from the State. This is not, of course, to say that any sort of control will do. From the outset, *The Economist* has been the severest and most persistent critic of the actual control system set up, and the solution advocated here has been not so much a greater degree of control as a great improvement in the logical planning, the coherence and the deliberate adherence to the public interest of the controls we already have. The problem of finding a race of wise bureaucrats, which Mr Hirst mentions in his last sentence, is also very real, and probably insoluble in the short run—we can only hope to make fewer mistakes than our opponents. But, in spite of all these difficulties, it is pure fantasy to suppose that the war could be won with a smaller apparatus of control than has been set up. Indeed, to win the war, control will have to be made, if not wider in scope, then more intense in application.

Mr Hirst's second line of argument raises the bogy of national bankruptcy. It is very difficult to attach any meaning to this phrase, or to see how a community, any more than an individual, can go bankrupt through owing itself a large debt. It can create very difficult financial problems for itself in the future, but there is no such thing as a national bankruptcy that would compel us to go out of business as a fighting nation or a Great Power. The best way of avoiding national bankruptcy in any real sense of the word is to win the war, and the chief test of any financial policy should be whether it helps to that end. That having been said, however, it is possible to agree most heartily with Mr Hirst that inflation should, if possible, be avoided, that wastefulness in Government departments is rampant and that economy should be sought by every reasonable means. But Mr Hirst's purpose in advocating economy is evidently the hope that expenditure can be reduced to the level of tax revenue *plus* voluntary savings, and inflation thus avoided. But to proceed in this way would be to make the avoidance of inflation more important than the winning of the war. The real purpose of economy should not be to reduce the proportion of the nation's resources that is being used by the Government for war purposes, but rather to use it more effectively. Mr Hirst thinks the present rate of expenditure is "alarming and extraordinary"; *The Economist's* view is that it is disappointingly small, since, unless it increases, our war effort will be limited to something proportionately much less than Germany's. Economy is to be desired; but every bureaucrat who is weeded out of a Government department should be employed by the Government on something else; expenditure should go up, not down; and the way to avoid inflation is not to limit the war effort to what can be raised by taxes and savings, but to increase taxes and savings up to the level of the war effort.

The order of ideas developed by Mr Hirst may, in fact, without the intention of offending, be described as the economic equivalent of pacifism. The pacifist says that the things that a participant in war is called upon to do are so objectionable that it is better to lose the war than do them. This is very close to what Mr Hirst is advocating when his arguments are closely examined. He believes that the damage done to economic welfare through the invasion of liberty by the controls and through the inflation of public expenditure will be so great that these tendencies must be reversed. The cost of reversing them, as the previous paragraphs have attempted to demonstrate—as seems, indeed, to most people to be almost self-evident—would be to reduce the magnitude and effectiveness of the nation's war effort; but Mr Hirst either refuses to admit that, or else rates *laissez faire* and fiscal retrenchment higher than victory. In either case, the attitude of the vast majority of the public will be that which has been adopted towards the pacifist; to respect the opinion but reject the counsel.

The Last Marxist

ALTHOUGH the manner of Trotsky's death—violent, dramatic and mysterious—is in complete harmony with his long career as a professional revolutionary, his life rather than his death demands investigation, for the extraordinary paradox between his leading position in the Russian Revolution and his banishment from the society which the Revolution created throws light, not only on his own career, but also on the much greater problem of the Russian regime.

Trotsky's early life was that of an orthodox revolutionary. He was typical of the men who made the Russian revolution in the belief that they were making a Marxist revolution. Until the advent of Marxism they were revolutionaries without a revolution, and Marx's great service had been to give such men as Lenin and Trotsky a programme and a point of contact within the Russian society—the industrial proletariat. They in their turn remained unaware of the vast discrepancy between his prophecy of the mass rising of the workers and their conception of a narrow group of bourgeois revolutionaries imposing a proletarian revolution on a non-revolutionary proletariat. In point of fact, the revolutionary situation in Russia was not due to a deadlock created by class war (as Marx had predicted) but to the much less novel, and completely un-Marxian, phenomenon of an unpopular autocracy defeated in war. In pre-Soviet Russia there was no political Labour movement, not even a trade union movement. The *popular* character of Communism was a simple myth.

Thus, though the leading Communists may have thought of themselves as representatives of a mass movement, they were, in fact, a political clique, divorced from any economic

class and bent on destroying existing authority in order to substitute their own. In a very real sense, they were the prototypes of the *deracinés* adventurers who were later to carry through the totalitarian revolution in Germany. But a number of them were also genuinely and idealistically Marxist. They believed that the dictatorship *for* the proletariat which they were to achieve would, in fact, be a dictatorship of the proletariat, government of the people by the people, therefore freedom such as mankind had never known before. The State would "wither" and with it all the paraphernalia of government, bureaucracies, officials and the like. They were also sufficiently Marxist to realise that the full revolution could occur only in highly industrialised countries. Both Lenin and Trotsky, misunderstanding the profoundly unrevolutionary character of the organised Western Labour movements, looked primarily to Germany for the perfect Marxist revolution.

Thus when the disgust of Russia's peasant armies over the carnage and misery of war drove them to accept the leadership of any politician who promised them peace and bread, the Bolshevists seized power, handicapped by their complete misreading of the revolution for which they were now responsible. On the foreign front they believed in the spread of their revolution and their inability to survive without it; on the home front, they believed that their dictatorship must be temporary and would produce a society in which the need for actual government would rapidly wane. These cardinal errors dominated the revolution practically until Lenin's death. If in 1918 Lenin saved Trotsky from continuing the war against Germany on the grounds that the German soldiers would not attack the Revolution, Trotsky's advice, if followed, would in 1920 have spared Lenin the disastrous consequences of the Soviet advance on Warsaw, launched in the belief that Europe was ready for Communism. And both Lenin and Trotsky were in error over the Comintern. It was set up in 1919 against the express advice of Rosa Luxemburg and the German revolutionaries, and its effects were precisely what the Germans had predicted. The Third International did virtually nothing to forward the workers' cause, but succeeded in splitting the unity of the Western Labour movement; and thus helped, fifteen years later, to give Hitler power.

As for the internal problem of dictatorship and bureaucracy, it was possible, while there was still hope of spreading the Revolution and while the counter-revolutionaries were waging civil war on Russian soil, to reduce the problem of government to a stark determination to preserve the revolution and crush its immediate enemies. It is in this period, from 1917 to 1921, that Trotsky's powers were most fully and most obviously deployed. He reorganised the Red Army, the coal supplies, transport. He was largely responsible for the defeat of the White Armies. He became the idol of the Russian masses. The problems arose when the Civil War was won and World Revolution was all too clearly lost. The "vanguard of revolution," with its war communism, its military discipline, its fiery enthusiasm, had to come to terms with itself as an isolated army in a non-revolutionary world.

Marxism gave no guidance to the pre-industrial State. If industry did not exist, as was the case in Russia, it could not be socialised and without socialised industry there could be no Communist State. Trotsky, alone among the leaders, put forward the suggestion that the State should itself create industry. His plan of "labour armies" was later to be the basis of Russia's Five-Year Plans—and of Germany's Four-Year Plan, too, for that matter.

Yet in 1921, Trotsky cried in the wilderness. The totalitarian political control of the Communist Party was already causing an outcry among the people. In the winter of 1920-21 there were widespread revolts with the slogan of "The Soviets Without the Communists." Lenin tried to reconcile his conscience to the existing degree of governmental control by talking of "bureaucratic deviationism." He could hardly add to the evil by accepting the vastly extended scope of government which Trotsky's plan would have entailed. He fell back on the N.E.P., the restoration of private enterprise. If there was no industry, then private enterprise must create it and later on, when it was "ripe," it could be socialised. Trotsky accepted the policy, but not from any desire to reinforce the bureaucratic tendencies of Soviet Government. He welcomed and relied on mass support. It was to his popularity that he looked to secure him the succession to Lenin.

That the succession in fact passed, not to the man most closely associated with Lenin in the eyes of the masses, but to a generally unknown party official who had moved and worked in the shadows was not a chance event, but went to the very roots of the revolution. Trotsky's training as an international revolutionary led him to mistake the substance of power for the shadow of ideology. Stalin, who had not shared his international training, was not prone to the same errors. In him emerged the type of the new revolutionary—ruthless, violent, opportunist, as untroubled by scruples as by ideas, and determined to achieve the totality of power. The Nazi revolution was to throw into leadership men of the same calibre, but Stalin was the first of the line. In the struggle between the two men, Trotsky was handicapped by his Marxist faith and ideological approach. Stalin controlled the machine—the Politburo—and already control of the machine was all. Trotsky's downfall followed swiftly on Lenin's death. He lost his political status, exile to Siberia followed. By 1928 his eclipse was complete.

Yet it is no coincidence that the consummation of this eclipse should have coincided with the adoption, in the Five-Year Plan, of his earlier proposals. Trotsky had advocated industrialisation by the State for economic reasons. In 1928, Stalin based his decision on *political* grounds. The N.E.P. was producing a new bourgeoisie in the kulaks, while the town workers were feeling their way towards a trade union movement. Both developments threatened the totalitarian character of Stalin's dictatorship. To permit private initiative to carry still further the economic development of the country would have stimulated still more the emergence of new economic classes which the Moscow machine could not control. The only way in which a dictatorial hold on all classes—the essence of totalitarianism—could be combined with further economic development was for the State itself to enforce industrialisation.

Yet, even if Trotsky had acquiesced in the *political* grounds for State collectivism, it is still certain that he would have been driven from power. It is the nature of the totalitarian dictatorship to admit no division of control. The linking of another man to a successful policy weakens the leader's authority and destroys that united front *vis-à-vis* the community which the unscrupulous band of leaders must preserve. The problem was peculiarly delicate for Stalin, since the Old Guard still retained remnants of their revolutionary faith and Trotsky, in denouncing "the betrayal of the Revolution," roused a certain response. They could hardly understand that the Revolution they had made had in fact betrayed them. When they looked round in search of those responsible for the "betrayal," Stalin, their supplanter, was the obvious choice.

Stalin, however, was equally in need of a scapegoat, for one was called for by the cost of maintaining a ruthless dictatorship at the expense of every class in the community and by the need to dissociate the dictator from the cost exacted. The Nazis, in similar circumstances, have used the Jews. Stalin took the more universal category of the "Trotskyists." The trials and purges had thus a dual purpose, to liquidate once and for all the revolutionaries who still believed in the proletarian as against the totalitarian character of the Russian revolution, and to pin onto a group of men responsibility for the tremendous suffering exacted by Russia's industrial revolution.

It is thus unlikely that the death of Trotsky will put an end to the cycle of oppression. Inasmuch as Trotskyism represents the idea and Stalinism the system, the revolutionary appeal of Marxism must pass from the Third to the Fourth International, and Stalin will lay the spectre of Marx only by exterminating the whole revolutionary tradition linked with his name. As for the scapegoat, Trotsky's death will make no difference to the Russian dictator's need to shift responsibility. The Nazi system needs the Jews. The Russian system needs the Trotskyists. Even if Stalin is directly responsible for the murder in Mexico City, he cannot afford to let Trotsky die. Trotsky must last as long as the revolution from which he was cast out.

The Railway Problem

PUBLIC opinion is not formed by White Papers, but by their consequences. Six months ago, the White Paper which embodies the "outline" of the financial arrangements between the Minister of Transport and the railways made no great stir. It was difficult to understand; its language was vague; and it represented merely the heads of agreement. Parliament was indeed promised—or understood that it had been promised—the full text of the agreement, but it has never been published. Now that its economic implications are unmistakably plain to railway users, there is little need for the full text. It has become known through its works.

A large part of the "outline" of the agreement was taken up with a description of the wartime pooling scheme between the main line railways and London Transport, and with the Government's guarantee of a minimum net revenue. The all-important question of charges was briefly covered in a sentence which deserves quotation in full:—

> Rates, fares and charges will be adjusted to meet variations in working costs and certain other conditions arising from the war, and machinery will be provided to this end.

The Economist, when the agreement was published last February, stressed the inflationary implications of this clause. It was suggested that it provided little inducement to the railways to maintain charges at a level that would be economic for the community; that, while the railways were to be protected against any rise in direct costs, they would retain the full benefit of the fact that their overhead expenses would be spread over a greater volume of traffic—thus gaining on the swings and not losing on the roundabouts; and that it would give a powerful incentive to the railway unions to press for higher wages. As an apparatus of inflation, this technique could hardly have been bettered. It was also a potential instrument of taxation, since the Government shares equally with the railways when revenues exceed the stage 2 level of £43½ millions.

In April, the then Minister of Transport made an order increasing railway charges by 10 per cent. The first twist of the spiral thus followed the signing of the agreement (or, more strictly, the initialling of the "outline") by a mere two months. The increase was a purely administrative act. The Railway Executive Committee, in accordance with its duty, had merely tendered estimates to the Minister showing that increased working costs amounted to £26¾ millions for the 19-month period to March, 1941. The same Committee had submitted that a 10 per cent. addition to charges would approximately recover this amount, and the Minister agreed. There was no public inquiry into the change in railway charges, but in the case of London Transport's road services, the Minister preferred to obtain the views of the Charges (Railway Control) Consultative Committee on the best means of obtaining the increase, thus exercising his option under the agreed machinery for the adjustment of charges to seek the Committee's advice "unless he considers it unnecessary or undesirable." The first part of the increases in London road fares went into effect on July 3rd, with the raising of penny fares to 1½d.

This week the Consultative Committee has been sitting "to advise the Minister as to the best method of further increasing the charges of the railway companies and London Transport so as to yield (together with the yield from increases already authorised) a sum of about £44,500,000 for the period to September 30, 1941," that is, an increase of £15 millions on the estimated revenue from fare increases already authorised. It is important clearly to emphasise the automatic procedure for the adjustment of charges. Each quarter, the Railway Executive Committee makes an estimate of increases in working costs. These are submitted to the Minister, and if, in the view of the Committee, they justify an increase in charges, proposals for the increase are attached. It follows from the protection afforded to the railways by Clause 10 of the White Paper that, if the estimates of increased costs are proved to the satisfaction of the Minister, the undertakings are entitled to a corresponding increase in charges. He may, if he chooses, grant the increase by Order. If he refers the matter to the Consultative Committee, it means that he has already decided in principle that the estimates of increased costs are justified, and that the companies are entitled to their increase. The only question which concerns the Consultative Committee is the best means of obtaining the increase. Although its personnel is the same as that of the Railway Rates Tribunal, its functions are not judicial; it does not find that the railways have a case which justifies an increase in charges, as under the old procedure, but instead it merely takes the instructions of the Minister that a case has been established, and recommends the manner of its application.

Only this week has the circumscribed character of its work been fully realised. Some spokesmen at the hearings have suggested that the proceedings were a sham, and even counsel in pleading for a wider interpretation of its terms of reference pointed out that otherwise the Committee might become "no more than a rubber stamp to delude the public." This inquietude has not been soothed by the disingenuous argument that the application for increased fares came only from the Railway Executive Committee, an agent of the Minister of Transport, and was not inaugurated by the railway companies.

These are matters of procedure. But they concern the raising of fares and charges to cover estimates of increased costs for the period from September 1, 1939, to September 30, 1941, amounting to £46,000,000. Increases in charges already authorised are estimated to produce £29½ millions by that date, leaving £16½ millions to be found. The Railway Executive Committee's proposals are for further increases in charges totalling £15,100,000 for the year to September 30, 1941. They involve the substitution of 17½ per cent. for the 10 per cent. increase ordered last May for the main lines, and the shortening of fare stages on London Transport road services to three stages for 2d., five for 3d., and so on, with consequent adjustments in workmen's fares and in the Board's rail fares. It is the Committee's task merely to advise upon the best way of finding the money and it is only within these limits that it can accept or modify the proposals of the Railway Executive Committee.

This process of adjustment is a quarterly procedure. The public now realises that, so long as railway costs increase, there is no escape, under the present agreement, from an automatic increase (subject to a short time-lag) in railway charges. It does not always realise that this process does nothing to increase railway net revenues. All that the railways are entitled to, under the agreement, is to offset increased prime costs by increased charges. If the volume of traffic had not increased, it would be a process for matching debit with credit, leaving the railways with the same net revenue. It is imperative, therefore, that criticism should be directed where it rightly belongs—against the fundamental character of the financial agreement itself, and not against any particular application under the agreement. And it is a matter for strong criticism that, six months after the "outline" has been published, its full terms remain undisclosed.

The element of public interest in the machinery for adjusting railway charges can be stated simply. Railway charges enter at every point into the level of money costs of the community. They affect the traveller directly—the cost of transport makes a large demand on suburban budgets—and an increase in railway charges is likely to be translated into higher prices for consumption goods and industrial raw materials. It swells the incentive for demands for increased wages, firstly from railway workers, and secondly from industrial workers. It increases the cost of many materials which the railways themselves use. So the spiral proceeds viciously upwards. It is a process inherent in the terms of the agreement itself, and, as with all inflationary processes, every party to it can disclaim responsibility for it. The courage to break the cycle rests, in the last resort, with public opinion itself.

How can the agreement be revised? And how should it be altered? The answer to the first of these questions is contained in Clause 11, which states:—

> The Minister of Transport or the Railway Companies and the Board jointly may, after the end of the year 1940, propose revision of these arrangements *for any cause of a major character* and, if agreed, the arrangements shall be revised accordingly.

These phrases are so conditional as to render any speculation about the machinery of the arrangements for revision impossible. Plainly, the full terms of the agreement itself must be consulted to discover what constitutes a cause of "major character." But already it is becoming apparent that successive increases in railway charges, on the scale of that ordered last May and the current proposals, would constitute a cause of major character to the community, if not to the contracting parties themselves.

The second problem is even more difficult. The railways have made it known that the present agreement was not of their choice. They did not welcome the inclusion of London Transport in the Pool. At one stage in the negotiations, moreover, they had demanded a guarantee of their average net revenues for a given pre-war period, to be supplemented by an addition "which would reflect in each year any increase in gross receipts not arising from higher charges"—i.e. a minimum net revenue, varying upwards in proportion to any increase in the volume of traffic. This formula would at least have honoured the principle that the railways were entitled to some increase in reward for increased work, without covering them automatically against increased prime costs. It would have maintained some incentive to economical working, and the adjustment of charges would not have become a mathematical process, in which it is nobody's right or duty to consider the public interest.

The contrast between railway policy in the last war and in the first year of the present war poses the question whether the arrangements which prevailed between 1914 and 1921 were, after all, so disastrous for the nation and the railways as each side alleged at the time. The railways obtained a guaranteed revenue, and were paid a lump sum for depletion after the war. During the war itself, railway charges were stabilised, and thus helped to resist the inflationary processes which seem inseparable from war finance. After the war they were substantially increased, and the railways claimed that their goodwill was seriously prejudiced. But, as the consequences of the agreement of last February become clearer, it seems questionable if the companies will retain any goodwill at all after the present war. If it is necessary in the public interest to subsidise the cost of certain essential foodstuffs to prevent automatic demands for increased wages, is it any less necessary to ensure, either by subsidy or some alternative financial arrangement, such as a fixed annual payment, that the cost of transport is kept as low as possible, or at least that it is not encouraged to rise? The Government cannot logically maintain that food subsidies are necessary and at the same time remain a partner to a financial arrangement in which it has a deferred interest in increased railway earnings. Whether transport, like food, should be subsidised in wartime may be arguable; but it is certainly wrong that the cost of transport should be saddled not merely with the burden of higher profits for the railway companies but also with a back stairs revenue for the Exchequer. The railways are entitled to the square deal for which they have so persistently asked. But the present position is that they are first of all provided by the Government with an increased volume of traffic and allowed (subject to an Exchequer share) to retain the full automatic benefit to their net revenues thereby entailed; that, secondly, they are encouraged—indeed, compelled—to give the inflationary spiral an additional boost every quarter; and, thirdly, that they, unlike the rest of the community, are protected against the consequences of the inflation which they automatically foster. That may be no more than a square deal for the railways; but there are ways of ensuring equity for them without such an accumulation of penalties for the community.

Home Guard

IT is difficult to recall that less than four months have elapsed since the German offensive against the Low Countries was ordered, for the sequence of military reverses punctuated by brilliant defensive exploits has played tricks with time. Already the Home Guard, called to service as Local Defence Volunteers by Mr Eden only four days after the German attack began, and long before there was any premonition of the collapse of France, has become an established section of our military organisation. The formation of the Home Guard capitalised Britain's native talent for volunteer effort, just as the Napoleonic threat called into being a citizen army more than a century earlier. Its rapid recruitment was a typical British reaction to the history of Nazi intrigue and treachery in Norway, Holland and Belgium, and to the arch cunning of parachute troops in sabotaging communications, industry and military operations. The parachute attack, being essentially a diversion, needed a special defensive force. That force sprang into being almost overnight.

To-day, it is at full strength, numbering roughly one and a half million men, whose ages range from 17 to 65. A wide assortment of ages, military experience, political opinions and social grades has, in these epoch-making weeks, been welded into an efficient defensive organisation. This "gang whose avowed purpose was insidious murder" has aroused the vituperation of the Nazi press. In itself, that may be taken as a favourable sign, for Germany, of all nations, had long proved the value of para-military organisations as an adjunct to the regular army. There is, however, this important difference. The Home Guard is a voluntary organisation and the German para-military groups never were. But it is also a military force, subject to military law and military discipline when on duty. It serves under the Commander-in-Chief, Home Forces. It is organised in conjunction with the county regiments, and is entitled to wear their badges. And the niceties of international law—if they still count for anything in the Nazi mind—are observed in its uniform and equipment. Denim battledress is not the acme of comfort; nor is the distribution of some items of equipment complete. But in the last three months many members of the Home Guard have been equipped and have obtained—or renewed—useful experience with the rifle; and some fortunate units are now competent to handle automatic arms.

Meanwhile, a vast amount of navvying has been done. Redoubts have been constructed; firing positions dug; and road-blocks placed in position. The value of these works from a military point of view, admittedly, varies greatly in different localities. Local defence is a local problem, which can only be solved by local decision. Some fruitless work could have been avoided with clearer direction from above; and advice from military commands, where it has been obtainable, has usually prevented waste of effort. One fault in local defence works is a tendency to concentrate upon superficial solidarity, rather than upon effective concealment. Where this fault has occurred, it has usually been due to insufficient recognition of the principle that the light forces of the Home Guard will have to deal with the enemy's vanguard, not his main force. Their task is to exploit flexible defence and the element of surprise to the full, against an enemy who will be travelling light and fast. The notion that concrete and sandbag emplacements must be defended to the last man is a tactic which passed out with the Boer war. If the enemy should ever succeed in establishing a bridgehead on these shores, he will bring weapons capable of crushing these rustic Maginot lines. The Home Guard's business is with an earlier stage, when the Germans will be trying to spread confusion by the use of light mobile forces.

This is a fundamental point, which affects the type of training which Home Guards are receiving, and determines the proper scope of their duties. First and foremost, the force is intended to detect and frustrate attempted enemy landings from the air. There is no inherent impossibility in the landing of light armoured vehicles from aircraft; and, in any event, the first attempt of a determined parachute force would be to obtain transport, to convert itself into a mobile spearhead, surprising the defence, and attacking vulnerable points in the shortest time. Control of the roads, therefore, has become an important part of the Home Guard's routine duties, as a safeguard against attempted invasion from the air and as a check upon any Fifth Column movements. These primary duties are important, though they are not all-embracing. In circumstances of actual invasion, there would be no limit to the responsibilities which might be entrusted to the Home Guard by the military authorities. It has ceased in name to be a local defence volunteer force, and though its local character is a condition of enlistment, the Guard would have perforce to be capable of wider deployment in circumstances of invasion.

For such duties, a more positive scheme of training appears to be required. Training centres have been set up, at which the ideas of flexible defence and the principles of concealment and surprise—based, in large measure, on the experience of the Spanish civil war—are taught. But to many Home Guard n.c.o's these ideas would seem dangerously new. Many excellent soldiers who served in the war of 1914-18 have inculcated discipline and licked unpromising raw material into military shape. Their defensive ideas, however, are not infrequently based upon the textbooks of thirty years ago, and their notions of attack, in many cases, hark back to infantry field training and extended order work. Groundwork and cover are important; but they have to be learned in conjunction with mobility and clever scouting. Trench warfare and fixed positions are military relics. They are certainly an ineffective answer to a highly mobile force which would rely on speed rather than fire power to cut a path for heavier forces in the rear. That lesson may be known by the High Commands, both of the Army and of the Home Guard. But it cannot be applied in training until its importance is realised by every platoon and section commander, many of whom need intensive tuition on these lines. Once they are given instruction in the new principles of defence, the detailed application of these principles can safely be left to local ingenuity.

Home Guard detachments, however, also have an important part to play in the defence of factories. Here the fixed defensive position is more important, and the Guard is on the spot. But in many areas the men are working long hours before their duty. In some cases there may be comparatively few available men when those engaged in A.R.P. and fire-fighting duties are excluded. Again, the number of workers to factory space is sometimes small—in heavy industry and power plants, for example. In many industrial areas, indeed, there is something to be said for factory defence platoons organised on a co-operative basis, where the numbers available for defending individual factories are small. Here again the need for special training is apparent, though the task of defending industrial plants against sabotage by invading flying columns is probably simpler than open defensive operations. In large urban areas, civil and military defence organisation is already highly developed, and the rôle of the Home Guard is diminished. It is in the decentralised industrial areas, among the smaller factories, that a special need exists.

The Home Guard has now passed out of the tenderfoot stage. Its organisation is working with reasonable smoothness, and there has been time to discuss in public questions involving pay and discipline. The bulk of the members of the Home Guard are not men with comfortable incomes and appreciable leisure. Many of them are wage-earners who are out of pocket for various items of equipment and comfort, and many have lost time from their employment in carrying out their duties. The subsistence allowance of 1s. 6d. for each period of five hours' duty has been welcomed by many members of the Home Guard, though criticised by others. Those who do not require the payment can surely invest it in Savings Certificates or, better still, give it back to the country without interest. But the question of discipline is more important. Technically, there are no commissioned or non-commissioned officers in the Home Guard. In practice, regimental and platoon commanders are equivalent to commissioned officers, and section commanders and their subordinates to non-commissioned officers. They do not exert the military discipline which characterises the regular army. But, in general they do—provided, which is important, that they show themselves capable of doing their job—obtain a response from their men, which shows that a volunteer force can behave with every sense of military responsibility, even though it is not exposed to the full rigour of military sanctions. The weeding-out of inefficient commanders and the insistence upon the democratic character of the force—signalised by the descent of retired generals from their red tabs to cotton twill—will strengthen the solidarity of what is primarily a citizens' army.

There is, however, a real need to plan for the future. Immediately, the need is still for elastic defence against invasion. But suppose that invasion is not attempted. What part will the Home Guard then play during the winter? Its successful formation has been greatly assisted by exceptional summer weather. Just as the need for interest and diversion for the troops is recognised as the winter approaches, so is it necessary to think out the most suitable method of winter training and exercises for the Home Guard. An open-air force must find suitable winter quarters. It must tighten its liaison with local military units. It will have the opportunity to challenge its orthodox summer training against more up-to-date military principles. If this task is carried out efficiently, the Home Guard will be better equipped to replace the army in home duties when the defence of Britain is succeeded by the European offensive against Germany.

NOTES OF THE WEEK

The War in the Air

There is a stage in wrestling matches when the combatants move warily, feeling for a decisive hold. The Battle of Britain is still in this stage. The heavy losses sustained by the German Air Force in their first attacks on ports and shipping, *en masse* and by day, have not seriously staggered the attacker—as a few people short-sightedly thought. The German tactics have indeed been changed. More and more the enemy bombers are coming over by night when the British fighter defence is inevitably less potent. They are still coming over in fairly large numbers but, increasingly, their attacks are delivered by small formations, or even single machines, spreading out all over the country. But the strategy of the attacks is unaltered. Round the coasts the plan to destroy, delay or dislocate shipping by raids on convoys and harbours, by submarine activity out at sea and by the ceaseless sowing of mines is still being operated—with no vital successes. Over the land, the object is still to put the first defensive line of airfields temporarily out of use and then to press on inland to the centres of production—and London. The Midlands have been attacked several times. There have been several scattered raids on the London area, and a number of night warnings holding up workers and travellers for an appreciable time. But no attempt at a knock-down blow has yet been made, and all attempts to break through to London in large numbers by day have been frustrated.

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Actually, it is probable that the usual conception of this struggle as an effort to bring down Britain with a single smashing fall is not quite accurate. Nor is it simply a "war of nerves," as the cruising of night bombers over London, without any intensive bombing, has led some people to suppose. It is better described as a test of endurance, in which the German intention is to strike again and again at our defences, here, there and everywhere, until at some place they weaken and fail through exhaustion. The enemy is prepared to suffer big losses in this endeavour, and without doubt will attempt to take heavier toll—at what seems to him an opportune moment—of property and life in London and the other big cities. Only if he thinks that resistance is perceptibly weakening, is he likely to attempt the decisive stroke—invasion. So far he has gained only small encouragement. He is being held in Britain, while his own centres of industry are being battered every night by British bombers, with noticeable effects upon his war production. But he has not yet been deterred from his offensive, and the crucial stages are still to come.

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An Eye for an Eye?

London has been bombed from the air and there have been calls from several quarters for reprisals on Berlin. British bombers have been in action over the Berlin area, but the Air Ministry has stated that these raids were simply part of the general design to damage the German war economy. In refusing to contemplate any policy of reprisals against Berlin the Air Ministry is without question wise, and it is opportune that the point should have been made before any really intensive raiding of London has started. It is a leading advantage in the air war so far that British bombing has been skilfully directed to vital spots by economic and strategic experts. With the navigational skill of British pilots and the constructional skill of British manufacturers, it serves as yet another proof of the way in which superior quality can offset inferiority in numbers. To send out bombers on errands of indiscriminate destruction would be to surrender that advantage for an emotional catch-phrase. This is not simply a sentimental refusal to recognise the full implications for British attackers of total warfare in the air—though it would be a very hardened cynic who did not admit the Germans' preference for methods of terror as a distinguishing mark which it would be a pity to remove. British raids on Germany must have caused many civilian deaths and much damage to non-military property; it is impossible to attack military targets without hitting the area around. But deliberately to attack residential districts would be not only repellent, but inexpedient as well. It would be wasteful and would produce no useful military results comparable with the destruction of munition plants, oil refineries and communications. This applies particularly to Berlin. Berlin is much further from British bases than London is from German bases. It is harder to bomb, therefore, and cannot be bombed so frequently. Its actual importance in German economic life is vastly less than that of London in British life. Not many more than 5 per cent. of Germany's own population live in Berlin, while London shelters over 20 per cent. of the population of Britain. The R.A.F.'s consistent attacks on Germany—and Italy—have been brilliantly conceived and carried out. They have wrought much more damage on war factories and essential communications than has been done in Britain, where output has not been slowed down at all yet; and it would be a gross error if these invaluable activities were now to be diverted to the pointless and unsavoury task of terrorising Berliners.

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Stalemate in Greece?

If Italy really means business in Greece, she is taking her time to complete her preparations. True, some 150,000 men are believed to be concentrated in Albania, a large percentage of them within the previously demilitarised zone on the Greek frontier, but the way of dictators when they mean to strike is to strike suddenly in the dark, not after a long, leisured fortnight in the glare of the Mediterranean sun. Reports from Berlin confirm the likelihood that Italy is looking for something short of war. Germany is said to have sent diplomatic assurances to Greece that Italy is not going to fall into the "Balkan war trap of British intriguers," and that the troops in Albania have a political rather than a military significance. What the Axis want from Greece is obvious enough—the abandonment of the British guarantee and of trade with Britain. The acceptance of "navicerts" and the maintenance of maritime relations are held to violate Greece's "so-called neutrality," and there is a certain peevishness in the Axis complaints that Greece (and behind her Turkey) will not recognise the Axis' total victory and the new order they are creating in Europe. The peevishness may well have been increased by the events of the last fortnight. The beginning of Italian pressure on Greece coincided with the first great air offensive against Britain. According to Axis calculations, Britain should have been crippled and still more discredited and Greece should have yielded to Axis pressure, as Roumania had done a few weeks earlier. Our air victories, coupled with a series of successful naval exploits in the Eastern Mediterranean—the most recent, our raid on Bardia on August 23rd took British ships right into the Italian base—upset the calculation. The Axis victory did not look so total after all, and the British guarantee to Greece, specifically reconfirmed by us on August 22nd, gave General Metaxas the necessary political and military backing to resist Italy's demands. Turkey's assurances that her benevolent neutrality might go further than benevolence increased Greece's confidence, particularly since the assurances were given after consultation with Russia. Italy is therefore left suspended between the Axis' determination to avoid a Balkan war and General Metaxas' decision to yield nothing to a merely diplomatic threat.

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From Salzburg to Vienna

The history of Danubia since the last war has probably included more unsuccessful conferences and more fruitless plans of reorganisation than that of any other region. Hitler may have imagined that the extension of his *Lebensraum* would put an end to such nonsense. There was after all no further need to consult the wishes of the inhabitants, and by destroying the independence of Austria and Czecho-Slovakia he had modified the problem by reducing the number of factors to be considered. The events of the last months suggest, however, that the final obstacle to all schemes of Danubian consolidation—Hungary's "No, no, never"—is as operative in the new beneficent German order as under the wicked and outworn system of Versailles. Early in July at Salzburg the Roumanians received their marching orders. They were to reach an agreement with Hungary. After some delay, negotiations began. After further delay, they were broken off, at first, it seemed, decisively, but under Axis

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pressure a grudging rider was added to the communiqué of August 24th stating that conversations would be resumed. The main obstacle to agreement is Roumania's refusal to cede the two-thirds of Transylvania demanded by Hungary and Hungary's refusal to consider Roumania's alternative suggestion of a cession of the frontier districts coupled with a far reaching exchange of populations. Germany's intervention might not have been so immediate—the summons of the Foreign Ministers of both countries to Vienna followed within four days of the breakdown of the talks—had not there been signs that the dispute was about to be *transferred* from the conference table to the field of battle. The Roumanians accused Hungarian aircraft of bombing Satu Mare and Arad on August 28th. The Hungarians counterclaimed that a Hungarian plane was forced over the Roumanian frontier by Roumanian fighters which had violated Hungary's territory. The Hungarians also claimed that Roumanian divisions were assembling on the Hungarian frontier because "the Roumanians have judged that the time has come for committing a manifest act of war against Hungary." At this point, Hitler judged that the time had come for committing another *Diktat*.

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The Vienna conference is evidence of the Fuehrer's intense anxiety to prevent a Balkan war. Germany's fear of hostilities is Roumania's strong card, and both King Carol and his Transylvanian advisers are probably shrewd enough to play it. The temper of the country is opposed to radical concessions, and Hitler will have to use a very big stick to bring the stubborn negotiators to heel. That he thinks of doing so is perhaps confirmed by the presence of Field Marshal Keitel along with Ribbentrop and Ciano at the Vienna meeting. The threat of direct German occupation and the transference of Transylvania to the control of its German minority may be Hitler's last expedient to bring both Hungary and Roumania to a more pliant frame of mind. It is just possible that Roumania holds another card in Russia's attitude, or could do so had King Carol not abandoned himself so completely to the Axis. It is true that there have been minor frontier clashes between Russians and Roumanians in the Bukovina, but Russia is known to be urging Roumania to draw closer to Bulgaria with the successful conclusion of the Dobrudja dispute as a basis. And Russia is significantly absent from the Vienna meeting. The omission is curious. The first anniversary of the Russo-German Pact occasioned an outburst of praise and unity in the press of both countries with special references to their peaceful collaboration in Eastern Europe. Yet Russia—with her common frontier with Hungary and Roumania (and incidentally with the disputed region of Transylvania)—is to be excluded from this week's version of "peaceful collaboration." On the face of it, Russia's absence appears to bear out the interpretation that Russia and Germany are rapidly reaching the limit beyond which their interests inevitably and fundamentally clash.

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Japan's New Order

A purge of truly Russian proportions has recalled Japanese diplomatists from every quarter of the globe. Five ambassadors and nineteen Ministers are affected and of the greater centres London is practically alone in retaining its Ambassador, Mr Shigemetsu. The purpose of the purge will be more apparent when Japan's new diplomatists are appointed, but its connection with Prince Konoye's New Order has been officially admitted. The new spirit which, as the spokesman put it, is tearing through Japan like "a ball of fire," is to renew the face of diplomacy as well. What exactly the new spirit is, it is harder to define. Prince Konoye's earlier pronouncements on the abolition of the party system, the need of national concentration and of service to the community, coupled with the inclusion in his organising committee of noted pro-Axis and Right-Wing extremists, led the outside world to believe that Japan was indulging once more in her passion for imitation and was about to reproduce the totalitarian system in the Far East. Prince Konoye's more recent statements have attempted to correct this impression. He condemns the oppressive machinery of the single-party State, for, "no matter what brilliant result such a system may have reaped in other lands, it is not acceptable to Japan because it is contrary to the basic principle of our national policy of 'one Sovereign over all.'" The Japanese Prime Minister is obviously putting his finger on the fundamental difference between the German and the Japanese systems. The cult of the Emperor spreading outwards through every section of the body politic and representing a devotion to tradition, to hierarchy, to historical forms, is in flat opposition to the Nazi dictatorship which thrives on having abolished all historical links and social traditions. Just as Japanese parliamentarianism was more Japanese than parliamentary, the new military Japanese State will be more traditional than totalitarian. But it will not on that account be less belligerent. Aggressive imperialism is inherent in the military tradition of the Samurai.

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The Internment Policy

There is some danger lest the public indignation that has been justifiably aroused by the revelation of conditions in the internment camps should reach such an extreme that nothing short of a general release of internees will satisfy public opinion. It is important, therefore, that the two aspects of the aliens question should be regarded separately—the internment policy and the administration of that policy. Those who condemn the Government's decision to adopt wholesale internment generally do so on the grounds that it is illiberal and contrary to English traditions and practice; that it puts us in bad odour with the United States; and that the spy danger was greatly exaggerated because, from experience in Scandinavia and the Low Countries, enemy agents are more likely to be found among native citizens than among aliens. It is quite true that the imprisonment of those who have sought sanctuary here is distasteful—and there is no evidence that the Government adopted the policy with anything but reluctance—but so are many of the other measures which have been willingly accepted in the name of national security. Moreover, Hitler chooses his fifth columnists advisedly, and, knowing full well our fondness for cherishing the oppressed, may be presumed to have taken advantage of it. In fact, it has been officially revealed that German agents, impersonating refugees, have actually been detected, and it has been stated in Parliament that the leakage of vital information has noticeably diminished since internment began. A purely sentimental attitude over the refugees tends, too, to ignore the fact that they are still Germans—natives of the country with which we are at war. The fact that they arrived here to escape the brutalities of the Nazi regime, frequently on their way to the United States or South America, does not *ipso facto* make them pro-British, however strongly they may be anti-Hitler. It is a gross presumption to regard all refugees as being willing to give active help to a country which is fighting the land of their birth—the land to which many of them still look for their future.

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The Aliens Administration

If the considerations of principle that dictated the reversal of the internment policy in May and June were undoubtedly right, the administration of the new policy has been no less clearly faulty. No words are strong enough to condemn the callousness, the clumsiness and the general incompetence with which the question has been handled. It was unfortunately necessary that the innocent should suffer in order that the guilty should not escape; but that is no excuse for the wholesale, thoughtless and indiscriminate misery that has been inflicted. Only now, after three months, is the machinery for distinguishing those who have lost all feeling of their German nationality and for extending mercy to the old, the young and the sick, beginning to move. The second White Paper, published at the end of last week, has revised the original categories of release and added a new category which makes a person eligible for release if he is reported by a tribunal to have "taken a public and prominent part in opposition to the Nazi system and is actively friendly towards the Allied cause." The tribunal will base its decision on the man's writings, speeches, or political activities over a period of years. It has also been decided that Category B aliens, whose classification has not been confirmed or made by a Regional Advisory Committee, will be eligible for release if they come within the White Paper, and that a complete revision of all Category B aliens should be carried out on general grounds of equity. In the first three weeks of August over 3,000 cases were examined in the light of the first White Paper; 832 were found to be outside the categories; 1,500 applications are still being investigated; and 805 have been granted release. Even with the present and future recommendations of the Asquith Committee, therefore, release will be slow, so that a drastic overhaul of the administration of the policy should be undertaken at once. Since the end of last month conditions have certainly improved, for the Lytton Advisory Council is already doing

admirable work. But it has to work through a small and overworked department of the Home Office, which also has to hear the recommendations of all the other committees and tribunals appointed to deal with aliens. There are the Regional Advisory Committees, appointed last April to review cases; the Asquith Committee; the Loraine Committee, which is to consider the cases of interned Italians who are eligible for release by the White Paper; the tribunal to adjudicate on persons coming under the new category; the advisory committee on Category B internees coming within the White Paper; the tribunal or tribunals which are to review all Category B; and the International Labour Branch with its own advisory committee. Surely there is a case either for putting some of these bodies in a separate Department, under a junior Minister, to take charge of aliens of all nationalities, or at least amalgamating them under an enlarged Home Office Department. It would be easier then to administer an aliens policy. The object of this must be the welfare of all aliens, which in effect means finding them something to do; the rapid release of all enemy aliens who wish actively to help us; and the welfare of those who remain interned, which means reuniting families, decent accommodation not imprisonment, and again, and equally important, finding them useful, if humble, employment.

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France Without Leaders

France is recovering from the first bewildered shock of invasion and overthrow, and there are signs that the earlier mood of deep depression and fatalistic acceptance is beginning to give way to more positive feelings, now that the full significance of the German victory is beginning to permeate popular consciousness. In occupied territory there is no outward disorder. That peace reigns which the German Gestapo knows how to create in the desert wrought by the German army. It is in unoccupied France that the temperature of popular feeling is rising, for here a discredited Government is trying to impose its feeble authority on a population driven to despair by the chaos of unorganised evacuation, unemployment and short rations which make up the picture of the French Provinces. Riots have occurred in Toulouse, and reports of serious discontent are widespread. Germany watches with sardonic pleasure the impossible situation into which the Vichy Government has fallen. The Cabinet's only hope lies in securing effective co-operation with the victors. Such was the avowed policy of Pétain—"a fair and honourable peace between soldiers"—and the unavowed policy of his crew of doubtful politicians, notably Laval, who believed his friendly relations with German and Italian Government circles would secure Axis support. That they are prepared to carry this co-operation to fantastic lengths of hostility to their old ally is illustrated by the recent surrender of 800 French aircraft to Germany and the envenomed attack broadcast by M. Baudouin on the subject of the blockade, in which the responsibility for France's plight was pinned not on to their German invaders but on to their British friends. But both Germany and Italy disown Vichy. Abetz, the German controller, is busy with the really revolutionary material for a "National-Socialist" France which, with a sound historical instinct, he is seeking in Paris. The fate planned by Germany for Vichy appears to be either to lose all semblance of authority and to invite Germany in the name of good order to occupy the remainder of France, or else to endure the crowning infamy of being drawn into war against Britain at Germany's side.

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Meanwhile, the Vichy regime is trying to keep up a semblance of prestige by removing from public service all figures of national importance to whom popular discontent might rally. One hundred and eighty generals have been placed on the retired list, including the heroic defender of the retreat to Dunkirk, General Prioux, and Britain's chief collaborator in Flanders, General Blanchard. Even General Noguès is to leave active service. All this suits Germany admirably. If no one is left in authority save the men of Vichy, France's national resurgence must continue to languish for want of leadership. This stagnation renders all the more important the position of General de Gaulle. He has received two important acquisitions of strength this week. Colonel de Larminat, the former Chief of Staff in the Near East, has arrived in London to serve with the Free Frenchmen and has already left again on an important political mission. And the first French colony to throw in its lot with General de Gaulle has announced its allegiance. The Territory of Chad, whose Commandant, Colonel Marchand, himself signed the colony's declaration, has a strategic importance out of all proportion to its economic strength. It blocks Germany's way to the Equator, and had an Italian "Disarmament Commission," similar to the one already dispatched to Syria, been able to go to Fort Lamy, the Sudan might well have found itself encircled. Britain has offered the colony full economic support, and there is reason to believe that other French colonies will follow Chad's courageous lead. France's first need is a restoration of morale through the restoration of honourable and effective leadership. Each new increase of strength for General de Gaulle is thus a step towards resurrection.

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Nazis in Argentina

Argentina's distrust of Pan-Americanism and her desire for South American leadership leads her to stress her countervailing European connections, and there is little doubt that in some cases these connections have been an opening for Axis propaganda. The Nazis reinforce Argentina's distrust of American leadership by whispering campaigns on "dollar diplomacy," while Britain is accused of "imperialism" because so high a percentage of the capital invested in Argentina is of British origin. So active and widespread were these and other anti-Allied and anti-American campaigns that early in June the Argentinian President, Senor Ortiz, interviewed the German Ambassador and registered a strong protest against the use of the German Embassy as a centre of propaganda and espionage. This step was followed up by the introduction of a Public Safety Bill to keep a check on the activities of the Press and other bodies, and a month later the German military mission was sent home. There can be no doubt that the administration mirrored the great mass of public opinion in these measures. The Allied cause is so popular that a pro-Allied propaganda Committee was formed some months ago to support Great Britain, and evidence of German activities—for example, the recent discovery of a web of Gestapo activities centred round local leaders such as Karl Arnold—has led to public demonstrations against the Germans. The Germans are doing what they can to counteract their national unpopularity by stressing Britain's inability to win, and by losing no opportunity of blaming the blockade for Argentina's export difficulties. But so long as the firmly pro-Allied Government continues in power, they can make little headway. Their latest step has therefore been to exploit a Governmental crisis into a scandal great enough to sweep President and Government from office. Certain deputies and Generals connected with the sale to the State of land for an air port at El Palomar manipulated the transaction to the tune of some £50,000, which was apparently distributed among the officials concerned. The discovery of this transaction has been used by the extremists of the Right and their Nazi backers in an attempt to bring down both President and Government—the President, since the Vice-President, General Cavallo, is well known for his Fascist sympathies; the Government, in order to discredit the whole parliamentary regime. President Ortiz's offer of resignation has been refused by the Legislature, and there is as yet no trace of a new Ministry. It is therefore possible that the Nazis have overplayed their hand and, instead of bringing about a *coup d'état*, have merely intensified their own unpopularity.

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Mobilising Labour

Every week brings new proof of the energy of the Minister of Labour. In the first of his tasks, that of devising ways and means to make the best use of skilled men and other workers already available for war work, he has done well.

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The registration of engineers not actually in war employment—which revealed a reserve of 61,000 in the North Western region alone—has been followed by an appeal to employers in the munitions industry to give temporary release for work elsewhere to employees who may be idle now or in the near future. In shipbuilding and ship-repairing, too, the same desire to make the maximum use of the personnel available, at the places where they may be most needed, has been evidenced by the setting up of local committees to move labour from yard to yard in case of emergency. The utmost flexibility in the use of port and shipyard facilities is imperative, and this plan for shipbuilders is parallel to the scheme for a mobile force of dockers—which, however, has met with some difficulties in operation. All these devices recognise the paramount need to economise skill to the utmost by making full use of labour.

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Whether, under present arrangements, they can be completely effective is another question. It is left to employers—and trade unions—to apply them as they wish. Employers are not anxious to release valuable men to work elsewhere. Workers are not eager to move to new work in new districts, even though fair wages, travelling and lodging are provided for; they are insisting, quite naturally, upon some guarantee of reinstatement in their old occupations. It is still evident that, however great the undoubted goodwill of employers and workers may be, it is the Government's job—if mobilisation and mobility are to be made complete—not only to point out the direction in which they should go, but also to give them their actual marching orders. And this duty carries with it the need to plan the utilisation of labour, and the allocation of contracts, many months ahead. It would then be possible to arrange and enforce Mr Bevin's second task, the large-scale training in factories of the hundreds of thousands of men and women machine minders who will be needed in addition to the trainees turned out by the Government's 40 centres (19 are now working) and by the 24-hour instruction schemes now being operated by technical colleges. These two requirements—the need for a sovereign authority and for long-term forward planning—are essential to make the present labour programme more than a series of shrewd improvisations for solving immediate problems. It may be true that the war can only be lost in the short run. It is truer still that it can only be won in the long run.

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Wages and the Wage-Earners

There is much resentment in working-class circles about the repeated contention that one serious gap in present economic policy is the absence of any check upon increases in wages. Since the war started, increases in wage rates amounting to £105 millions a week have been recorded, and the increase in earnings due to overtime has been considerably greater. Incontestably, working people are working harder. They should be paid correspondingly more, it is claimed; and the cost of living has risen. The truth is that the fundamental economic facts of the situation, which should by now be painfully obvious and commonplace, are still misunderstood. It is inevitable that the consumption of all classes should be cut down to pay for the war. Per head, working-class consumption is small. In the aggregate it makes up the bulk of the civilian consumption that must be curtailed to permit the diversion of resources to war use. If it is not cut down in one way, it will be cut down in another—or the war effort will be starved of materials, labour and plant. The choice is not between maintaining or reducing civilian consumption, but between reducing it fairly and consciously or reducing it unfairly and indiscriminately—between checking it by deliberate contrivance or allowing it to be checked by the blind inflationary means of soaring prices.

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At present the worse course—for the workers themselves—is being chosen. For the most part the new national tribunal for arbitrating in labour disputes is likely to remain idle because employing bodies seem disposed to accept wage demands quite readily. The engineering unions are asking for increases amounting to £30 millions annually. The road transport industry is also in the market for higher pay. The present railway agreement inclines the railway companies to accede to demands for higher wages with little question. With E.P.T. at 100 per cent., most employers have small incentive to hold down their wage costs. The certain result of all this is very clear. Wages rates are going up; earnings are increasing still more; more people are at work. There is an increasingly large volume of new spending power bidding for consumer goods which are inevitably in diminishing supply. More strict and comprehensive rationing might do something to sterilise this new demand, but prices must inevitably be driven up. The attempt to catch up the rising cost of living by means of larger pay packets will be frustrated. More money will buy less; and not only will civilian consumption be inexorably curtailed, but also the lower paid workers will plainly suffer most. Small wage-earners have indeed a claim to a decent standard of living, but they will get less than nothing from this process of all-round increases for everybody. The only fair and reasonable policy is one by which every individual will be guaranteed a minimum real income; and for the rest, all spendable incomes—wages, salaries and profits alike—should be held down, either by direct Government control or by the seizing of excess incomes in taxes or compulsory loans.

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Benevolences

For the last month or so, national expenditure has been running at the rate of nearly £9 millions a day. In the same period, revenue has averaged some £2½ millions daily and public borrowing by Defence Bonds and Savings Certificates £2¼ millions more, leaving a gap of nearly £4 millions a day to be filled by other means. In the main, this balance is being found by the issue of Treasury bills to Government Departments, whose purchases are financed by funds temporarily held as the result of trading operations, to the Exchange Equalisation Account, which uses the proceeds of the sale of gold or foreign exchange for this purpose, or perhaps to the Bank of England, which may take up Treasury bills with money obtained by selling longer-term Government securities. The rate of spending must inevitably mount as the financial year goes on, and it is not a propitious sign that so large a part of national expenditure is already so temporarily and so precariously underpinned. Moreover, the rate of voluntary saving, as shown in the weekly figures for Defence Bonds and Savings Certificates, is tending to fall. The need for added measures to transfer still more purchasing power from civilian to Government use is very evident in all these statistics, and the case for taxing all incomes that have risen above their pre-war level, or for skimming off this additional purchasing power by compulsory saving on the Keynes plan, is stronger than ever. Meanwhile, a new contribution is being made to the financial resources of the Government. Public imagination has been captured by the life-and-death duel in the air. Funds for the purchase of fighters or, more aggressively, bombers have been started all over this country and in the Empire, and several million pounds have been collected. *Per se* these free gifts—"benevolences" in the simplest sense—will not, of course, raise the rate of aircraft production; it is not the supply of money, but the supply of materials, plant and labour, that limits the manufacture of aeroplanes. But they can be of assistance in raising the rate of civilian saving. It will obviously do no good if the money given for these funds is simply withheld from other forms of saving. They must represent additional net saving. If they do, then here, in the powerful appeal to give money for a tangible and specified purpose, is the model for what might prove a valuable aid in the urgent task of closing the financial gap.

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Censorship and News

The beginning of mass air raids on Britain has again raised the vexed question—how to give the maximum of news to the public here and abroad with the minimum of information to the enemy. At first, the Ministry of Information erred badly on the suppression side of the balance, and American correspondents here found their stories of the failure of the first attacks on London held up for nine hours, during which time the German claims were published in American newspapers. The delay was apparently due to the double censorship for air news: articles have to be submitted to a department of the Air Ministry before they are sent to the Air Censorship Department of the Ministry of Information. Recently, however, there has been a great improvement in passing Press messages, and in publishing the communiqués of the Air Ministry and the Ministry of Home Security. But it still remains the official policy not to publish the numbers of casualties except at monthly intervals. In provincial centres the names and addresses of the killed and injured are posted outside the town halls. In the London area, casualties were at first notified to the next-of-kin by the police. Now, in addition to this practice, total figures will be exhibited outside town halls, and a few days later the names and addresses will be circulated to the divisional police stations in the Metropolitan Police Area for reference by relatives and friends. They will not be posted outside, for it is considered that the publication of lists might be of great help to the enemy. Obviously, this must be the paramount consideration; but if there is any doubt at all as to the value to Germany of knowing the number of civilian killed and injured, the Government might well ponder whether exaggerated rumours of deaths are not of equal danger at home. It is understood that the number killed in the raid on Croydon on August 15th was far smaller than even the most moderate reports. If the authorities feel able to reveal, as in this case, the name of the place attacked, can they not go the whole way and give the number of casualties?

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A Change in Rationing?

So far it is the butter ration which has been most subject to ups and downs. Another change is now announced for Monday, when, instead of being allowed to take all six ounces of the combined butter-margarine ration in butter, consumers will be restricted to four ounces of butter and will have to take the remaining two ounces in margarine. Those who take all six ounces in margarine are not, of course, affected. But it is not complaints of changes in the amount of rations which retailers have recently addressed to Lord Woolton. It is the rationing machinery, which gives them, especially grocers, a considerable amount of extra work, and they have asked that the system of re-registration every six months should be dispensed with. The Ministry of Food, however, still feels that the public should be free to change their retailers every six months, though it has promised that the machinery of rationing will be overhauled to see if some simpler method can be produced. The present system is not ideal. For one thing, it means that shopkeepers in districts with a poor population are frequently left with a surplus of the rationed foods, as their customers cannot afford to take up all of their rations each week And, to avoid this, some shopkeepers arrange for pages of coupons to be deposited with them so that they can use one customer's unused coupons on behalf of other persons. But the only possible alternative seems to be that adopted for the tea ration, a system of coupons without registration. This can clearly only be workable when the supplies of the rationed commodity are large enough for each retailer to be able to meet a temporarily increased demand, and it could hardly be applied for perishable foods. It is difficult to see how any improvement on the present arrangements could be effected, which would at the same time apply the principle that no section of the community should have an advantage over the rest in obtaining supplies of rationed foods.

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Shorter Notes

The National Service (Armed Forces) Act provided that men whom the local tribunals refused to register as conscientious objectors could appeal to an Appellate Tribunal, which was to sit in two divisions, one for England and Wales and one for Scotland. The number of appeals made to the tribunal for England and Wales has, however, proved to be so large that the Minister of Labour has taken power to appoint additional divisions. Three such divisions are being set up immediately, so that the arrears of appeals, which are very great, should be quickly wiped out.

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Reports of the resignation of the Egyptian Cabinet are premature. Hassan Pasha Sabry is, however, considering a reshuffle which, by dropping certain Ministers hostile to the Wafd, would encourage the Wafd to join in a Cabinet of National Union.

★

Mr de Valera's confirmed neutrality has not prevented Eire from suffering the air war. Last week a German plane crashed in Co. Kerry when it was, perhaps, trying to catch the flying-boat *Clare* on her way back from Canada. This week bombs were deliberately dropped in Co. Wexford, as a result of which three girls were killed and others injured. For what it is worth, a protest is to be made to the German Government, which is to be asked for full reparation.

Letters to the Editor

Totalitarianism

TO THE EDITOR OF THE ECONOMIST

SIR,—In an article which appeared in *The Economist* of August 3rd it was suggested by the writer that in order to win the war "the Government must assume responsibility for the total organisation of industry." Manufacturers and merchants would become the Government's agents; workers would become the Government's servants, and it would be the function of the Government to "find a useful task for every machine and every pair of hands."

Will you allow me to express my dissent, and to say that, in my opinion, by adopting the totalitarian system, whether in the Nazi or Fascist or Bolshevik form, we should be far more likely to lose the economic war of exhaustion than to win it. My alternative would be to suspend or relax many of the Controls and give more initiative to private enterprise, especially in the export trades.

I would encourage lending and private economy by enormously reducing public waste. Stern orders should be sent out to all officers and officials who handle public money, to combine economy with efficiency and cut down all superfluous extravagance. Excessive wages and salaries should be reduced, and no further additions to wages should be permitted.

In this way the great danger of inflation due to the recent alarming and extraordinary increase of expenditure can be averted. At the same time a strong Chancellor of the Exchequer should be appointed to control expenditure and make sure that in the race towards bankruptcy Britain will be the last to arrive. I do not see the omniscient autocrat who would be capable of carrying out your policy successfully.

Yours, etc.,
FRANCIS W. HIRST.

London.

Workmen's Compensation

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of August 24th you call attention (on page 253) to the increase in industrial accident insurance rates occasioned by the higher benefits and greater risks in wartime. This increase comes on the top of the already high cost of industrial accident insurance in this country. The International Labour Office submitted to the Royal Commission on Workmen's Compensation the following figures relating to the ratio of cost of administration to benefits:—Norway, 10.4 per cent.; Ohio, 6.6 per cent.; Ontario, 8.1 per cent.; Queensland, 21.8 per cent.; Switzerland, 16.2 per cent. In Great Britain and Northern Ireland, out of £6,384,706 received in 1938 as premium income by companies in connection with employers' liability insurance, only 60.69 per cent. was spent in benefits—and even this included legal and medical expenses incurred in connection with the "settlement" of claims. To pay £3,875,007 in benefits involved an expenditure of £2,065,822 in cost of management and commission, and £443,822 went to profits.

International figures may not be strictly comparable, but it should be remembered that the above-quoted low cost of administration of many countries includes the administrative cost connected with the providing of medical care—and even rehabilitation, which is not an obligation in British industrial accident insurance. Should not the Royal Commission of Workmen's Compensation, which during more than a year has collected such valuable expert evidence on these matters, be in a position to devise some war emergency scheme which would, without revolutionising the whole British system of compensation at this juncture, reduce its wastage, and offset, by a reduction of the absolute level of costs, the necessary relative increase of premium costs in wartime?

Yours faithfully,
HERMANN LEVY.

Richmond.

THE WORLD OVERSEAS

Holland under German Control—II

(By a Dutch Correspondent)

IN an article last week an account was given of the various problems confronting the Germans since the occupation of the Netherlands. What have been the social and political consequences of their attempts to solve these problems?

It was pointed out that they had to prevent the spread of unemployment. Except with a special licence from the Board of Labour, all enterprises were prohibited from closing down, temporarily or permanently; from reducing working hours; or from dismissing more than 24 workers in 30 days. This measure meant, in effect, that business had for some time to live upon its financial resources. Many enterprises, however, could not carry on as if nothing had happened; and the Board of Labour was bombarded with requests for the special licence to such an extent that, at the end of July, the office had to close down for two days in order to answer correspondence.

It may be assumed that, by these drastic means, the Germans prevented a catastrophic increase in unemployment. But, in addition to the unemployed, there were the demobilised soldiers who had to be given work. Those who did not find work before August 1st were assembled in reconstruction camps. The Reconstruction Service now probably consists of about 50,000 men. Its head is a Dutch major, and the chief technical adviser is the well-known Dutch engineer, Dr Ir Ringers. Apart from this Dutch reconstruction corps, and the many thousands of Dutch labourers who will probably have found similar employment, it is known that hundreds of young men from the German Labour Corps are engaged upon reconstruction work.

There is certainly much work of this kind to be done in the devastated parts of the country, and nearly £1,000,000 will be spent on rebuilding some of the demolished houses. The agricultural situation, on the other hand, is at present relatively good, as the Germans are buying up the whole export surplus and encouraging production on the existing stocks of fertilisers. The canning industry is also busy—it is working a 24-hour day. Industries which fit into the German military machine have no cause for complaint, and the number of their workpeople will be increased. Many unemployed will, it is said, find work in the future, as soon as big re-employment schemes have been worked out.

In the meantime, all the unemployed are encouraged to go and work in Germany. As an incentive, salaries can be transferred to Holland; and married men are given leave once in three months, and unmarried men twice a year. The Dutch unemployed, however, appear to have refused to serve as slaves in the workshops of their masters. At any rate, the Germans have had to impose a sanction, for it has been announced that no ration cards will be issued to unemployed who refuse to go to Germany.

Extensive Rationing

Strict rationing of the necessities of life is being extended weekly. The monthly (four-weekly) ration for coffee is 250 grammes (a little over half-a-pound); for tea—only if no coffee is taken—50 grammes; for sugar, 1,000 grammes; for butter, 250 grammes; for margarine or fats, 250 grammes; for rice, 330 grammes; for barley, 330 grammes; for maize, 66 grammes; for macaroni, vermicelli or spaghetti, 66 grammes; for flour, 500 grammes. The weekly ration for bread is 2,000 grammes which, incidentally, is less than the German ration of 2,400 grammes. So far as bread is concerned, there is no immediate danger of starvation, for stocks are reported to cover all needs up to the harvest of 1941. The Germans, however, may transfer part of those stocks to Germany. If the Dutch starve, it will be the fault of the Germans.

The situation as regards meat is fair, but some of the cattle must be slaughtered for lack of feeding stuffs. There were 295,000 horses, 2.6 millions of cows, 650,000 sheep and 1½ millions of pigs in the Netherlands. Out of the 28 millions of poultry, 22 millions will be killed this autumn.

Textiles are sharply rationed. During the week from August 4th to August 11th an inventory was taken of all stocks. On August 12th, the German system of a clothing card of 100 points was introduced. No doubt the standard of living of the population will be further lowered as the war progresses.

Political Reactions

What are the reactions of the Dutch public to all these German attempts at domination? It should be said at once that at the moment a large-scale revolution against the German invader is highly improbable, because it is impossible. The Dutch army has been disbanded, and the Dutch police is unimportant, since many Gestapo and other S.S. men, besides members of the ordinary German police, are stationed in the Netherlands. Slowly the *Gleichschaltung* takes place. Many trade unions and similar organisations are unified, without regard to religious traditions. The Labour movement has lost its independence. The most important Labour daily paper has been "taken over" by the Dutch Nazis. The remainder of the Press is strictly supervised by a "Council of Enlightenment," under the chairmanship of Dr Goedewaagen, formerly editor-in-chief of a small authoritarian weekly which was financed by Sir Henri Deterding. The Council is collaborating closely with *Pressereferent* W. Jancke, one of the advisers of Seyss Inquart.

The prohibition on listening to foreign, even to Hungarian, Swiss and Italian, broadcasts fits into the picture. But as there are more than one million wireless sets in the country, German control cannot be effective without drastic measures of intimidation.

So far the Germans have not bothered much about their former adversaries. But a number of prominent politicians and writers have "committed suicide," and the death of some of them at least seems to have a direct connection with the visit which Himmler paid to the Netherlands shortly after the surrender. A number of prominent Dutchmen have been put into prison during the last months, among them the courageous former Dutch Commander-in-Chief, General Winkelman.

A Nationalist Movement?

The political scene is by no means clear. The Dutch National Socialist movement (*Nationaal Sociialistische Beweging*), which was in close collaboration with Berlin, is somewhat cold-shouldered by the Germans. Mr Mussert, its "Leader," is hardly mentioned at all. Some members have important posts; for instance, Mr Rost van Tonningen, who has complete control of the former Labour movement, and Mr Woudenberg, who replaces the Board of the Labour Trade Union Movement. On the other hand, the action of other political parties is not discouraged. On July 4th a big meeting was held of the Fascist "National Front," which was one of the severest critics of Mr Mussert.

Among the general public there have been many attempts at a political unification of a nationalist, progressive character. A *Nederlandsche Unie* has been founded under the direction of Mr L. Einthoven (chief police commissar of Rotterdam, who was recently removed by the Germans), Mr Linthorst Homan, formerly the young and able head of the province of Groningen, and the Catholic professor, Mr J. E. de Quay. Little is known about the success of these attempts at unification, and it is doubtful whether the Germans will permit the growth of a strong nationalistic political movement.

General sentiment is unmistakably anti-German. The following example may be given. The Germans tried to win the favour of the Dutch by giving them the chance of sending their children freely from their war-stricken country to Austria. It has been announced by the Germans that there have been requests on behalf of 20,000 children, but the total number of children is one million and a half. The Germans are, in fact, increasingly hated by a stubborn people which clings to its democratic traditions and to its House of Orange. It has by no means given up hope of an ultimate German defeat; and many times the German-controlled Dutch wireless has been forced to admit that the majority of the population is still sympathising with England. It appears from many signs that acts of sabotage and active help to the Allied cause are increasingly numerous, as was expected by everyone who knows this brave and independence-loving small nation.

August 27th.

Shanghai's Great Speculation

[FROM OUR SHANGHAI CORRESPONDENT]

THE summer of 1940 finds Shanghai in the throes of a serious business depression, the early termination of which is not yet in sight. Cotton mills are curtailing activities; industrial sales of power are declining; unemployment and labour troubles are spreading again. Shanghai's May imports were 25 per cent. lower than April imports, while the volume of local shipping in May contracted by 15 per cent.

The European events precipitated the outbreak of this depression, but its fundamental cause was local speculation, which hazardously overplayed its hand. The latest Shanghai business boom originated in the winter of 1938 to 1939, and reached its summit during the period from late in January to the middle of May, 1940, which brought the latest depreciation wave of the Chinese national currency. The rush to convert liquid funds into commodities, shares and real estate made their prices soar out of all proportion to the actual situation. Some coarse cotton yarns (20's) went up to £30 per bale, though local yarn stocks were three times as large as normal; cigarettes secured 40 per cent. premiums over local factory prices; Shanghai cotton industry shares increased fourfold, and shipping shares even fivefold, in valuation.

The improvement in the Chinese national dollar's foreign exchange value turned the tide. Fears lest the United States might join in the European war, introduce foreign exchange control and eventually devalue the United States dollar resulted in some return of capital, and the subsequent improvement in the New York-London cross-rate did the rest. In terms of American currency, the Chinese dollar, from the May low to July 1, 1940, improved by almost 30 per cent. The *débâcle* on the New York Stock Exchange discouraged speculation in Shanghai, which was soon utterly routed in all fields. Speculative losses here exceeded £25 millions—a staggering sum for Shanghai. The two most popular local shares crashed as follows: Two cotton mills from Ch.$82 to Ch.$30; Shanghai Dockyards from Ch.$75 to Ch.$20. The market price average of 20's cotton yarns dropped below £15 a bale, and speculators to-day dispose of cigarettes at a 10 per cent. discount on factory prices.

Poor Trade Outlook

The new export season has so far been dull. Raw silk prices are low, and exports to the United States remain far below the volume of the beginning of the past silk year.

Trade with Europe is obviously difficult. Moreover, the intensified Japanese blockade of the ports of the South still under China's control, French Indo-China's agreement to cease all transit trade on behalf of Free China in goods considered by Tokyo as war materials, and the new Japanese measures to interrupt what remains of the trade between Hongkong and Free China—all combine to cut off Shanghai from its important markets in Free China. The Russian routes into the Chinese North-West are available to none else but the Russians themselves. Since for some time past Russia has been Chungking's chief supplier with arms and munitions, the new Japanese steps against Free China's commercial intercourse with the outside world will not necessarily impair Chinese armed resistance against Japan, but they are likely to curtail considerably the non-military portion of Free China's foreign commerce, in which both Shanghai and Hongkong continued to have a prominent share.

The Anglo-Japanese agreement on Tientsin dispelled some of the tension in the North, but North China's foreign trade is faced with new complications. The end of the Japanese blockade of the British Concession in Tientsin was immediately followed by the promulgation, on behalf of the Japan-sponsored North China Political Council, of wholesale exchange control of imports into all of North China. Under this control system, which is the logical complement to the exchange control of exports enforced in North China last summer, the North China Customs will not pass any imports not covered by exchange permits made out by the Peiping Federal Reserve Bank, which is a Japanese financial institution in disguise. Through the means of exchange control exercised by the Federal Reserve Bank, the Japanese have now secured complete control of the North China trade of all other nations. This control is detrimental to Shanghai's trade interests, too, since for commercial purposes the North China Customs count other parts of China as foreign countries.

July 10th.

Argentina's Lost Exports

[FROM OUR BUENOS AIRES CORRESPONDENT]

LIKE other Latin-American countries Argentina depends for her prosperity on her exports. But, unlike her neighbours Argentina cannot replace her European markets by increased exports to the United States to any great extent, because the United States herself produces the same commodities as Argentina. As one European country after another has been closed to trade with the outer world, Argentine exports have slumped heavily. The following table shows how exports have fallen since Germany invaded Scandinavia:—

1940	Exports in Pesos	Exports in Tons
April	157,219,911	1,189,962
May	143,139,714	1,112,186
June	118,790,802	855,956
July	102,502,829	664,582

For the purpose of comparison, it may be recorded that in July, 1939, Argentina exported 1,120,487 tons valued at 128,113,818 pesos. According to American statistics (f.o.b. values), in the first seven months of 1940 Argentina exported to the United States goods worth $45,804,295, against $32,378,236 in the same period of 1939. This improvement, though welcome, is not enough to compensate for the loss of other markets.

The most serious problem is how to dispose of Argentina's huge maize crop, the exportable surplus of which was 7,196,972 tons on August 16th. A bill recently passed both Chambers of Congress authorising the Government to buy all maize of the 1939-40 crop at 4.75 pesos per 100 kilos. If markets are not found before the crop begins to deteriorate, the Government is likely to face a heavy loss. The general situation has inevitably affected the British-owned railways, and receipts of the Central Argentine Railway (the chief maize-carrying railway) from the beginning of the financial year on July 1st to August 10th are only 8,770,70

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pesos, compared with 13,224,750 pesos in the same period of last year.

Prospects for the coming crops are not so far very promising, because serious floods in the Province of Buenos Aires interfered with ploughing and sowing.

Lower Imports

Owing to the time-lag imports into Argentina have not fallen very much, but there is already a downward tendency. The market values of imports were 127,051,123 pesos in March, 157,548,499 pesos in April, 124,304,103 pesos in May, and 123,233,401 pesos in June. According to tariff values, Argentine imports in the first half of 1940 were lower by 3,599,230 pesos than in the same period of 1939—a decrease of 0.6 per cent. Fuel and lubricants alone fell by 23,576,573 pesos, or 20.2 per cent. The biggest rise was in textiles, which were up by 11,708,704 pesos, or 13 per cent. In the case of textiles, the time-lag is exceptionally long, since a year passes between the ordering of the goods from the manufacturer's agent and their actual receipt by the general public.

August 17th.

New Zealand's War Budget

[FROM OUR CHRISTCHURCH CORRESPONDENT]

THE Budget for 1940, presented to Parliament on June 27th, was concerned mainly with war finance. The usual comprehensive review of the past year's operations was this year reduced to statements of the surplus, £NZ319,000, on Consolidated Fund account, and the net increase of £NZ18,940,000 in the Public Debt, of which £NZ22,000,000 was raised in London and the rest in New Zealand. But the Minister gave most of his attention to the estimates for 1940-41 and to means of raising revenue. It is expected that the war and defence costs for the year will total £NZ37,500,000. Of this, £NZ19,750,000 will be required abroad and may be borrowed abroad. The remainder, £NZ17,750,000, will be needed in New Zealand, and it is intended to raise £NZ14,100,000 by taxation and the rest, together with some of the money required overseas, by internal loans.

Big Taxes on Incomes

To secure additional tax revenue, the sales tax has been raised from 5 to 10 per cent., and is expected to yield a further £NZ2,000,000 in the remainder of the year; a new national security tax of 1s. in the pound on all wages and other income has been imposed, to yield £NZ26 millions this year; death duties have been increased, and income taxes increased and more steeply graduated. Income tax is to start at 2s. 10½d. in the pound, with a general exemption of £NZ200, plus special exemptions for dependent wife and children, and to rise, by steps of 3d. for each £100, to 15s. 10d. in the pound on earned incomes over £NZ3,800. On all unearned incomes, the rates are increased by 33⅓ per cent. Including the old social security tax and the new national security tax, each of 1s. in the pound, which are direct taxes on income, all incomes below the exemption limit now pay 2s. in the pound. Above the exemption limit, the range is from 4s. 10½d. to 15s. 10d. in the pound for earned incomes, and from 5s. 10d. to 20s. 5d. in the pound on unearned incomes, the maximum being reached in each case at £NZ3,800, with a proviso that the total taxation on income shall in no case exceed 17s. 6d. in the pound.

Income taxation on companies is to range from 2s. 10½d. to 9s. 2½d. in the pound on £NZ6,600 and to 10s. 0¾d. on £NZ7,950, and companies are to pay full income tax rates on debenture interest. All State trading concerns are also to pay income tax. With these increases, income tax is expected to yield £NZ15,450,000, compared with £NZ10,270,000 in 1939-40. The estimated increase in the yield of total taxation for the year is £NZ10,000,000, which brings total State taxation up to £NZ54,500,000.

The Public Accounts

By bringing in the social security and the public works accounts, which received scant mention in the Budget, it is possible to present comparative summaries of public expenditure and revenue for the years 1938-39 to 1940-41.

(£NZ millions)

Expenditure	1938–39	1939–40	Estimates 1940–41
Consolidated Fund, excluding Defence	33·7	34·5	37·0
Defence and War Expenses Account	2·1	8·2	37·5
Social Security Fund and Unemployment	5·5	9·8*	10·0*
Public Works, Loan Expenditure only	16·7	15·8	15·0
Total expenditure	58·0	68·3	99·5
Surpluses	·8	1·6	·1
	58·8	69·9	99·6
Receipts			
Raised from taxes	37·8	44·5	54·5†
Other revenue	4·3	6·6	6·7
From loans	16·7	18·8	38·4
Total receipts	58·8	69·9	99·6

* Excluding transfer from Consolidated Fund.
† Assuming 1939–40 yield for Social Security Tax.

The Government contends that all its estimates for the present year have been closely pruned and that the strictest economy is being exercised. But critics are unconvinced; they point to the increased expenditure and revenue for purposes other than war, and claim that, in view of the present emergency and the extraordinary demands of the Government, the Dominion can no longer afford to maintain its recent scale of expenditure on public works, social security, and consolidated fund services.

Regulations have been gazetted requiring holders to present returns of overseas securities, and it is expected that these will be realised to provide exchange. In addition, the Budget outlines proposals for raising compulsory internal loans, free of interest for three years or until one year after the war and thereafter running for ten years at not more than 2½ per cent. But neither of these proposals has yet reached the stage of detailed definition, and both are likely to meet with serious practical difficulties.

July 7th.

Bonus for Portuguese Farmers

[FROM OUR LISBON CORRESPONDENT]

POOR wheat crops this year have led the Portuguese Government to offer bonuses to farmers on the employment of chemical manures (£1 per ton for phosphates and £1 10s. per ton for nitrates). Advances to cultivators through the Caixa Geral will also be made up to £5 per hectare, in three instalments, of which the first will be 80 per cent. of the total loan. This is for manure, seed, and costs of sowing, the two subsequent instalments being for charges incurred when weeding, reaping and threshing are due. The major advance will not be given in cash but handed by the Caixa to the Farmers' Corporation, who will buy seed and chemicals in bulk for distribution *pro rata*. The small instalments will be paid in cash at the appointed times. In all, some £300,000 will be thus advanced, and both formalities and interest rates are to be kept to a minimum.

August 15th.

Books Received

100,000,000 Allies—If We Choose. By Scipio. (London) Gollancz. 118 pages. 2s. 6d. net.

We The People. By L. Huberman. (London) Gollancz. 382 pages. 7s. 6d. net.

The War for Peace. By L. Woolf. (London) Routledge. 244 pages. 7s. 6d. net.

The Chinese Army. By Major E. Fordyce Carlson. (New York) Institute of Pacific Relations. 139 pages. $1.00.

Whale Oil. By K. Brandt. (Stanford University, Cal.) Food Research Institute. 264 pages. $3.00.

Ways and Means of War. By Geoffrey Crowther. (London) H. Milford. 184 pages. 2s. 6d. net.

THE ECONOMIST

TRADE SUPPLEMENT

AUGUST 31, 1940

The Trend of Business

THE general level of business activity has shown a slight decline in July. The setback has been brought about chiefly by the dislocation of trade with Europe, but a contributory cause was the progressive decline in production for domestic civil consumption. The relaxation of the spurt in the munition factories did not prevent a further expansion in the output of arms. The number of unemployed persons on the registers of the exchanges in the United Kingdom rose from 834,214 on June 17th to 906,470 on July 15th.

The virtual cessation of trade with Continental Europe has affected a large number of industries, and some of them severely. The exporting districts of the coal-mining industry have been badly hit by the loss of their chief export markets, and, in spite of the decision to accumulate big emergency stocks at home, they have been forced to curtail output. The textile trades, especially the wool textile industry, have also had to reduce production as a result of the loss of Continental markets; activity in the cotton, wool and jute industries has tended to decline. Efforts are now being made to secure alternative markets, but some time will elapse before the gaps can be filled.

The pace of the decline in the manufacture of goods for domestic civil consumption is tending to quicken, though the current level of output is in most cases still well above essential needs. The elimination of the production of all consumption goods save those required for the maintenance of the health and efficiency of the people is likely to be hastened in the autumn by further limitations on supplies of raw materials and on sales of finished goods, and by the introduction of the Purchase Tax.

The rate of expansion in the output of munitions early this summer could not be fully maintained, since it was partly achieved by an increase in working hours which could not be continued indefinitely. Some progress has been made in transferring workers from the less essential occupations to munition factories, and a census of engineers not on Government work, taken towards the end of August, disclosed a substantial reserve. The training of munition workers has been intensified, both in Government centres and by private industry, but progress remains too slow. If the flow of new labour into the munition factories is to be commensurate with the requirements of munitions, training will have to be speeded up very considerably during the next few months.

Nor can the comparatively slow intake of trainees be blamed entirely on the trade unions and on the employers. Many employers have orders only for a few months ahead; but if they are to take on large numbers of trainees they must have some knowledge, not only of the magnitude of future orders but also of their nature. It is waste of time to train workers on certain processes of manufacture if, at the end of the training, these processes are no longer required. The need for the planning of production remains as urgent as ever.

The intensification of air raids in August has had some slight effect on output, not so much as a result of destruction as through the loss of time and efficiency. So far the loss of output due to this cause has been much smaller in this country than in Germany. But no efforts must be spared in mitigating its effect on the war effort in the factory.

British Industrial Developments

COAL

The loss of export markets has caused a severe deterioration in conditions in the coal industry although inland industrial and public utility demand remains good. On July 15th the proportion of insured persons unemployed was 6 9 per cent. compared with 3.8 per cent. on June 17th. Proposals for sharing the inland trade have not resulted in any scheme being formulated, chiefly on account of the half-hearted support of some districts and the objections of others. Decreases in output have varied a good deal, the most hard hit being South Wales and Durham. Most collieries have had to work short time. The Government scheme for stocking coal has helped to keep workers in employment, but there is some anxiety lest these stocks will be used later in the season when demand would normally increase. A co-operative scheme is being worked out for retail distribution which will ensure the distribution of house coal from the most convenient depot and with a minimum of overlapping. Arrangements and adjustments are being made with the co-operation of the Mines Department to facilitate the movement of coal by rail and sea.

IRON AND STEEL

All districts continue to report a high level of activity; in the pig iron section the proportion of insured persons unemployed fell from 3 per cent. on June 17th to 2.1 per cent. on July 15th, while the proportion in the steel section was practically unchanged at 4.7 per cent. The demand for pig iron is very persistent and makers' stocks are vanishing; output, however, is increasing and the demand can be met. The first shipment of sheet bars from the United States arrived at a Scottish port during the month and enabled sheet rollers to keep their mills in operation. Such imports and the increased collection of scrap have improved the raw material position and even resulted in the accumulation of small stocks of some classes. Although most of the output goes to Government contracts, some of the Sheffield plants are able to handle commercial business and these are taking an active part in the scheme to develop exports. Business with Spain has been resumed and that with South Africa, Australia and New Zealand is increasing.

ENGINEERING

While activity in the engineering industry has been well maintained, the delay in training additional workers is hampering expansion. The census of engineers not on Government work, taken this month, has disclosed a substantial reserve of labour which can be transferred to the munition factories. Owing to the need for speeding up the output of arms and munitions, it has not been possible fully to maintain the export trade. In July the value of exports of machinery was only £2,497,000, against £4,434,000 in the same month last year. Imports of machinery, the bulk of which is now on the free list, have been fairly well maintained, in spite of the virtual cessation of trade with the Continent; they amounted to £2,297,000 last month, compared with £2,290,000 in July, 1939. The trade unions have applied for a further increase in wages.

BUILDING

The building industry remains well employed on defence work. Unemployment showed a further decline in July. Between June 17 and July 15th the percentage of insured persons unemployed declined from 6.3 to 5.6 in the case of building and from 12.8 to 11.7 in the case of public works contracting. The demands for cement and bricks are very heavy and in both industries the percentage of insured persons out of work on July 15th was only 2.8. Both industries are at present operating at capacity. The intensification of air raids has added to the work of the building industry, though the amount of destruction has hitherto been very small.

CHEMICALS

Trade in most sections of the home chemical market has been fairly active. The industrial chemicals market has been steady in most branches, with a fair volume of export inquiry. Pharmaceutical and other fine chemicals have been in good demand. Business in the coal tar products market has been on an average scale with prices remaining steady. A fair amount of inquiry has been received for naphthalene for export and for carbolic acid for home consumption. Demand for wood distillation products has exceeded supply, although the charcoal supply position has improved during the last week as supplies of forest-burnt material are now available.

COTTON

Conditions in the cotton trade are generally less favourable than a month ago, and some sections have been working short time. Unemployment showed a slight increase from 4.3 per cent. of the

insured workers on June 17th to 5.2 per cent. on July 15th. Raw cotton prices have tended to increase during the month, partly on account of the uncertainty concerning the shipping programme for American cotton after September 1st, and partly because of the British Government's purchase of the Egyptian crop. An important event during the month has been the contract for the sale of nearly 23,000,000 yards of cambrics to Java arranged under the syndicate system as part of the Cotton Board's scheme to encourage exports. The decision to permit home sales up to 37½ per cent. of last year's total instead of the 25 per cent. previously arranged from October 1st has been welcomed. Retail, and therefore wholesale, purchases of finished goods have been a little bigger in anticipation of the purchase tax.

LINEN

The Flax Control Board have asked for returns of all yarns and raw material held by spinners and weavers suitable for the manufacture of aeroplane fabrics under the existing Air Ministry specification. It is expected that orders will be issued to use up these stocks, and that the specification will then be changed to conform to the different class of material available from the new crop. The Irish flax crop is now being pulled and retted, and the quality is reported to be well up to standard. The export of yarns is still prohibited.

WOOL

The complete dislocation of European markets to which wool textiles were exported, and the reduction in domestic retail activity, has reduced the consumption of raw material from the record heights of the second half of last year to something which is now admittedly sub-normal. Every effort is being made, however, to increase the export trade in non-European markets, and there are signs that these efforts are likely to be successful. There was a slight increase in unemployment in the woollen and worsted industry during the month. On July 15th the proportion of insured persons without work was 3.3 per cent. compared with 2.5 per cent. on June 17th. Last season the United Kingdom Government assisted the orderly marketing of South Africa's wool clip to ensure minimum prices, but arrangements have now been made for the purchase of the whole of the exportable surplus of wool for the duration of the war and one season afterwards. This brings South Africa into line with Australia and New Zealand, with whom similar agreements were reached last year. Any profit from the re-sale of wool will be shared equally between Britain and the Union.

RAYON

Now that the home trade in rayon is fixed at 66 per cent. of last year's figure from October 1st and the uncertainty regarding yarn prices after September 1st removed, the trade is more settled, and though activity is not at a high level the future is viewed with less anxiety. The Rayon Export Group is now beginning to act, and with the cheaper yarns promised for export and the co-operation of the weavers and finishers, it is expected that the recent falling off will be stopped and new openings developed.

JUTE

Dull conditions have prevailed during the past month and prices have declined. Calcutta goods recovered a little on the news that the mills will stop production during one week in four in addition to reducing working hours from 54 to 45 per week, but the market is again showing an easier tendency. As a result of the great increase in sowings this season, prices of raw jute have declined, the full group of Daisee-2/3 now becoming available at £24 10s. per ton and Tossa-2/3 at £27 5s., October/November. The crop is expected to be about fifteen million bales during the current season; the Indian jute mills will not require more than 4,500,000 bales, and 2,000,000 bales should satisfy outside requirements. A substantial surplus should, therefore, be carried forward to next season. Exports have been considerably curtailed by the war. Jute cloth and bags are required to transport produce from one country to another and, with the reduction in world trade, both Calcutta and Dundee have been compelled to restrict their output. Dundee spinners and manufacturers are working short time and prices have fallen rapidly during the past few weeks.

Business Developments Overseas

UNITED STATES.—The expansion in business activity slowed down in July, but towards the end of August the pace tended to quicken again. Production for domestic civil consumption appears to be on the upgrade, though the output of the motor industry—engaged in the change-over to 1941 models—remains comparatively low. The growing belief that Britain will withstand Germany's onslaughts and that the war will be a long one is tending to overcome the reluctance to undertake large-scale private expenditure on munition-making capacity. But in many cases expenditure is still understood to be held up, pending legislation to enable manufacturers to amortise munition factories within a comparatively short period. Present indications, however, point to the rapid growth of defence expenditure in coming months. The aircraft, machine tool and shipbuilding industries are working at capacity, and plans are ready for a substantial expansion in plant. Partly in anticipation of the prospective increase in the demand for capital equipment, the output of steel has risen to a very high level. The proportion of the steel ingot-producing capacity in operation rose from 72.0 in May to 85.0 in June, when output was 5,427,000 tons, or at the rate of 65,124,000 tons per annum. In recent weeks, however, the industry has been working at about 90 per cent. of its capacity. Foreign trade has been dislocated by the extension of the British blockade in Europe, but total exports declined by only 9 per cent. between June and July, while imports actually rose by 10 per cent., chiefly because of the increase in the intake of raw materials.

SWITZERLAND.—Figures of Switzerland's foreign trade for the first half of this year have now been published. Both imports and exports showed a steady increase up to April, but fell heavily in May and June as a result of the dislocation caused by military developments on the Continent. The excess of imports over exports has increased, and there is no longer any tourist traffic to help to balance it. The Government has decided to impose a capital tax payable over three years to meet the cost of national defence. In the case of business concerns the tax has been fixed at 1½ per cent.; for individuals it rises from 1½ per cent. on fortunes up to 50,000 frs. to 4½ per cent. on those of 1¼ million frs. and over.

BRITISH EMPIRE

CANADA.—Activity has been greatly accelerated as a result of the heavy war expenditure by the British Government in Canada. The number of persons in industrial employment on June 1st was nearly 65,000 higher than on May 1st; the official index of employment was 120.9, compared with 114.3 and 113.1 on June 1, 1939. Industrial construction is expanding under the influence of war orders, and steel production during the first six months of the year reached a record level. Newsprint production also increased in June. The prospects for the second half of the year in these industries are good, and increased activity is expected in the textile trades with the expansion of the Canadian Active Service Force and the adoption of compulsory military training. Purchasing power is high and retail trade well maintained. The wheat situation is causing some anxiety as the crop is so large and so many European markets are closed.

AUSTRALIA.—The expansion of the Australian war effort is stimulating building operations and factory output and there is some shortage of skilled labour. There has been a severe drop in motor car sales owing to the introduction of petrol rationing. The weather has been dry and the prospects for the wool clip are unfavourable and those for butter and wool only fair. Agreement has been reached with the British Government for increased exports of dairy products to this country from both Australia and New Zealand.

INDIA.—The productive capacity of India is being extended to facilitate the output of war materials. The Supply Department has been reorganised and a Director-General of Munitions Production installed in Calcutta. The Aluminium Production Company's rolling mill is expected to be in production by December and a smelting plant in course of erection to be ready by the winter of 1941. India is also exporting textiles to the United Kingdom and the Dominions.

LATIN AMERICA

The disappearance of so many European markets for Argentina's exports is having a depressing effect, and purchasing power in the interior shows a tendency to decline. The chief problem is the disposal of the large maize crop, and a bill to provide interest-free loans to maize farmers may cost Argentina some 200 million pesos. Export trade in June was again at a low level. In the textile import markets, Great Britain's predominating position has been strengthened by the elimination of her European competitors, but the United States is the principal source of all imports, and supplied 27.9 per cent. of total imports during the first half of 1940, against Britain's share of 20.6 per cent. Uruguay is suffering from a very rainy season, and the outlook for marketing the wool clip is obscure. The disappearance of European markets for coffee, cocoa, fruit, etc., has made conditions in Brazil much less favourable, and business in the last quarter of the year may show a sharp decline. In Chile, dollars to pay for imports are becoming increasingly scarce, and there is also a shortage of sterling cover which appears likely to continue unless the British Government makes further purchases of Chilean farming products. In Peru, business is very dull and retail sales have declined in recent weeks.

JAPAN

Figures of foreign trade for the first six months of this year show that the value of both imports and exports are above the level of the corresponding period of 1939. The excess of exports over imports also increased. Attention is being directed to trade with third powers as distinct from trade with the Yen *bloc*. Imports are steadily increasing, but the expansion of exports to them is slow. The satisfactory level of the figures compared with last year in spite of the war is partly due to the higher prices, but also to the increase in shipments to the Continent. The Japan Cotton Spinners Association intends to adjust demand and supply in the export trade, maintain "reasonable" prices and control exports to Latin America and has established an "encouragement association" for these purposes.

UNITED KINGDOM AND UNITED STATES

	Unit of Measurement	Monthly Average 1929	1932	1936	1937	1938	1939	1939 May	June	July	Dec.	1940 Jan.	Feb.	Mar.	Apr.	May	June	July
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	5·50	5·03	4·65	6·53	5·59	6·52	6·49	6·72	5·74	7·72	6·09
2. Postal traffic receipts, daily (r)	Thous. £'s	133	133	147	154	155	150	146·9	149·7	149·1	194·3	136·7	133·1	137·6	145·9	177·6	167·5	179·6
3. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937 = 100	...	78	92	100	104	108	112	105	106	125	104	107	115	114	118	110	...
4. " Other merchandise	"	...	83	95	100	100	102	109	100	107	146	100	83	100	106	113	99	...
5. " Total	"	...	81	93	100	102	105	111	103	107	136	102	95	108	111	115	105	...
6. Retained imports, value: Food	Thous. £'s	42,444	29,810	30,921	34,099	34,923	31,550	32,460	35,187	31,917	42,882	42,799	37,070	42,755	40,984	38,933	34,934	29,656
7. " Raw materials	"	23,774	11,740	17,934	23,203	18,112	18,079	20,012	19,911	19,499	22,174	29,730	32,027	32,640	32,656	34,101	28,138	27,197
8. " Manufactures	"	25,467	12,168	18,452	20,878	17,958	18,997	20,473	22,266	22,636	19,404	26,008	23,637	29,040	31,336	28,814	25,364	27,920
9. " Total	"	92,589	54,221	65,710	79,492	71,569	70,002	73,529	77,867	74,555	84,081	101304	93,206	104945	105551	102339	88,775	85,189
10. Domestic exports, value: Food	Thous. £'s	4,555	2,625	2,966	3,232	2,993	2,976	3,191	3,381	2,998	3,845	3,850	2,920	2,932	3,833	3,482	2,780	2,615
11. " Raw materials	"	6,575	3,634	4,278	5,388	4,744	4,533	5,363	5,182	5,261	4,581	4,647	4,262	4,142	4,555	4,628	3,800	2,491
12. " Manufactures	"	47,899	23,031	28,410	33,737	30,448	28,121	32,743	30,466	30,997	30,587	31,751	29,704	33,473	38,988	36,668	28,976	25,553
13. " Total	"	60,779	30,419	36,727	43,466	39,240	36,567	42,273	39,895	40,355	40,169	41,074	37,402	41,456	48,300	45,500	36,211	31,189
14. Registered unemployed G.B	Thousands	1,212	2,756	1,684	1,413	1,791	1,514	1,492	1,350	1,256	1,362	1,519	1,504	1,121	973	881	767	827
15. Per cent. unemployed "	%	10·3	21·9	13·0	10·6	12·8	10·3	10·3	9·5	8·7	9·1	9·9	10·0	7·4	6·5	5·9	5·0	5·4
16. Registered at Exchanges, all ages (l)	Thousands	1,276	2,813	1,822	1,586	1,881	1,690	1,565	1,417	1,326	1,441	1,603	1,586	1,193	1,040	948	843	899
17. " London (n)	"	118	306	179	171	226	239	207	186	175	287	309	282	239	210	194	183	209
18. " E. and S. England (n)	"	50	142	79	70	96	93	87	67	63	100	179	202	122	102	86	76	77
19. " S.W. England (n)	"	69	157	94	83	84	76	68	54	48	85	54	46	35	32	28	22	21
20. " Midlands & N. Midlands (m)	"	165	371	178	144	210	153	155	146	142	133	171	188	106	81	69	56	63
21. " N.E. England (m)	"	280	602	304	165	208	151	169	150	132	104	125	126	83	72	69	60	59
22. " N.W. England	"	285	562	374	304	398	309	317	301	277	246	260	247	185	159	154	122	128
23. " Northern (a)	"	...	...	179	156	158	139	144	131	123	116	121	128	97	87	78	67	76
24. " Scotland	"	156	378	277	246	253	217	222	199	191	177	185	184	155	138	123	111	114
25. " Wales	"	116	228	198	151	164	127	124	115	106	111	116	121	99	92	80	68	81
26. " Northern Ireland	"	36	68	67	71	91	76	73	68	70	79	84	82	72	68	67	67	71
27. Industs. disputes, No. days lost	"	676	541	154	285	110	107	128	130	134	36	108	168	165	82	91	14	33
28. Wage rates, Min. of Labour (b)	1929 = 100	100	96	99½	103	107½	108		107½		109			...			...	
Wholesale Prices: *Economist*:																		
29. Cereals and meat	1929 = 100	100	70·4	79·4	93·5	82·4	76·2	72·9	71·2	68·0	93·4	96·7	90·0	89·0	88·8	87·9	92·8	87·4
30. Other foods	"	100	72·8	71·2	78·6	68·4	76·4	72·4	72·4	71·9	92·9	92·8	95·0	94·2	93·7	93·2	93·6	93·4
31. Textiles	"	100	53·4	67·0	73·7	58·6	63·8	58·8	58·2	57·2	89·4	83·6	83·0	94·4	95·5	96·9	96·1	92·8
32. Minerals	"	100	76·3	88·5	108·4	97·4	100·0	96·3	96·0	96·8	116·4	116·0	120·2	120·0	121·2	123·3	125·4	127·0
33. Total, incl. miscellaneous	"	100	67·8	78·8	89·3	77·8	80·3	76·3	75·6	75·0	99·8	99·5	99·5	101·0	101·4	103·5	108·2	109·9
34. Cost of Living: Min. of Labour																		
Food	1929 = 100	100	81·8	83·6	90·7	90·1	92·4	87·0	90·3	89·0	102·0	104·5	104·5	102·5	103·2	102·5	109·1	109·3
35. Total	"	100	87·8	89·7	94·5	95·2	96·4	93·3	95·1	94·6	106·1	108·0	109·0	108·5	109·8	110·5	114·0	112·8
36. Industrial securities, Fin. News	July 1, 1935 = 100	102·0	64·0	115·7	110·2	85·6	78·1	84·6	77·2	85·5	75·3	74·8	80·6	77·6	75·6	62·6	54·4	59·6
37. Fixed interest " "	1928 = 100	96·8	113·6	137·7	128·6	127·6	116·8	120·4	117·9	117·9	117·5	125·8	125·6	124·9	125·7	121·5	115·9	120·1
38. Govt. Revenue, cumulative (e)	Mill. £'s	815·0	827·0	896·6	948·7	1006·2	1132·2	116·8	163·8	236·0	605·4	802·4	981·7	1132·2	67·5	145·1	208·4	307·4
39. " expenditure, " (e)	"	829·5	859·3	902·2	919·9	1018·9	1408·2	226·0	315·6	377·5	919·8	1038·1	1148·7	1408·2	186·3	442·6	715·1	993·8
40. Bank of Eng: Notes in circ. (d)	"	362·3	258·5	431·4	479·6	487·4	509·9	495·9	496·7	508·0	546·5	528·3	531·0	538·2	439·1	547·0	584·7	608·6
41. " Bankers' deposits (d)	"	62·9	81·3	96·2	97·2	103·8	102·8	98·9	99·9	92·6	101·6	105·0	102·7	109·8	116·8	107·6	102·1	102·4
42. " Gov sec. B'king Dept. (d)	"	55·9	64·0	88·8	98·4	103·2	107·0	114·5	114·2	107·7	134·4	125·9	124·5	135·4	133·7	140·8	146·8	158·8
Clearing Banks:																		
43. " Deposits (d)	"	1,738	1,791	2,142	2,210	2,205	2,179	2,088	2,137	2,158	2,441	2,320	2,366	2,275	2,268	2,324	2,376	2,383
44. " Cash & bal. with B.E. (d)	"	194	187	221	227	230	236	228	227	226	264	233	238	238	245	247	260	262
45. " Discounts (d)	"	229	308	313	278	279	248	195	242	271	323	375	341	327	329	396	373	406
46. " Advances (d)	"	991	844	839	924	940	959	958	957	951	968	964	966	971	951	932	929	900
47. " Investments (d)	"	257	348	613	622	611	579	576	571	568	580	582	580	582	588	603	605	628
48. Interest Rates: Bank rate	Per cent.	5·498	3·008	2	2	2	2·24	2	2	2	2	2	2	2	2	2	2	2
49. " Three months' bank bills	"	5·28	1·87	0·60	0·58	0·62	1·18	0·72	0·72	0·77	1·22	1·09	1·03	1·03	1·03	1·03	1·03	1·03
50. " Day to day loans	"	4·47	1·61	0·50	0·50	0·50	0·87	0·50	0·50	0·50	0·75	0·81	0·75	0·75	0·75	0·75	0·75	0·75
51. " Yield on 2½% Consols	"	4·61	3·75	2·94	3·29	3·39	3·76	3·67	3·91	3·96	3·69	3·49	3·38	3·41	3·45	3·42	3·48	3·45
52. " Total (excl. Brit. Govt.)	"	...	...	36,073	26,853	16,435	8,754	8,843	29,556	5,187	366	412	949	1,113	6,652	2,617	1,587	491
53. Cap. Issues (*Economist*) Of which abroad	Th's £ New basis	...	...	*16,299*	*12,752*	*8,684*	*4,504*	*6,424*	*23,131*	*1,018*	*0*	*108*	*129*	*514*	*295*	*0*	*22*	*300*
54. "	Th's £ Old "	*18,319*	*7,184*	3,787	5,876	4,991	2,305	5,549	9,290	682	94	55	*0*	*142*	*111*	241	0	0
55. "	Th's £ New "	...	...	*2,125*	*2,431*	*2,279*	*1,365*	*5,128*	*7,341*	*222*	*0*	*0*	*0*	*142*	*0*	*0*	*0*	*0*
	Th's £ Old "	*7,267*	*2,153*															
56. Exchange Rates: New York	$ per £	4·857	3·504	4·971	4·95	4·89	4·46	4·68	4·68	4·68	4·03	4·03	4·03	4·03	4·03	4·03	4·03	4·03
57. " Paris	Frs. per £	124·02	89·20	82·97	124·45	170·66	176·64	176·73	176·73	176·72	176·50	176·60	176·63	176·63	176·63	176·63	176·63s	...
58. " Amsterdam	Fl. per £	12·09	8·68	7·78	8·99	8·89	8·35	8·73	8·81	8·79	7·55	7·54	7·55	7·55	7·56	7·56	...	...
59. " Kobe	Pence per Yen	22·81	19·33	14·02	13·99	13·99	14·06	14·00	14·00	14·00	14·39	14·25	14·24	14·97	16·01	17·21	16·42	15·03
60. " Shanghai	Pence per $	28·85	20·83	14·47	14·43	10·65	6·36	8·25	6·93	5·65	4·61	4·78	4·32	4·19	4·19	3·81	3·94	3·91
UNITED STATES (Population 1938: 130,085,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.)																		
1. Industrial production, F.R.B. (j)	1929 = 100	100	53·8	88·1	92·2	72·3	105·7	79	82	85	108	101	92	87	86	89	97	...
2. Investment goods, F.R.B. (j)	"	100	27·0	81·1	87·7	53·3	79·0	58	67	72	116	100	85	77	74	80	...	...
3. Consumption goods, F.R.B. (j)	"	100	75·2	94·0	94·0	85·5	96·0	92	94	94	103	97	95	91	91	91	...	...
4. Coal production	Million m. tons	46·0	27·2	37·5	37·4	29·3	33·3	20·8	28·5	29·1	37·3	45·9	38·8	35·7	33·4	35·7	33·6	...
5. Electricity generated	Million kw. hrs.	8,113	6,842	9,461	10,083	9,409	10,856	10,339	10,529	10,651	12,077	12,252	11,104	11,514	11,193	11,615	...	...
6. Steel production	Thous. m. tons	4,599	1,128	3,973	4,192	2,357	3,875	2,980	3,190	3,230	5,280	5,120	4,000	3,870	3,608	4,390	5,019	...
7. Index of new orders, N.I.C.B.	1936 = 100	134	41	100	100	79	105	90	86	90	110	108	98	96	...	...	...	...
Building contracts awarded:																		
8. Residential	Million $	159·6	23·3	66·8	75·5	82·2	111·2	133·8	111·9	109·3	88·7	77·4	74·9	121·7	135·4	145·9	...	...
9. Other	"	319·6	89·3	156·1	184·4	184·2	185·5	174·7	176·4	190·6	265·4	118·8	125·7	150·5	165·1	183·0	...	...
10. Output of Private cars	Thousands	382	88	306	326	167	239	238	247	151	374	363	338	353	362	326	...	...
11. " " Commercial vehicles	"	64	20	65	72	41	59	60	63	59	78	69	66	71	71	66	...	...
12. Cotton consumption	Thous. bales	587	418	592	619	492	614	606	578	521	653	730	663	626	624	636	557	...
13. Index of Rly. car loadings (j)	1929 = 100	100	52·8	67·9	74·7	59·2	66·6	58·4	63·2	65·1	73·6	73·6	68·8	65·1	66·0	68·0	...	...
14. Index of Dept. Store sales (j)	"	100	62·2	79·2	83·6	76·7	89·1	76·6	77·5	77·5	86·5	82·8	80·2	80·2	81·1	78·4	83·8	...
15. Retained imports	Million $	362	110	202	251	163	190	194·2	178·4	170·5	232·7	234·6	189·8	206·7	203·0	203·7	...	...
16. Domestic exports	"	430	131	202	275	255	260	245·9	236·1	226·7	357·5	359·1	338·6	344·6	316·5	318·1	...	...
17. Factory employment, F.R.B. (j)	1929 = 100	100	62·6	93·4	101·0	81·5	92·5	89·1	90·0	91·0	99·8	99·4	97·5	95·8	94·9	94·9	...	...
18. Pay rolls, Dept. of Lab.	"	100	42·6	78·4	93·5	78·5	83·3	77·8	79·2	77·4	95·2	90·0	89·6	90·0	88·3	88·4	...	...
19. Hourly earnings, N.I.C.B.	"	100	84	105	120	123	124	124·2	124·3	124·3	125·9	125·4	125·5	126·0	126·5	127·0	...	...
20. Av. hours of work, N.I.C.B.	Number	48·3	34·8	39·7	39·3	34·5	37·6	36·5	37·1	37·1	39·1	38·7	38·0	37·7	37·6	37·5	...	...
21. Applicants for work	Thousands	...	...	7,705	5,155	7,404	6,240	6,382	6,283	6,101	5,746	6,066	5,920	5,025	5,682	...	...	...
22. Cost of living, N.I.C.B.	1929 = 100	100	77·9	84·8	88·4	86·3	85·2	84·7	84·6	84·8	85·2	85·3	85·6	85·4	85·8	85·9	...	...
23. Wholesale Prices, D. of Lab.	"	100	68·0	84·8	90·6	82·5	80·9	80·0	79·3	79·1	83·1	83·3	82·6	82·2	82·5	82·2	...	...
24. " Raw materials	"	100	56·5	82·0	86·9	73·8	72·0	70·7	69·5	69·5	75·2	75·7	74·6	73·9	74·9	73·9	...	...
25. " Semi-manufactures	"	100	63·2	80·8	90·8	80·3	82·0	79·1	79·0	79·2	87·3	87·0	85·1	84·8	83·3	83·4	...	...
26. " Finished goods	"	100	74·4	86·8	92·2	87·0	85·2	84·6	84·2	83·8	86·5	86·5	86·2	85·8	86·0	86·0	...	...
27. " Farm products	"	100	45·9	77·2	82·5	65·3	63·4	60·8	59·5	60·0	64·5	65·9	64·7	64·8	66·2	64·8	...	...
28. 347 Indus. secu.it's, Standard Statistics	"	100	24·4	57·3	69·0	52·6	55·5	52	53	54	57	57	57	57	58	50	...	...
29. Federal Expend. Total (k)	Million $	321	360	756	712	641	...	8,196	9,169	807	4,766	5,479	6,147	7,153	7,945	8,594	...	...
30. Federal Receipts (k)	"	336	173	343	441	520	...	5,054	5,667	308	2,745	3,060	3,504	4,438	4,742	5,142	...	...
31. Total Res. Bank credit	"	1,459	2,077	2,481	2,554	2,600	2,616	2,573	2,579	2,486	2,612	2,503	2,547	2,529	2,518	2,519	2,531	...
32. Gold stock	"	3,998	3,952	10,578	12,162	13,250	12,215	15,957	16,110	16,238	17,518	17,931	18,177	18,433	18,770	19,209	19,963	...
33. Money in circulation	"	4,476	5,328	6,101	6,475	6,510	7,171	6,967	7,047	7,049	7,609	7,376	7,455	7,511	7,559	7,710	7,848	...
34. Member Bank Res. Balances	"	2,358	2,114	5,989	6,830	7,935	10,466	10,029	10,018	10,507	11,473	12,150	12,398	12,423	12,919	13,237	13,781	...
35. " Excess Reserves	"	43	256	2,512	1,220	2,522	4,469	4,218	4,140	4,553	5,011	5,559	5,692	5,828	6,149	6,385	6,857	...
Member Banks in 101 towns:																		
36. Loans and investments	"	22,599	19,080	22,064	22,198	21,023	22,417	21,693	21,887	22,046	23,353	23,157	23,220	23,380	23,489	23,555	23,591	...
37. Deposits: Demand	"	...	...	14,619	15,097	15,039	17,331	16,796	17,220	16,462	18,862	18,946	19,210	19,344	19,515	19,971	20,524	...
38. " Time	"	6,788	5,666	4,999	5,202	5,202	5,234	5,253	5,237	5,243	5,267	5,276	5,283	5,344	5,353	5,332	5,333	...
39. Bank debits ex. N.Y. City	"	27,662	12,867	18,306	19,601	17,054	18,200	17,763	18,676	17,683	22,386	19,978	17,344	19,537	19,250	19,659	18,850	...
40. Call money	%	7·61	2·05	0·91	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0
41. Yield on Govt. bonds	%	3·60	3·66	2·65	2·68	2·56	2·36	2·17	2·13	2·16	2·35	2·30	2·32	2·25	2·25	2·38	2·39	...
42. Capital issues, C.F. Chronicle	Million $	595	99	164	175	196	191	117	274	318	98	94	104	71	118	122	82	...

(a) Figure for 1936 is average of August-December. (b) Indices shown in last month of quarter to which they relate. (d) Average of weekly figures. (e) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Annual indices, year beginning in July; quarterly indices year ended in quarter shown. (j) Adjusted for seasonal variations. (k) Annual figures are monthly averages of fiscal year; monthly figures are cumulative over fiscal year. Annual figures for 1929 and 1932 are not completely comparable. (l) 1937, average January to August: figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (m) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England (n) From January 1940 includes former Southern and South Eastern divisions. (p) Includes Southern division before January 1940. (q) Average May 1–9. (r) Revised series from January, 1939. (s) Average June 1–22.

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MINERALS

Commodity	Unit of Measurement	Monthly Average 1929	1932	1936	1937	1938	1939 (a)	1939 May	June	July	Dec.	1940 Jan.	Feb.	Mar.	Apr.	May	June	July
COAL																		
1. Production: Belgium	Th. metric tons	2,245	1,785	2,323	2,473	2,465	2,487	2,569	2,662	2,321	2,373	2,616	2,617	2,830	...			
2. " U.S.A.	"	46,026	27,183	36,761	37,178	29,378	33,272	20,823	28,513	29,073	37,300	45,870	38,840	35,537	33,302	35,764	33,600	...
3. " Holland	"	965	1,063	1,067	1,193	1,124	1,072	1,072	1,134	1,179	997	1,058	...	...	...	...	...	...
OIL																		
4. Production: Dutch East Indies	Th. metric tons	437	424	536	605	617	662	691	671	685	693	664	612	660	653	...	...	...
5. " Mexico	"	556	408	511	578	471	528	498	517	595	514	492	462	483	467	...	...	...
6. " Iran (Ang.-Ir. Oil)	"	462	543	628	871	911	866	903	841	888	881	881	826	895	863	...	...	...
7. " Roumania	"	403	612	723	596	550	520	521	500	529	520	515	489	521	502	...	...	...
8. " U.S.A.	"	11,509	8,970	12,550	14,597	13,679	14,254	14,956	14,153	15,010	15,534	15,308	14,703	16,246	15,701	16,004	...	...
9. " U.S.S.R.	"	1,206	1,791	2,193	2,307	2,405	2,479	2,536	2,590	2,500	2,525	2,525	2,367	2,532	2,437	...	...	...
10. " All Principal Countries	"	17,145	15,048	20,575	23,486	22,686	...	24,565	23,230	24,580	...	...	...	...	...	...	...	...
11. Stocks: U.S.A. end year	million barrels	422	340	288	306	273	238	278	275	269	234	238	240	246	254	259	262	262
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	96·0
CRUDE STEEL																		
13. Production: Belgium	Th. metric tons	342	232	265	322	190	259	281	305	296	325	322	301	329	...	...	...	...
14. " U.S.A., ex. castgs.	"	4,599	1,128	3,963	4,192	2,349	3,875	2,989	3,197	3,234	5,250	5,130	4,000	3,869	3,608	4,390	5,019	...
15. Price: Pig iron Clevel. No. 3	£ per ton	3·53	2·91	3·70	4·67	5·45	5·03	4·95	4·95	4·95	5·40	5·40	5·55	5·55	5·55	5·55	5·55	6·00
GOLD																		
16. Production: Union of S. Africa	Thous. fine ozs.	868	963	945	978	1,013	1,068	1,085	1,035	1,081	1,101	1,106	1,103	1,147	1,168	1,186	1,158	...
17. " U.S.S.R.	"	90	163	450	417	417	417	...	...	...	...	...	...	...	...	...	...	...
18. " Canada	"	161	254	310	341	394	421	432	437	440	433	424	405	429	...	...	...	...
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	148·45	148·44	148·51	168·00	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	53·1	54·1	49·8	74·2	81·5	69·1	77·5	76·5	74·9	...	...
23. Stocks: U.S.A. (b)	"	...	...	190	134	289	145	306	304	287	145	123	132	145	153·4	...	...	...
24. Price: Std. cash, London (i)	£ per ton	75·48	31·71	38·48	54·53	44·8	42·75	41·70	42·02	42·94	62·00	62·00	62·00	62·00	62·00	62·00	62·00	62·00
25. " Electrolytic, N. York	cents per lb.	18·11	5·56	9·47	13·17	9·17	10·97	9·83	9·78	9·98	12·28	11·95	11·15	11·16	11·09	11·50	11·50	11·50
LEAD																		
26. Production: (Smelter) U.S.A.	Th. metric tons	54·1	21·1	30·8	36·0	31·4	38·0	39·0	33·8	31·7	38·6	42·8	36·9	40·6	28·3	34·4	...	...
27. Stocks: U.S.A. (b)	"	49·7	159·4	155·9	117·0	121·1	53·3	117·2	117·4	112·5	53·3	62·1	66·0	67·8	57·6	...	...	...
28. Price: Soft Foreign, London (i)	£ per ton	23·25	11·00	17·60	23·33	15·26	14·69	14·48	14·57	14·75	25·00	25·00	25·00	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	4·75	4·80	4·85	5·50	5·47	5·08	5·19	5·71	5·02	5·00	5·00
SPELTER																		
30. Production: (Smelter) U.S.A.	Th. metric tons	47·3	15·7	37·4	42·1	34·5	40·7	38·3	35·8	36·0	52·5	51·4	49·4	52·0	49·5	53·0	48·1	44·6
31. Stocks: U.S.A. (b)	"	70·1	113·2	40·8	58·8	116·3	59·9	120·7	122·6	119·6	59·9	59·5	60·8	66·7	73·7	68·1	64·1	...
32. Price: G.O.B., London (i)	£ per ton	24·88	13·58	14·90	22·25	13·98	14·16	13·72	14·03	14·27	25·75	25·75	25·75	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	4·52	5·98	5·64	5·53	5·75	5·75	5·80	6·25	6·25
TIN																		
34. Production: Bolivia	Long tons	3,862	1,715	2,006	2,085	2,114	2,265	1,304	1,604	1,584	3,549	2,256	2,323	2,782	2,705	3,098	3,261	4,068
35. (exports) Dutch E. Indies	"	2,993	1,307	2,640	3,315	1,752	2,607	2,167	1,133	1,698	4,987	2,728	2,738	4,772	2,215	2,721	3,162	...
36. " British Malaya	"	5,781	2,479	5,567	6,462	3,604	4,662	1,499	1,481	5,275	8,469	5,581	6,354	10,174	3,830	6,809	7,928	6,126
37. " Thailand (Siam)	"	828	772	1,056	1,365	1,125	1,416	692	463	2,320	2,190	1,377	1,313	1,482	1,232	1,322	1,786	1,118
38. " World	"	15,582	8,267	15,000	17,242	12,392	15,309	9,100	7,400	14,200	27,600	15,100	15,750	22,000	14,300	18,400	20,100	18,800
39. " Quota of Restrg. Countries	% of std. quanty.	...	42·8	92·5	107·5	53·8	76·2	40·00	40·00	120·0	100·0	120·0	120·0	120·00	80·00	80·00	80·00	130·0
40. Consumption: U.K.	tons	2,518	1,542	1,822	2,164	1,524	2,273	1,993	1,668	2,311	2,209	2,625	2,450	2,347	2,278	3,281	2,784	2,756
41. " U.S.A.	"	7,298	2,938	6,304	7,222	4,224	5,939	5,115	5,012	5,187	11,366	9,780	6,600	9,244	7,855	7,905	9,225	7,325
42. " World	"	14,834	8,758	13,325	16,592	12,625	13,808	13,700	11,400	12,200	23,200	22,400	18,000	22,000	...	...	...	...
43. Stocks: U.S.A. (b)	"	2,820	4,496	5,095	6,385	5,157	5,157	3,387	4,388	5,339	3,302	1,749	2,078	2,635	2,964	3,677	5,300	6,587
44. World Vis. supply (b)	"	27,229	58,427	26,702	36,330	49,414	45,514	43,802	39,368	39,497	50,407	49,370	47,525	47,232	40,680	40,783	41,211	48,830
45. Price: Std. cash, London	£ per ton	203·9	136·0	204·6	242·3	189·6	226·3	225·7	227·6	229·9	249·1	240·9	243·0	251·9	252·3	264·3	273·6	285·8
46. " Straits, New York	cents per lb.	45·19	22·01	46·42	54·24	42·26	49·56	49·02	48·85	48·52	50·64	46·73	45·94	47·09	46·82	51·48	54·54	51·59

GROUP II.—TEXTILES AND CROPS

Commodity	Unit of Measurement	1929	1932	1936	1937	1938	1939	1939 May	June	July	Dec.	1940 Jan.	Feb.	Mar.	Apr.	May	June	July
COTTON																		
1. Mill deliveries: G.B.	Mill. lb. daily av.	5·27	4·47	5·17	5·43	4·18	5·18	5·50	5·03	4·65	6·53	5·59	6·52	6·49	6·72	5·74	7·72	6·09
2. Consumption: U.S.A.	Thous. bales	587	418	592	619	492	614	606	578	521	653	730	663	628	624	636	557	...
3. Price: Mid. American	d. per lb.	10·33	5·25	6·69	6·37	4·97	5·93	5·41	5·66	5·44	8·56	8·62	8·15	7·66	8·03	7·73	7·72	7·81
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	65·5	68·1	70·7	85·4	85·4	85·4	113·8	113·8	113·8	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	10·1	9·6	...	...	...	...	...	...	...	...	...
7. " Japan	"	2·1	6·3	22·9	27·9	17·4	19·0	21·0	20·8	19·6	19·6	18·7	18·1	19·8	...	...	...	...
8. " U.K.	"	4·4	5·7	9·7	10·0	8·9	9·7	10·0	9·6	10·5	...	...	...	...	...	...	...	...
9. " U.S.A. (e)	"	10·1	11·2	23·2	26·0	21·5	27·6	25·2	25·2	26·6	30·6	31·6	31·6	31·6	...	...	...	...
10. Price: Viscose, std. grade, per lb.	pence	...	77·0	55·5	55·1	54·5	58·7	53·5	53·5	53·5	56·0	57·5	57·5	57·5	57·5	57·5	57·5	60·5
(ii) *Staple Fibre*																		
11. Production: Italy	Million lb.	0·1	0·8	9·2	12·8	14·8	15·0	17·3	17·3	...	...	...	...	...	...	...	...	...
12. " Japan	"	...	0·1	3·8	14·3	31·2	20·6	22·3	22·4	21·5	16·3	18·6	...	...	...	...	...	...
13. " U.K.	"	0·2	0·2	2·4	2·9	2·8	5·0	5·7	5·4	5·9	...	...	...	...	...	...	...	...
14. " U.S.A. (e)	"	0·0	0·1	1·0	1·7	2·5	4·4	3·8	3·8	4·6	5·2	6·8	6·8	6·8	...	...	...	...
15. Price: Viscose, std. grade, per lb.	pence	...	...	11·0	10·9	10·0	10·2	10·0	10·0	10·0	10·5	11·5	11·5	11·5	11·5	11·5	11·5	11·5
WHEAT																		
16. World shipments, yr. ended July	Mill. bushels	77	67	42	50	45	...	60	63	46	...	...	...	...	...	...	...	...
17. Price: No. 2 H.W. Kansas C. (h)	cents per lb.	113	51	128	94	68	...	76	71	67	98	101	99	102	106	95	...	...
18. " No. 1 N. Man. Winnipeg (h)	"	125	54	123	131	62	...	66	61	53	82	83	84	87	...	...	...	...
TEA																		
19. Exports: Ceylon	Million lb.	21·0	21·1	18·2	17·9	19·6	19·0	25·1	26·9	19·3	24·5	16·0	17·9	15·2	24·7	23·4	...	...
20. " Dutch East Indies	"	13·3	14·5	12·8	12·2	13·2	13·3	14·2	13·5	13·3	13·4	12·6	11·0	14·4	16·8	9·7	10·0	...
21. " British India	"	32·0	30·8	26·2	27·6	28·3	27·2	12·7	25·1	34·2	48·9	38·5	23·3	7·1	7·8	11·7	...	...
22. " World	"	80·6	77·7	70·3	73·5	77·0	76·9	61·6	75·5	79·8	108·5	83·4	72·4	61·9	...	...	...	...
23. " Quota of Restricting Countries (f)	% of std. quant'y	...	...	82·5	87·5	92·5	95·0	95·0	95·0	95·0	95·0	95·0	95·0	95·0	90·0	90·0	90·0	90·0
RUBBER																		
24. Exports: D. E. Indies	Thous. tons	21·22	17·58	25·81	35·97	24·84	31·04	24·43	27·51	35·68	23·95	54·15	37·28	42·41	44·36	40·2	...	...
25. " British Malaya	"	38·05	33·80	29·48	39·16	31·00	31·39	29·60	22·05	26·01	33·23	26·23	45·65	47·89	25·45	57·9	...	...
26. " World	"	72·20	59·05	71·36	94·59	74·58	83·76	70·31	65·05	84·50	88·37	108·71	113·16	112·38	88·8	122·2	...	...
27. " Quota of Restricting Countries	% of est. cap'c'ty	...	...	62·50	83·75	55·00	58·75	50·00	50·00	60·00	75·00	80·00	80·00	80·00	80·00	85·0	85·0	85·0
28. Consumption: U.K.	Thous. tons	6·02	6·50	6·59	9·55	8·91	10·24	10·19	10·91	11·42	11·18	11·15	11·03	12·22	12·55	12·30	...	...
29. " U.S.A.	"	38·95	28·08	47·79	45·3	36·42	48·13	45·48	48·44	44·98	48·43	54·98	49·84	50·19	50·10	51·62	...	...
30. " All imptg. count.	"	67·12	57·70	85·07	90·06	77·90	89·58	89·58	91·37	88·04	87·61	96·13	92·87	89·41	97·65	96·92	...	...
31. " Reclmd. in U.S.A.	"	18·08	6·46	10·84	13·25	10·07	15·22	12·58	13·84	12·61	15·58	17·60	17·02	17·56	16·30	15·72	...	...
32. Stocks: U.S.A. end year and mth.	"	118·6	379·0	223·0	262·2	231·5	138·0	188·0	165·5	152·0	125·8	142·4	134·3	142·4	162·3	161·4	...	...
33. Price: London, st. sm. sheet	pence per lb.	10·25	2·34	7·75	9·50	7·22	9·00	8·01	8·25	8·56	11·08	11·84	12·66	11·75	11·03	11·56	13·22	12·60
34. " N. York, st. sm. sheet	cents per lb.	20·5	3·4	16·4	19·3	14·6	17·5	16·0	16·3	16·4	19·9	18·9	18·7	18·4	19·0	21·0	...	...
LINSEED																		
35. Exports: Argentine	Thous. tons	133	166	122	151	103	104	74	98	200	66	157	135	131	126	59	40	40
36. Price, c.i.f., Hull; Plate	£ per ton	18·3	8·5	11·6	12·8	11·7	12·0	11·5	11·9	11·1	15·7	15·8	15·2	16·1	...	...	...	...
37. " Calcutta	"	20·3	10·5	13·4	14·8	12·9	13·8	12·9	12·9	12·4	21·4	21·0	19·1	18·4	...	...	...	...

CROPS—ANNUAL FIGURES

Commodity	1932–3	1933–4	1934–5	1935–6	1936–7	1937–8	1938–9 (a)	1939–40 (a)
Cotton (thous. bales)								
1. Brazil	438	1,014	1,359	1,757	1,824	2,075	1,877	...
2. Egypt	991	1,715	1,511	1,707	1,821	2,202	1,728	1,799
3. India (g)	4,656	5,108	4,851	5,933	6,317	5,779	5,120)	...
4. U.S.A.	13,002	13,047	9,637	10,638	12,399	18,946	11,943	11,928
5. World	24,433	28,374	25,611	28,537	33,805	40,781	31,115	...
Wheat (mill. bushels)								
6. Argentina	241	286	241	141	250	184	336	175
7. Australia	214	177	133	144	151	180	151	180
8 Canada	443	282	276	282	219	183	348	450
9. U.K.	44	62	70	65	55	56	65	58
10. U.S.A.	757	552	526	626	627	874	950	731
11. World	3,744	3,669	3,390	3,601	3,540	3,826	4,503	4,175

Commodity	1932–3	1933–4	1934–5	1935–6	1936–7	1937–8	1938–9 (a)	1939–40 (a)
Wool (mill. lb. greasy basis)								
12. Argentina	393	387	370	359	379	380	399	384
13. Australia	1,063	996	1,015	971	983	1,023	985	1,011
14. S. Africa	330	284	219	251	272	246	264	276
15. N. Zealand	277	289	265	304	304	297	327	...
16. U.K.	119	120	115	109	108	107	116	112
17. U.S.A.	441	460	451	453	449	455	457	...
18. World	3,848	3,733	3,647	3,691	3,804	3,862	...	...
Sugar (thous. metric tons, raw value)								
19. Cuba	2,052	2,343	2,615	2,606	3,028	3,040	2,778	...
20. Dutch East Indies	1,734	780	601	538	1,208	1,444	1,399	1,555
21. U.K.	362	509	670	533	589	426	327	540
22. Other Europe (8 countries)	4,834	3,962	4,706	4,278	4,580	5,110	4,664	5,380

(a) Provisional figures. (b) End of year and month. (c) Monthly figures are averages of half-yearly returns. (d) End of season (July) and month. (e) Monthly figures are averages of quarterly returns. (f) Season beginning in April of year shown. (g) Excluding Burma since Jan., 1938. (h) Season beginning in August of year shown. (i) From Dec. 18, 1939, price is for electrolytic copper delivered, including import duty if any. Average for 1939 taken from Jan.–Nov.

THE BUSINESS WORLD

Oil in the Middle East

IF Germany shrinks from the long-heralded invasion of Britain, the coming months may well witness a determined drive by the Axis Powers to conquer the Near and Middle East. Apart from the strategic gains which a break-through in this part of the world would confer, the lands of south-west Asia have many prizes to tempt the blockaded Nazis. Mineral oil is the most important. Whereas German occupied Europe is notoriously deficient in oil, the countries of the Middle East possess it in great abundance. Indeed, it is likely that the territories around the Persian Gulf will, before many years, become one of the world's most important sources of petroleum and its products. The war has already had a noticeable effect on their output. Which are the countries concerned and what contribution are they now making to the world's oil production?

The oldest and most important of these Eastern oil producers is Persia or Iran, whose exports of oil are now many times more valuable than its exports of carpets. With an output last year of just over 10 million tons, Iran ranks fourth among world oil producers. Operations there are in the hands of the Anglo-Iranian Oil Company, by far the largest single enterprise in Iran and the most important contributor to the Iranian Exchequer; an agreement has just been made to increase the duties the company pays. The company's oil is chiefly produced in the Masjid-i-Sulaiman and Haft Kel districts, comprising, respectively, some 56 and 40 square miles. Important deposits have also been found at Gach Saran and other places, but their development is now being somewhat held back on account of the war. Iran's reserves, however, are known to be immense, and current production is certainly far below the potentialities of the fields now being worked.

The crude oil produced in Iran is brought south by pipe-line to Abadan on the Persian Gulf, where the largest concentration of refinery capacity in the world is situated. Here the whole range of finished oil products is manufactured. In the absence of official statistics, it is impossible to say precisely how Iranian exports have been affected by the war, but it is known that tanker shipments were dislocated in the early months of hostilities and that production had to be curtailed in consequence. This slowing-down of output is a common feature in the Middle Eastern oilfields.

Through a subsidiary, the Anglo-Iranian Company also works oil deposits in the extreme west of the country, on the frontier of Iraq or Mesopotamia. In Iraq itself, oil is produced by the Iraq Petroleum Company, in which British, Dutch, French and American interests are represented. This company holds concessions in the vast area covered by the vilayets of Baghdad and Mosul, lying to the East of the River Tigris. Since 1934, its output has reached the markets of the world through a pipe-line which runs from Kirkuk across hundreds of miles of desert to Haifa in Palestine and Tripoli in Syria. Even before the war, the capacity of this pipe-line, each branch of which is capable of handling approximately 2 million tons of oil a year, placed a limit upon production—which might otherwise have been considerably increased. At Haifa there is a modern refinery, and oil exports from Palestine, therefore, are mainly in the form of finished products. Shipments from Syria, on the other hand, have always consisted exclusively of crude oil, the principal market for which was the refineries of France. Now France has collapsed, this outlet has been closed and Iraqi production is consequently running at only half the normal rate. Other concessions in Iraq are held by the Basrah Petroleum Company (associated with the Iraq Petroleum Company) and Mosul Oilfields, Ltd., and exploratory drilling has been going on for several years. But, although vast reserves are known to exist, development is at present held up by the absence of transport facilities and it seems unlikely that these fields will come into commercial production until after the war. Here, again, though current output has been checked, the potentialities are enormous.

Third in importance among oil producers in this area is the tiny, low-lying island of Bahrein, which nestles into a bay on the western shores of the Persian Gulf. Famous as the centre of the pearl fishing industry which has long been carried on in these waters, Bahrein came into greater prominence in 1932, when oil was discovered on the island. A unique feature of this oilfield is the existence of four producing "horizons" (oil-bearing strata) at different depths below the earth's surface—a fact which has necessitated the deepening of existing oil wells as new "horizons" have been

opened up. The Bahrein Petroleum Company, though registered in Canada, is owned jointly by two American concerns—the Standard of California and the Texas Corporation. It holds exclusive producing rights on the island and operates a modern refinery at Manama, which is capable of handling approximately 1½ million tons of crude oil annually. In this case, too, however, production is at present running well below capacity. A steady expansion in output took place until 1938, but a slight decline was registered in 1939, when a little more than 1 million tons of crude oil were produced. Present output is smaller still.

To the west of this small island there is the huge area of Saudi Arabia, where the same American interests are operating through their subsidiary, the California Arabian Standard Oil Company. Since the discovery of oil in the eastern part of the kingdom in 1936, drilling has been going on in the Hasa province, on the Persian Gulf opposite the island of Bahrein. Here again progress is held up for the time being by inadequate facilities for distributing the oil to the world's markets. Damman (where the producing wells are situated) is, however, now connected with the oil port of Ras Tanura, on the Persian Gulf, by a pipe-line completed by the operating company only last year. Last year's output in Saudi Arabia was in the neighbourhood of

only 600,000 tons, but it is likely that a steady expansion will be witnessed from now on. Huge areas are still unexplored, but the acquisition by the company of large additional concessions last year suggests that they have faith in the country's potentialities as an oil producer. Nor would a further large-scale development of oil production simply benefit the producing interests alone; it would radically transform the financial position of the Arabian Government. Government in the Middle East depends a great deal economically on the progress of oil production.

It is less well known that another oil producer of great potential importance is Egypt, the keystone of the Allies' Middle Eastern defences. Anglo-Egyptian Oilfields (a "Shell" concern) has been producing oil from the Ras Gharib and Hurghada fields for several years, and output, after fluctuating somewhat erratically, showed a spectacular advance last year. True, it only amounted to about 600,000 tons, but the trend now appears to be strongly upward, and there is a likelihood that production will soon be sufficient to cover all local requirements. Anglo-Egyptian Oilfields holds exploration permits covering other parts of the country, and most of the international oil groups are engaged in active exploration work in Egypt.

Finally, there is the kingdom of Kuwait, on the north-western coast of the Persian Gulf. Here oil has already been proved by the Kuwait Oil Company—a concern owned by the Anglo-Iranian Oil Company and the Gulf Oil Corporation—though commercial production has not yet been established. Syria and Turkey are also being explored for oil, and deposits have, indeed, already been struck in Turkey, though no details of the structure have yet become available.

The full extent of the oil deposits which lie untapped in the Middle East is certainly not yet known; but the capacity of the fields is already something like 20 million tons, and if the Germans—or the Italians— could lay their hands upon this area, or even a part of it, they would find sufficient oil to supply all their needs. Whether, even then, they would be able to transport it to their own centres of consumption is quite another matter. This question will not arise while Britain's Near Eastern forces, on land, at sea and in the air, remain undefeated, but the prize of victory is sufficiently great to make the control of Aden, the Red Sea, Suez and the Levant of crucial importance in the next stages of the war.

Finance and Banking

The B.I.S. Report

With a delay which symbolises all the difficulties—political and technical—with which the Bank for International Settlements has had to contend during its latest financial year, the report dated May 27, 1940, has now arrived in this country. The report is an admirable argument both for the continued existence of the Bank and for its inactivity, so long as hostilities last. Here are all the familiar data on currency and credit developments the world over, presented with the accustomed expertise and interpreted with a balance and objectivity which is all too rare in the world of to-day. When the task of post-war reconstruction comes to be tackled, we shall have need of these qualities. Amid the wealth of factual and interpretative material in the Report, some of the more interesting points on which new light is shed by the economists of Basle may be chosen for preliminary discussion. The estimates of world income bring out two points—the correlation in the movements of that income with periods of monetary stability and the increasing share of that income devoted in recent years to the destructive cause of armaments. The analysis stresses the poor return of "deficit financing" as a means of creating prosperity. The section on exchanges gives some interesting data on the sterling market in New York before and after the outbreak of the war and confirms the estimate that the "free" market —while it existed—accounted for about 10 per cent. of the total turnover in our currency. The references to the German exchange position show how substantial has been the progress achieved by Germany since the beginning of the war in reducing her debts on clearing agreements with European countries.

*

The gold problem is again discussed at great length. One of the points stressed is the extent to which the abnormal inflow of gold into the United States represents capital movements, and is thus susceptible of rapid correction when normal conditions return to Europe. This character of the gold inflow partly accounts for the complete divorce between the accumulation of gold in the United States and the course of prices in that country. But that situation should be altering rapidly now that most of the gold entering the country is no longer the counterpart of foreign capital, but covers payment for war materials. There are useful references to the position of the London money market and in particular to the problem of the accumulation here of balances belonging to sterling area countries. Between the outbreak of the war and March of this year these funds appear to have risen by about £100,000,000. The section dealing with central banking developments is largely devoted to an account of the increasing intrusion of Government influence in the policy of these institutions and, as part of this tendency, of the general liberalisation of the restrictions on note issues. Among the generally unreported developments mentioned in this respect is the legislation enacted in Iran last March authorising the National Bank to use the Crown jewels as cover for the note circulation, provided they were not sold.

* * *

Reduced Operations

The sections of the B.I.S. report dealing with the affairs of the Bank testify to a substantial contraction in its business, a development already reflected in the monthly balance sheets. The deposits of central banks fell over the year to March 30th from 143,500,000 to 32,000,000 Swiss gold francs. The earmarked gold held by the B.I.S. fell over the same period from 236,700,000 to 73,200,000 Swiss gold francs—a movement to which the Czech gold episode (not referred to in the Report) must have contributed quite appreciably. This contraction in balance sheet figures does not, however, provide a fair measure of the decline in the Bank's business. The total turnover of operations for the year to March 30th last, expressed as a percentage of the 1937-38 figures, was 119.0, compared with 137.0 in 1938-39. Perhaps the most significant and potentially important part of these operations is the gold clearing machinery operated by the B.I.S. It was used extensively during the past year in facilitating the transfer of European central bank gold reserves to New York. A form of gold clearing has also been increasingly used to settle international postal payments and payments between the telephone and telegraph administrations of various countries. In this type of operation we may discern, hazily perhaps and in miniature, the type of function for which the Bank was in fact founded.

* * *

Exchange Equalisation Account & Gold Purchases

An interesting change of policy has recently become apparent in the gold operations of the Bank of England—acting for the Exchange Equalisation Account—on the domestic market. In the past, if there was one type of operation for which the Bank's whole-hearted consent could be relied upon, it was the sale of gold against sterling to the authorities. More recently, however, a number of suggested sales of gold to the Treasury, made on behalf of foreigners on whose account the gold was held in London, have been refused. At the same time no objection whatever has been raised to the grant of export licences for the gold in question. The reasons behind this change of policy are fairly evident. In the first place, it may be taken for granted that the foreign seller of gold will take the proceeds of his sale out of the country and that on balance the operation will yield no net foreign exchange to the British Treasury. Secondly, the British authorities now require their gold in the United States and Canada rather than in this country. To buy gold

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here, give the full sterling price for it and authorise the conversion of this sterling into foreign currency at official rates is in fact tantamount to making the foreign seller a present of the heavy shipping and insurance charges on gold going from here across the Atlantic. There is no reason why such magnanimity should be shown to the foreign hoarder of gold in London. If he knows of a "better 'ole" for it, he should meet the expense of transferring it there.

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The Reimport of Bank Notes

The announcement of a ban on the reimport of Bank of England notes has already been followed by the arrival in this country of an appreciable volume of notes which have beaten the time limits. This return of notes, however, has not yet had time to affect the active circulation, which has gone up during the past week by £450,000, the small rise being probably due to end-of-month requirements. The reimport of notes will presumably soon be felt, for advices received in London from foreign centres suggest that the reflux of notes owing to the ban will be considerable. The movement will come at an appropriate time, since the reserve of unissued notes in the banking department has fallen undesirably low. It is also already evident that the authorities in London will for some months to come be besieged with tales of "hard cases" from foreign holders of bank notes who for one reason or another failed to remit them in time to avoid the ban on reimports. Given the wide distribution of bank notes in the hoards of small "capitalists" the world over, such cases are bound to occur in their thousands. All that can be said is that the authorities will be extremely hard with these hard cases. Since the notes were hoarded in any case, it will cause their holders little harm or inconvenience if they remain in those hoards until the end of the war. The ban on the reimport of notes does not constitute repudiation. After the war, when it is lifted, the notes will be duly accepted and honoured.

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The Discount on Bank Notes

The market in Bank of England notes in New York settled down to a rate of about $3.45 to the £ following the announcement of the ban. This discount of some 15 per cent. need occasion no surprise. It is almost wholly accounted for by the expenses of shipping and insuring the notes back to London. This market proved a six-day wonder, and now that the time limit for posting the notes to England has expired, the market has almost disappeared. What will remain will be a market saved from complete "blackness" by the legitimate demands for the small amounts of notes which travellers to this country will be allowed to bring in. That demand—small as it will be—should be a factor in keeping up their exchange value. But fighting against it will be a combination of depressing influences. The exchange value of bank notes remaining abroad will have to give expression to three elements of varying degrees of uncertainty—the interest rate on a "lock up" for the duration, the outcome of the war and the exchange value of sterling on the conclusion of hostilities. If therefore we allow for the strong possibility of German efforts to sell sequestrated bank notes, we should not be surprised to see the "black market" in them register appreciable discounts.

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Dividends on Non-Resident Investments

One of the problems of the exchange regulations, arising from their latest reinforcement, is the treatment of interest and dividends on the sterling investments of non-residents. It is understood, however, that the position will very soon be clarified and that instructions will be sent to the banks. The principle to be followed is clear enough. These financial payments, which formerly left the country through the "free" market, are now (in respect of securities quoted on the Stock Exchange) entitled to foreign exchange, at what is in fact the official rate, in all cases where the non-resident in question is the national of a country with which the United Kingdom has entered into a Special or Registered Account agreement. The "concession" was part of the price paid for the abolition of the "free" market and might in addition be regarded as some compensation for the virtual blocking of non-resident securities which was decreed on July 18th last. But such payments do not fall within the category of approved operations for which authorised dealers are entitled to sell foreign exchange or credit Special or Registered accounts. Each case therefore has to be referred to the Bank of England for scrutiny. This is obviously required in order to guard against possible changes in the identity of the beneficiaries of non-resident holdings which may not be apparent in the names of the nominee holders. Another complication of this type of exchange problem has arisen in respect of the remittance abroad of the profits of British subsidiaries of foreign firms. It is evident that by overdistributing such profits and obtaining permission to convert these amounts into foreign currencies, a loophole could be created in the exchange control and in the ban on the export of capital. To meet this situation the authorities have devised a kind of "dividend limitation" measure somewhat analogous to the now defunct Dividends Limitation Bill. By this ruling such subsidiaries are allowed to remit abroad in the form of foreign exchange an amount of profit based on that distributed in the standard years 1936 to 1938.

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Irish Banks' Returns

The returns for the banks operating in Eire for the June quarter, published by the Currency Commission, are as follows:—

(£'000)

	June Quarter, 1939	March Quarter, 1940	June Quarter, 1940		
			In Eire	Elsewhere	Total
Liabilities					
Capital, resources, etc.	17,482	17,543	10,364	7,187	17,551
Notes in circulation	9,148	9,985	5,257	5,541	10,798
Current, deposit and other accounts	157,863	166,169	123,604	44,335	167,939
Other liabilities	6,289	5,200	3,846	2,025	5,871
Total	190,783	198,897	143,071	59,089	202,160
Assets					
Cash and balances with London agents and other banks	14,223	16,920	8,282	12,983	21,265
Money at call and short notice	8,973	9,179	1	8,240	8,241
Bills	7,957	5,665	4,630	1,033	5,663
Loans and advances	72,677	73,817	49,937	23,830	73,767
Investments:—					
(a) Government	68,369	74,836	6,250	68,291	74,541
(b) Other	10,194	10,324	4,288	6,006	10,294
Other assets	7,388	8,154	3,728	4,659	8,387
Total	190,783	198,897	77,117	125,043	202,160
Excess of assets outside Eire over liabilities outside Eire	61,750	67,489	...	...	59,089

The most striking feature of these returns is the increase in the cash and balances with other banks, which reflects the desire of the banks to maintain the utmost liquidity during the period of emergency. The increase in the notes in circulaiton indicates an increased desire by the public for liquidity, and is partly caused by the rise of agricultural prices and the cost of living. The whole of this increase took place in Northern Ireland, as the Consolidated Bank Note issue in Eire is limited to a maximum of £6,000,000. The growth of deposits continues, and would appear even greater but for the repayment of a few large deposits by one bank.

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British Insurance in U.S.A.

Very large funds are held in the U.S.A. by British insurers as a cover against liabilities there. These assets for the most part belong to the "admitted" companies—i.e. companies transacting business in the U.S.A. either through branches or agents—or to Lloyd's. Like the American domestic insurers, "admitted" companies are required by law to deposit or to hold substantial dollar reserves, and Lloyd's hold large dollar assets. "Unadmitted" companies—in the main, marine insurers—do not, on the other hand, possess such large funds in the U.S.A., though the business they transact there is considerable. In wartime it is necessary to safeguard against contingencies which might impede the rapid transfer of dollar exchange, and it has therefore been decided to set up a common fund of $10 millions in the U.S.A. on behalf of the "unadmitted" marine companies, to be called the "United States Marine Trust Fund." The currency control is satisfied that the large transfer of funds is warranted, recognising the great importance of the invisible export represented by our insurance business in the U.S.A. Added to the large dollar funds necessarily held by the "admitted" companies and a similar trust fund of $40 millions set up in the U.S.A. by Lloyd's underwriters at the beginning of the war, the creation of this trust shows abundantly the ample security offered by British insurers in America and effectively counters the propaganda of German agents in that country who have spread calumnies against the value of the protection offered by insurers.

Investment

Steadfast Markets

The market has long awaited, and often feared, the intensification of German air attack which has occurred this week. The general failure of such attacks to cause alarm and despondency has never been better illustrated than in the Stock Exchange itself. Business, of course, has shrunk to an even lower level than a fortnight ago, but the important feature of the market is its continued power of recovery. It is so persistent as to suggest that there is a strong undercurrent which, in favourable circumstances, would produce a dramatic rise in price levels. The steadiness of prices is reflected in the behaviour of the *Financial News* market indices. The fixed interest index has hardly wavered from 121.0 last Friday to 120.9 on Thursday this week, while the ordinary share index in the corresponding period has declined but slightly from 63.1 to 62.8. Brokers are still experiencing great difficulty in buying quite small lines of stocks which in ordinary circumstances are a free market. The shortage of stock, indeed, is proving costly to some jobbers, who a week or two ago sold stock in the hope of replacing it without difficulty, but now find themselves compelled to undo bargains at appreciable expense because stock has not come in. Gilt-edged have been consistently steady and on Thursday Old War Loan rose at one time to 101⅛ bid compared with last week's closing level of 100¾. Trade in industrial stocks remains subdued though prices in general are steady. The check to the recent rise in Kaffir shares has now been removed by the comparatively mild increase in mining taxation imposed by the South African supplementary budget this week. The special levy on gold mining companies of 9 per cent. which was imposed in February last is to be raised to 11 per cent. and is expected to provide £855,000 in the current year. The industry will also have to meet a 20 per cent. increase in income tax in common with other industrial concerns, but in relation to current earnings, these increased tax charges should not call for any significant revision of dividend prospects.

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Dealings in Restricted Stocks?

The ban prohibiting dealings in restricted securities, which has been in force since June 17th will, it is hoped, be shortly lifted. Replying to a suggestion in the House of Commons on August 22nd that such securities should either be purchased by the Government from their holders, or that dealings should be restored through the issue of negotiable deposit certificates, Sir Kingsley Wood expressed sympathy with the inconvenience caused by the present freezing of the market and promised an early statement of policy. The difficulty, he stated, lies in arranging for the immediate delivery of securities in case of sale, a difficulty which involves much administrative labour. But these technical difficulties have been greatly increased by the overhasty and unmethodical transfer of the securities in question to Canada. Indeed, the circumstances of their exile appears only to have been paralleled by the chaotic conditions which accompanied the deportation of alien refugees. Meanwhile, the position remains unchanged. It is something to know that the disadvantages, both to national and individual interests, accompanying the closure of the market in "S.I.B." stocks, which have been previously discussed in these columns, are appreciated by the Chancellor, but it must be forcibly urged that there shall be no delay in restoring dealings.

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League Loans Report

The eighth report of the League Loans Committee for the year to June, 1940, is perhaps a monument to the past, rather than a record of achievement in the present. But the brief report of the past year's work shows that, despite the outbreak of war, there has been no general interruption in the Committee's activities. The practice of requiring equal treatment for bondholders of all *tranches* of League Loans has been adhered to, though war conditions are undoubtedly making insistence on this policy increasingly difficult. In one small particular it has already had to be modified, for certain debtor countries, following the introduction of exchange control, are compelling domestic holders of external debt to accept payment in local currency rather than in the currency of the country of issue. Up to the end of June, the Committee was able to report that Estonia, the model debtor, had continued to meet the full obligations on the 7 per cent. loan of 1927. Since her incorporation in the U.S.S.R., Estonia's debt position will, however, call for clarification. Hungary continues to comply with the terms of the settlement agreed in 1937, and Greece's offer to transfer 43 per cent. of the interest on the external debt as from April 1, 1940, for the duration of the war, was accepted by the Committee, thus closing a long open breach. Transfers of the agreed 40 per cent. of interest on the Bulgarian 7 per cent. loan of 1926 and 7½ per cent. loan of 1928 were suspended in April owing to serious interruption of the Bulgarian export trade, though the leva equivalent of the amount due is being deposited with the National Bank. The only case of total default concerns the £1½ millions of City of Danzig loans. The work of the Committee in the last year owes much to the fact that, except in the case of Danzig, the countries concerned have remained neutral and to the valuable liaison work performed by its Swiss and American members.

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Idle Cash and E.P.T.

The Chancellor's statement on August 22nd, in reply to a question in the House, has cleared up an apparent anomaly in the relation of E.P.T. to idle balances. A suggestion, which was discussed in *The Economist* of August 17th, has been convassed that, since cash on current account ranks as capital employed in the business for E.P.T. purposes, whereas general investments do not, the use of free balances for subscribing to 2½ per cent. National Defence Bonds might be prejudiced. The argument is based on the assumption that funds held on current account are automatically held to rank as capital employed in the business. In point of fact, balances held on current account which exceed the amounts reasonably required by the business (and are hence available for investment in War Bonds) do not qualify as capital for E.P.T. purposes. By keeping them idle, directors would lose all investment return, and would not obtain relief from E.P.T. Thus, in theory at least, the problem does not arise—though in these matters much depends upon the decision of individual tax inspectors. Considerations of national interest suggest that this answer is preferable to the extension of E.P.T. relief to the holders of National Defence Bonds—a decision which would reduce tax revenue, in some cases appreciably. All depends upon the maintenance of a shrewd and strict view by the Inland Revenue authorities of the nature of truly surplus funds. It is also in the national interest—and in the particular interest of companies—to re-invest them as they accumulate.

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Commonwealth Group Inquiry

It is understood that the directors of the Commonwealth Mining and Finance Company have received a report of Sir William McLintock, who was appointed by the Board of Trade to inquire into the group's affairs. We are informed that the directors have not yet considered the inspector's report and have not decided whether it is to be circulated to shareholders. Some importance attaches to this question, since the initiative for the Board of Trade inquiry was taken by the boards of the Commonwealth companies themselves, after they had been subjected to considerable criticism by a group of dissident shareholders. The announcement last July that the companies had applied for an inspection stated, in fact, that Mr de Bernales and his associates felt that the only way in which satisfaction could be obtained for the boards and the shareholders was by a proper investigation . . . so that shareholders could receive the report of an independent investigation on which they could make their own decisions. This statement can presumably be regarded as an assurance that the directors, when they have considered the report, will publish its contents to the shareholders of the various companies. No legal obligation, however, rests upon them to do so since the Companies Act merely requires that the Board of Trade must send a copy of the report to the registered offices of the company and also to the applicants for the investigation, who in this case were the directors themselves. Meanwhile, shareholders for whose information the investigation was ostensibly sought by the directors

are still unable to deal in the company's shares. They are the more entitled to know the contents of the inspector's report because the withdrawal of permission to deal in the shares of the various companies was the proximate cause of the application for an inspection last year.

Company Notes

Arthur Guinness Results

The further decline in Guinness net profits from £1,571,776 to £1,485,243 for the year to June 30, 1940, is not unexpected. The company has experienced a declining trend of net profits since 1935-36, but the reduction of only £86,533 in the past year appears to be relatively moderate in view of the outbreak of war. The depreciation allocation (which is charged before striking net profits) has been approximately maintained at £90,016 against £90,712. The company is reducing its total ordinary payment only from 26 to 25 per cent., for although the interim and final dividends were each reduced by 1 per cent. to 11 per cent., the cash bonus is raised from 2 to 3 per cent. Contingencies reserve receives £275,000, against £100,000 in 1938-39, and the carry-forward is slightly higher at £877,554 against £876,311. Further analysis must await the publication of the report, but there is no indication from the preliminary statement itself that Arthur Guinness has achieved an increase in trading profits comparable with that shown by some recent brewery reports. The decline in net profits is, however, by no means extreme when the incidence of increased taxation is taken into account. Owing to the national distribution of the company's product it is probable that turnover has shown fair stability, when sales in the prosperous industrial areas are set against those directly affected by the war. The £1 ordinary stock yields £7 2s. 10d. per cent. at the improved price of 70s.

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New Anglo-Iranian Agreement

Investors learned with surprise on Wednesday that, according to reports from Teheran, the Anglo-Iranian Oil Company had reached a new agreement with the Iranian Government regarding the amount of duties payable to the latter. Under the agreement of April, 1933, governing the company's 60-year concession in Iran, a combined royalty and profit sharing system was agreed between the two parties, subject to the Government being protected against depreciation of sterling by a proportionate increase in its revenue if the London price of gold rose above £6 per ounce. No official statement has been made by the company regarding these reports nor was any indication given that negotiations were in progress in the company's report and the chairman's speech earlier this month. According to present information, the company will pay to the Iranian Government for the four years 1938-1941 an amount of duty based on the payment made in 1937 (presumably the total royalty and tax payment which amounted to £3,545,313) which is to represent the maximum receipts for the Government. The differences between this maximum and the amounts paid for 1938 and 1939 (which appear to total approximately £1,000,000) will be immediately payable to the Government and a minimum payment of £4,000,000 for each of the years 1940 and 1941 has been arranged. After 1941, it is understood the arrangement will be reconsidered with a view to mutual agreement for subsequent years. Anglo-Iranian ordinary stock units fell 1s. 3d. to 26s. 3d. on this news. It is possible that the payment of substantially higher duty to the Iranian Government has wider implications than a strictly commercial deal. In view of the probable reduction in the group's output caused by war in the Mediterranean, shareholders may be faced with a continuance of low trading profits and substantially higher payments to the Iranian Government. Last year's ordinary earnings of £1,343,874 would, in fact, be virtually absorbed in raising the royalty payment to the Iranian Government to £4 millions, leaving nothing for shareholders. The principal shareholder, of course, is the British Government, which has a majority holding of £11¼ millions ordinary capital out of a total issue of £20,137,500, while Burmah Oil Company controls £5,342,985. An official statement regarding the new agreement would undoubtedly be welcomed by private shareholders.

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

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Sheepbridge and Staveley Earnings

The preliminary statements of Sheepbridge and Staveley Coal and Iron show that profits of both companies are lower for the year to June 30, 1940. Sheepbridge net profits, after taxation, amount to £222,166, against £239,405. Since it is clear that tax obligations will have risen substantially during 1939-40, the net figure gives little clue to the trend of gross income, which may well be substantially above the 1938-39 level. This is certainly true of Staveley, whose profit, after depreciation but before taxation, amounts to £782,181, against £561,696. Tax provision, however, has jumped from £100,403 to £364,663, and, in consequence, net profits are £43,773 lower at £417,518. Both companies have reduced their tax-free ordinary dividend rates. Staveley is paying a total of 8 per cent., tax free, against 10 per cent., tax free (which are both equivalent to 13⅞ per cent. gross); Sheepbridge is paying 10 per cent., tax free, against 12½ per cent., tax free, on the old ordinary shares, both equivalent to 17½ per cent. gross. Heavy demand for the companies' output during the past year may to some extent be qualified by revised marketing arrangements for coal. The yield on Sheepbridge £1 old ordinary shares, quoted at 37s. 6d., amounts to £5 6s. 8d. per cent., tax free. The yield on Staveley £1 ordinary stock at 39s. 9d. is rather lower at £4 0s. 6d. per cent., tax free.

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Great Universal Stores Reverse

The rising trend of Great Universal profits was rudely broken in the year to March 31, 1940, by a fall in total income from £530,528 to £354,430. This result is in marked contrast to the satisfaction with the trend of trade expressed by the chairman in January last, when the 100 per cent. share bonus was issued. Consolidated earnings for the group show an equally marked decline from £614,391 to £480,943. Expenses have remained relatively stable. For Great Universal Stores, depreciation at £18,404 compares with £18,012 for 1938-39, while taxation (including N.D.C.) has risen only from £160,933 to £181,314. Thus, falling turnover appears to be the main cause of a decline in equity earnings from £285,413 to £81,809 for the company and from £295,889 to £91,086 for the group. The effective dividend is 12½ per cent., consisting of the 20 per cent. interim on the old capital of £500,000, and a 2½ per cent. final payment on the increased capital of £1,000,000. The dividend is thus equivalent to half the previous year's payment of 50 per cent. on the smaller capital, and is covered by a very small margin, as the following table shows:—

	Years to March 31, 1938	1939	1940
	£	£	£
Total income	408,714	530,528	354,430
Directors' fees	2,946	2,750	2,750
Taxation	111,524†	160,933†	181,314†
Depreciation	19,281	18,012	18,404
Deb. interest	Nil	22,822‡	35,155
Pref. divs.	41,642	40,598	34,998
Ordinary & "A" ord. shares:—			
Earned	*233,321*	*285,413*	*81,809*
Paid	182,574	181,250	79,375
Earned %	*63·9*	*78·7*	*27·2*
Paid %	50	50	22½*
To reserve	50,018	97,361	Nil
Carry forward	12,181	18,983	21,417

† Includes N.D.C., £13,500 in 1938; £10,750 in 1939; £4,610 in 1940.
‡ Part year only.
* Interim, 20 per cent. on £500,000 capital; final, 2½ per cent. on £1,000,000 capital. Total dividend equivalent to 12½ per cent. on increased capital.

Both in the company's store trading and in its mail order business, the strain of wartime has evidently proved considerable, particularly in the closing months of the financial year. Increased postal charges, limitation of supplies, and the purchase tax will not smooth these difficulties in the current year. In view of the company's financial position at the end of March, shareholders cannot expect any improvement in prospects. The balance sheet shows a strain upon working capital, for the company's cash holdings have

fallen from £431,815 to £144,363, though stock in trade is significantly higher at £462,122 against £139,863. The company has raised a loan of £600,000 (of which half is secured) and has bills outstanding amounting to £64,660. The consolidated balance sheet shows that cash holdings have fallen from £424,393 to £187,262, while the total current liabilities have risen from £763,382 to £1,732,516. Consolidated stocks have nearly trebled at £1,484,718 against £531,074. In these circumstances, the distribution of a £500,000 capital bonus from general reserve appears to have been prompted by premature optimism. The company's 5s. ordinary stock has steadily declined in price in recent months. At the current price of 4s. 10½d. ex dividend (compared with an equivalent high of 17s. 10½d. last year) the units yield just over 23 per cent.

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Raleigh Cycle Dividend Policy

By announcing the distribution of a second interim dividend of 10 per cent. for the year to November 30, 1940, the directors of Raleigh Cycle Holdings have made a break with the traditional payment of a 5 per cent. interim followed by a 15 per cent. final (with or without bonus). This year's second interim follows the normal 5 per cent. announced last May. The directors' decision carries no implications regarding the probable total distribution for 1939-40. In the past three years, total income has declined from £281,227 to £207,368 for 1938-39. The holding company, however, draws the bulk of its income from dividends paid tax free by the operating company, Raleigh Company, whose trading profit showed an increase from £450,883 to £513,839 in 1938-39. There is a presumption that trading profits for the present year will keep pace with increased taxation and that the holding company will make a further final ordinary payment. The directors state that the second interim has been declared in consideration of the shareholders' need for cash to meet tax claims and to satisfy the moral obligations of the War Savings campaign. In any case, the operating company is setting a good example by meeting immediately its whole income tax liability due on January 1, 1941, of £200,000, and lending £50,000 interest free to the Government for a period of 15 months. The company, unlike its shareholders, does not appear to suffer from any lack of cash. At the current price of 47s. 6d., the £1 ordinary shares of the holding company yield £8 8s. 5d. per cent. on last year's total distribution.

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Thomas De La Rue

War conditions have checked the rapid expansion of Thomas De La Rue's trading profits, which have fallen from £283,855 to £141,285 for the year to March 30, 1940. This is the lowest figure since the spectacular rise in earnings from £76,022 to £217,207 in 1937-38, which was coupled with the company's venture into the production of plastics. Total income for 1938-39 of £289,991 was charged with £90,000 for taxation reserve, but no provision is required from last year's total figure of £147,309. Since provision for depreciation and plant obsolescence shows a decline from £40,477 to £32,565, the fall in equity earnings is limited to £44,909, and the total of £103,446, against the previous year's record figure of £148,355, represents a rate of 36.3 per cent. The ordinary distribution has been reduced from 26 to 21 per cent. by cutting the cash bonus from 11 to 6 per cent., and no allocation has been made to general reserve, which received £50,000 in 1938-39, though the carry-forward is increased from £18,904 to £49,480. The drop in trading profit was largely determined by the necessity of executing war contracts at higher costs. Moreover, the company has been affected by Government restriction on manufacture. No information is provided of the progress of the plastics branch (whose results in the previous year were disappointing), but any improvement in this section has not been sufficient to offset other shortcomings. The company's cash position has deteriorated. Cash holdings are down from £110,961 to £38,684, and a bank loan of £63,060 has been incurred. The company is clearly passing through a difficult trading period, which calls for considerable adaptation. The directors report that "radical adjustments" have been made, but the possibility of further restrictions on an important part of the company's business cannot be disregarded. The £1 ordinary shares, quoted at 36s. 3d. xd., yield £11 11s. 10d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

LAST week's dulness in most sections of the London markets was even more pronounced in the early days of this week. Business in gilt-edged and foreign bond markets were particularly subdued, but turnover everywhere was on an extremely small scale. There was little selling, but until mid-week, when a certain revival was noticeable, traders showed no willingness to deal. In the industrial market, buying was confined to particular shares and did not develop on a general scale.

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Wednesday's revival in the *gilt-edged* market was maintained later in the week, and, thanks to shortage of stock, prices responded readily to higher demand. Earlier in the week, activity remained at a low ebb, the only change in prices on Tuesday being a gain of ⅛ in the quotation of 2½ per cent. National Defence Bonds. In mid-week, 4 per cent. Consols led the market with a rise of ⅜; a number of securities, including 2½ Consols, 3½ War Loan and 4 per cent. Funding, put on ¼, and gains of ⅛ were also common. Further strength was shown on Thursday. Dealings in *foreign bonds* were on a consistently small scale. Japanese bonds came on offer in a small way, and 6 per cents. of 1924 lost ground. Egyptian securities continued to be a good market.

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Home rails were subdued by the proceedings at the rail fares enquiry. Dealing was on a small scale, but such price changes as occurred were unfavourable. Ordinary shares lost ground at first, Great Western ordinary and Southern preferred ordinary falling by ½ and L.M.S. ordinary by ¼. Later, losses were confined to the senior issues. *Foreign rails* ruled dull but steady.

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In the *industrial* market, the trend was irregular throughout the week, though some companies were consistently supported. In the iron and steel group, Powell Duffryn, Vickers, and Thornycroft gave way slightly, but Sheepbridge and Staveley obtained support on the preliminary figures. In mid-week, John Brown recovered ground lost on Monday. Aircraft issues showed no definite trend. Handley Page and Rolls Royce were bought early in the week, but Bristol Aeroplane came on offer. The stores group was depressed, though Woolworth enjoyed a rally on Wednesday. Brewery shares were dull, apart from Guinness, which received some support on the preliminary statement. Little support was forthcoming for the leading tobacco shares. In shipping, Furness Withy and Lamport and Holt went ahead. In other sections, Lever and Unilever were a good market, while I.C.I. and Dunlop corrected early setbacks.

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Mining markets were steady though business was again on a small scale. Among *Kaffirs*, early selling from the Cape was checked by news that increased taxation was less severe than expected. "Sallies" suffered fractional losses, but East Daggas were in demand. *Rubber shares* were very quiet. Prices were rarely tested, though in mid-week lack of interest caused losses of a few pence for Malayalam, United Serdang, Rubber Trust and Allied Sumatra. In the *oil* market, interest at the beginning of the week centred upon Trinidad issues, but the general tone remained dull. Anglo-Iranian reacted on publication of the new royalties agreement with the Iran Government.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices 30 Ord. shares*	Security Indices 20 Fixed Int.†
Aug. 23 ...	2,456	*3,845*	63·1	121·1
„ 26 ...	2,582	*2,820*	62·9	120·9
„ 27 ...	1,589	*3,095*	62·9	120·8
„ 28 ...	1,890(*c*)	*2,695*	62·8	120·9
„ 29 ...	1,668(*c*)	*3,155*	62·8	120·9

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26). 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26). (*c*) Excluding stop press bargains.

New York

AFTER the low level of trading, which was touched on Wall Street at the end of last week, markets opened dull and sluggish. Sentiment was firm, but dealing remained on a very limited scale. Prices moved narrowly with irregular fractional changes in quotations. Traders were reserved pending the progress of the European war, and the inspiration of defence orders was discounted by taxation possibilities. By mid-week a rally was staged, and advances in the order of $1 were general. Steel shares were in demand throughout most of the week, though aircraft and motor issues were persistently dull. Outstanding gains were realised by Bethlehem Steel and Westinghouse Electric. The *Iron Age* estimates the level of steel mill activity at 91½ per cent. of capacity, against 90½ per cent. a week ago.

(*Continued on page* 290)

Industry and Trade

Idle Goods Vehicles

In an article on Shipping and Ports in *The Economist* of August 17th, the conclusion was reached that the potential handling capacity of our ports and inland transport facilities was appreciably in excess of the present volume of traffic. Information since received from the British Road Federation reveals the existence of a substantial safety margin in the case of goods vehicles, in spite of the decline in their numbers by 11 per cent. to 457,595 between June, 1938, and February, 1940. According to the Federation the severity of fuel rationing has prevented many hauliers from utilising their carrying capacity to the full. Many vehicles have been withdrawn from service, while others are not fully employed. Since the outbreak of war certain traffics have declined in volume, but in the case of others there has been an increase. But hauliers of newsprint, for example, are precluded from transferring their vehicles to other services. Goods vehicles, which can be readily transferred from one district and, within limits, from one service, to another, will have a vital part to play in the maintenance of inland transport. The Minister of Transport has already taken steps to mitigate congestion in ports. The full mobilisation of road transport, with special reference to mobility and flexibility, is no less important. There is much to be said for carrying as many goods as possible on the railways, which are run on home-produced fuel, and for regarding idle goods vehicles, propelled by imported fuel, as a war reserve. But this does not mean that plans should not now be made to ensure the most efficient use of this war reserve in an emergency.

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Control of Plastics

The rapid growth of the plastics industry in recent years enables it to make a useful contribution to the war effort in providing substitutes for metals and timber. There is an immense variety of plastics and the materials used in their manufacture include, among other things, formaldehyde, urea, phenol, cresol, cellulose acetate, nitro-cellulose and rennet casein. They are being used for a large number of small components; even toothbrushes are made largely of this new material. But some of the claims made for plastics—for example, the claim that they can be employed in the construction of aeroplane wings—have no basis in fact, at any rate in the near future. As the supplies of some of the materials used in the manufacture of plastics are not unlimited, a Controller—Mr A. Vyvyan Board—has been appointed to the industry to limit their use for unessential purposes.

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Growth of Inter-American Trade

Latin America exports on the average about 27 per cent. of her total production. In so doing she furnishes the United States with 19 per cent. of that country's imports of raw materials and one-half her imports of foodstuffs. About one-half the exports of the Latin American countries went, before the war, to Europe, and in losing the German market alone they have lost an outlet for exports which in 1938 were valued at some 189 million American dollars. Many of their more important exports to Europe were commodities, such as meat, wool, cotton, tin, wheat and corn, which they sent in only very small quantities, if at all, to the United States. Figures of trade in individual commodities are not yet available for this year, but the following table shows the general course since the war of the trade of each of twelve of the republics with the United States. All the figures except those in the last two columns are taken from United States sources and refer to merchandise only. The remainder are taken from the respective countries' returns and refer to merchandise, bullion and specie:—

TRADE BETWEEN THE UNITED STATES AND LATIN AMERICA.

	Exports from U.S.A. Sept., 1939–Apr., 1940	Change compared with Sept., 1938–Apr., 1939	General Imports into U.S.A. Sept., 1939–Apr., 1940	Change compared with Sept., 1938–Apr., 1939	Imports from U.S.A. as % of Total Imports 1938	Exports to U.S.A. as % of Total Exports 1938
	Mill. $	%	Mill. $	%	%	%
Mexico	63·6	*39*	44·9	*28*	57·7	67·4
Costa Rica	7·6	*58*	2·2	7	49·1	45·6
Guatemala	6·8	*30*	8·4	7	44·7	69·5
Colombia	38·5	*21*	35·0	*15*	51·3	59·1
Venezuela	49·1	*44*	19·1	*51*	52·9*	13·7*
Canada	5·4	*120*	2·8	*14*	34·6	37·7
Peru	16·4	*56*	11·6	*20*	34·3	26·8
Bolivia	4·1	*18*	2·4	*103*	25·5	4·6
Chile	26·3	*78*	38·3	*99*	27·7	15·7
Argentina	71·1	*65*	59·9	*58*	17·6†	8·1†
Uruguay	6·2	*183*	10·9	*190*	12·1‡	4·0‡
Brazil	75·8	*69*	73·5	*6*	24·2†	34·3†

* 1937. † Merchandise only. ‡ Merchandise and bullion.

(*Continued from page* 289)

New York Prices

Total share dealings:—Aug. 22, 440,000; Aug. 23, 290,000; Aug. 24, 90,000; Aug. 26, 160,000; Aug. 27, 220,000; Aug. 28, 380,000.

	Close Aug. 21, 1940	Close Aug. 28, 1940		Close Aug. 21, 1940	Close Aug. 28, 1940
1. Railroads					
Balt. & Ohio	3½	3⅜	Celanese of A.	28⅝	28⅛
Gt. Nthn. Pf.	22¾	22⅝	Chrysler	73¼	71¾
Illinois Cent.	7⅛	6⅞	Curt. Wr. "A"	25¼	25¼
N.Y. Cent.	11½	11⅛	Eastman Kdk.	125	126½
Northern Pac.	6⅝	6	Gen. Elec.	32¾	32⅞
Pennsyl. Rl.	20	19½	Gen. Motors	46⅞	46½
Southern	11	10⅞	Inland Steel	79	76
2. Utilities, etc.			Int. Harvest	43¼	42½
Amer. Tel.	159½	160	Int. Nickel	24½	26¼
Amer. W'wks.	8⅝	8½	Liggett Myers	96½	96
Pac. Light	38	38	Nat. Dairy	13⅝	13⅝
Pub. Sv. N.J.	34⅞	34⅝	Nat. Distillers	20¼	20¼
Sthn. Cal. Ed.	26½	26¼	Nat. Steel	58	59½
United Gas	11¾	12	Proct. Gamble	61¾	60
3. Commercial and Industrial			Sears Roebck.	77¾	77¾
			Shell Union	8¼	8⅛
			Socony Vac.	8½	8½
			Stan. Oil N.J.	34	33½
Amer. Metal	14½x	13¾	20th Cen. Fox	5½	5½
Am. Roll. Ml.	10⅝	10¼	U.S. Steel	52¾	51⅝
Am. Smelting	36½	36¾	West'hse El.	97½	97⅛
Anaconda	20⅝	20⅝	Woolworth	32	32¼
Briggs	19⅝	18⅝	Yngstn. Sheet	31⅜	30⅛

DAILY AVERAGE 50 COMMON STOCKS

Aug. 22	Aug. 23	Aug. 24	Aug. 26	Aug. 27	Aug. 28
90·88	90·76	90·78	90·80	90·79	99·4

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	Aug. 14, 1940	Aug. 21, 1940	Aug. 28, 1940
347 Ind'ls	80·9	111·4	87·0	89·1	90·2
32 Rails	20·7*a*	30·7	24·2	25·1	25·4
40 Utilities	71·2*a*	89·4	79·2	79·7	80·3
419 Stocks	69·9	94·8	75·8	77·4	78·3
Av. yield*	6·61% High	4·30% Low	6·17%	6·16%	6·05%

* 50 Common Stocks. *a* May 22nd.

Capital Issues

Week ending August 31, 1940	Nominal Capital	Conversions	New Money
	£	£	£
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	344,162	...	367,347
Nat. Savings Certs.†	2,469,996	...	2,469,996
3% Defence Bonds†	2,419,205	...	2,419,205
2½% Nat. War Bonds‡	10,116,125	...	10,116,125

† Week to August 20, 1940. ‡ Week to August 27, making total since June 25th, £181,679,540.

Year to date	Including Conversions	Excluding Conversions
	£	£
1940 (New Basis)	1,081,335,264	728,380,131
1939 (New Basis)	*108,668,825*	*86,142,883*
1940 (Old Basis)	1,065,889,760	713,134,627
1939 (Old Basis)	*72,570,031*	*51,139,952*

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
	£	£	£
1940 (New Basis)	727,195,459	984,672	Nil
1939 (New Basis)	*58,887,731*	*25,064,148*	*2,181,004*
1940 (Old Basis)	712,992,171	142,456	Nil
1939 (Old Basis)	*34,979,861*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb.	Pref.	Ord.
	£	£	£
1940 (New Basis)	712,784,816	1,458,755	14,166,560
1939 (New Basis)	*45,720,545*	*8,066,628*	*32,355,710*
1940 (Old Basis)	711,847,995	77,500	1,209,112
1939 (Old Basis)	*38,408,921*	*2,688,459*	*10,866,392*

"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

This Week's Company Results.—No significant movement is shown in the accounts of JOHN LOVIBOND. Gross earnings at £22,344 against £21,417, and net profits at £14,770 against £14,235, both show a small improvement on the previous year's figures. The 12 per cent. dividend is maintained. Two investment trusts, SECOND CLYDESDALE INVESTMENT and SECOND SCOTTISH WESTERN INVESTMENT, whose reports are published this week, show small reductions in earnings. Net profits have declined from £24,034 to £22,353 and from £29,115 to £28,950 respectively. The previous year's dividends are main-

(*Continued on page* 297)

United States imports from all these countries except Costa Rica have increased. From Bolivia and Chile they have doubled since the war, and imports from Uruguay have almost trebled. Exports to Latin American countries increased in still greater proportion. The biggest increases were shown by exports to Uruguay, Ecuador and Chile. It has been calculated that in the first six months of the war the United States increased her exports to Latin America as a whole by 53.6 per cent., and her imports from the same region by 32.5 per cent. Two classes of exports which contributed largely to the increase were chemicals, in the export of which Germany had been increasingly dominating the Latin American markets, and machinery.

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A New Index of Production in America

The Federal Reserve Board's monthly index of industrial production has long been the main guide to the course of business activity in the United States. But in view of the industrial changes of the past decade, and especially of the rise of new industries, the original index, which has not been materially revised since 1927, has lost its former accuracy. In particular, it has tended to understate the volume of production in recent years. The Federal Reserve Board has consequently calculated a new and more comprehensive index going back to 1919. This index, which is given in the accompanying table, has been published in the August issue of the *Federal Reserve Bulletin*. It covers many additional industries, such as machinery, aircraft, rayon, chemicals and building materials. An important innovation is the subdivision of the index of manufactures into durable and non-durable goods.

FEDERAL RESERVE BOARD INDEX OF INDUSTRIAL PRODUCTION

(1935-39 = 100; adjusted for seasonal variations)

	Industrial Production	Minerals	Manufactures Total	Manufactures Durable	Manufactures Non-durable
1919	72	71	72	84	62
1920	75	83	74	93	60
1921	58	66	56	53	57
1922	73	71	74	81	67
1923	88	98	86	104	72
1924	82	89	81	95	69
1925	91	92	90	108	76
1926	96	99	95	114	79
1927	95	100	95	107	83
1928	99	99	100	117	85
1929	110	107	110	133	93
1930	91	93	91	99	84
1931	75	80	74	68	79
1932	58	66	57	41	70
1933	69	76	68	54	79
1934	75	80	74	66	81
1935	87	86	87	84	90
1936	103	99	104	108	100
1937	113	112	113	122	106
1938	88	97	87	78	95
1939	108	106	108	108	108
1939, June	102	105	102	97	106
1940, June	121	121	121	131	112

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Cotton-Spinners' Margins

The fixed margins, which were established last January to check an incipient boom, are now, in less prosperous circumstances, the subject of some controversy in Lancashire. A few weeks ago it was arranged by the Cotton Board, with the consent of the Controller, that derogations from the fixed margins, up to 5 per cent. for American and 10 per cent. for Egyptian yarns, should be allowed for export trade. Now that the mills engaged on Egyptian and the finer American counts are experiencing a slack period, many of them would, quite rightly, like to see a further reduction in margins, preferring a less remunerative business to complete cessation of production. On the other hand, the committee of the Bolton Master Spinners' Association is opposed to any such reduction. Costs of production have undergone a twofold increase; operatives' wages went up 2½ per cent. on July 1st, and a levy of 5d. per hundred pounds of raw cotton was imposed to meet the expenses of British Overseas Cottons, Limited. No increase in margins has been made to cover these additional costs, and the Bolton Master Spinners consider that the present margins are only just sufficient to leave a reasonable profit.

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Design Centre for the Cotton Trade

The Cotton Board is establishing a colour, style and design centre to look after the technical side of the export drive. This does not mean that Manchester should aim at becoming the world's fashion centre. The cotton trade has always relied for its prosperity on cheap bulk lines, and it is because it has been unable to face growing competition, particularly from Japan and India, that its exports have declined. A fresh attack on these markets by syndicates which have reduced production costs and margins of profits to a minimum seems to provide the only real hope of an immediate recovery in exports. To concentrate on setting fashions in style and design would strictly limit the scope of the centre. What is required—and this may be the true mission of the centre—is an improvement in the colour, style and design of utilitarian cotton piece-goods which will bring bigger bulk orders.

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A British Monopoly in Wool

For the duration of the war and one year after the British Government will control a large proportion of the world's wool supplies and practically all the supply of merino wool. The Australian output, which is 84 per cent. merino, was a record last year, when it reached 1,121 million lb. against 971 millions in 1938-39. This exceptional output was partly due to an increase in the weight of wool per fleece. It brought in £A60,359,000 against £A39,123,000 the year before. The average price was 13d. per lb., and there will be an additional payment of £A4,778,000 to bring it up to the contract price of 13.44d. in Australian currency. Though the weight per fleece is expected to be lower in the coming season, with a consequent reduction in the clip, production is again likely to be above the average of recent years. To the large supplies thus accruing to the British Government will now be added, also for the duration of the war and one year after, the whole South African clip, consisting entirely of merino wool. As in the case of Australian wool, the average price has been fixed at 10¾d. (sterling) per lb. In fulfilment of the undertaking to support the Cape wool market whenever the price fell below that of Australian wool, it was proving, and seemed likely to continue to prove, necessary to buy such a large proportion of the clip that the purchase of the whole, on the same lines as the agreements with Australia and New Zealand, appeared to be the best solution. This means an addition to the British merino supplies of an average of 250 million lb. per season. The only exportable surplus of merino wool not purchased by the United Kingdom is about 50 million lb. annually from South America, out of a world total of some 1,250 million lb., so that the British Government has what practically amounts to a monopoly. It is difficult to see how it can be absorbed in present conditions, for European countries took nearly 41 per cent. of the last Australian clip (1938-39), while 40 per cent. came to this country, 10 per cent. was bought by the United States, Canada and Japan, and 9 per cent. was retained by the Australian mills. It is possible that the United States, Canada and Japan may need more this year, but they cannot absorb all of Europe's substantial share, and Great Britain, with her restrictions on civilian consumption, is not likely to use much more in future. It seems quite clear that the British Government will be left with a large surplus to be stored until after the war, when it may play a valuable part in the restoration of industry in the liberated countries of Europe.

COMMODITY AND INDUSTRY NEWS

THE outstanding price changes have been among grains, which, with the exception of maize, have tended to move upwards; sugar, which has been officially increased; and tin, which has continued the previous week's decline. Rayon prices are to be increased by 3d. a lb. from September 1st, but the Rayon Export Group is to provide cheaper yarns for exports to assist exporters in their attempts to seize the markets formerly supplied by Germany, Italy and France. The Commodity Exchange Administration in New York announced on Wednesday that from September 5th restrictions will be imposed on speculative transactions.

Oils and Oilseeds.—Argentina has abandoned its pegged price for linseed, and the price reached in open market is on a competitive level with the new United States crop which is just coming on to the market. There are some Indian linseed and other oilseeds on passage to

(*Continued on page* 292)

COMPANY MEETING

ALLIED BAKERIES, LIMITED

GREATER SALES DESPITE WAR

The fifth annual general meeting of Allied Bakeries, Limited, was held, on the 23rd instant, at Winchester House, Old Broad Street, London, E.C.2.

Mr W. Garfield Weston, M.P. (the chairman), said that the operating companies had maintained a steady trend of increasing business despite the war, but continuing increases in material and labour costs had not been offset by an increase in the price of bread. Regulations restricting the area of deliveries had curtailed normal expansion, but large-scale evacuation had not appreciably affected the company as a whole, and total sales had been increased.

In the event of intensive air raids the geographical layout of the organisation afforded an apparent advantage which the company was prepared to place at the disposal of the baking industry. To prevent interference with a vital food service in the event of serious damage to or total destruction of other bakeries the use of the operating companies' bread plants would, as far as possible, be made available to secure their lost production at cost.

Provision for taxation for the group amounted to £340,000, but as some of the companies had commenced trading within comparatively recent years an unduly large proportion of their normal trading profits were deemed to be excess profits. The company had thus borne a much heavier burden of taxation than others with comparative earnings.

An extensive programme of modernisation and re-equipment of bakeries was nearing completion. Stocks were considerably higher this year because of increased costs of ingredients and the carrying of larger stocks of flour in accordance with the Ministry of Food's desire to secure the wide distribution of accumulated reserves.

These changes had necessarily involved a drain on liquid resources and loans from bankers had increased, but the readiness with which the company's bankers had agreed to make these advances, largely without security, was a tribute to the basic soundness of the organisation.

The report and accounts were unanimously adopted.

(*Continued from page* 291)

the United Kingdom. Consumers of oil-cakes and meals have been officially warned to expect some shortage in the winter although supplies are ample at present.

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Cotton (Manchester). — Raw Cotton prices have been rather irregular during the week with the general tendency downwards. The Ministry of Shipping has announced that the freight space available for American cotton during September will be the same as in the previous four months. Some fairly substantial orders have been booked for American yarns, but sales of Egyptian qualities have been small. Although only a few sales of piece goods have been arranged, the volume of inquiry has been larger, and has covered a wider range of products.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended Aug. 16, 1940	Week ended Aug. 23, 1940	From Aug. 1 to Aug. 25, 1939	From Aug. 1 to Aug. 23, 1940
American	34·9	27·2	49	99
Brazilian	5·4	4·9	25	20
Peruvian, etc.	4·1	3·8	14	12
Egyptian	6·9	4·1	17	18
Sudan Sakel	1·5	0·4	15	3
East Indian	4·0	6·8	20	14
Other countries	12·4	2·2	14	9
Total	69·2	49·4	154	175†

Source: *Liverpool Cotton Association's Weekly Circular.* † Revised figure.

Copper. — Shipments of copper from the United States to Britain increased from 14,184 tons in June to 18,854 tons in July. These larger imports from non-Empire countries are explained by the diversion of French orders to this country. The Empire is able to supply all our war needs of copper, but refinery capacity is not large enough, and in consequence larger quantities of electrolytic copper are being imported from America.

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Grains. — The wheat market is influenced most by the size of the American crops, estimates of which are still increasing. The official export policy of the United States is not likely to be made clear until after the Presidential election. Argentine shippers of maize have been more anxious to sell this week, and the price of Plate maize has fallen by 7½d. per quarter. There is some trading in English malting barley, but supplies arriving at the markets are small. On the other hand, supplies of oats are rather above normal, and as a rule only lots which will attract the full maximum price are offered. Threshing is progressing well.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Aug. 17, 1940	Week ended Aug. 24, 1940	From Aug. 1 to Aug. 26, 1939	From Aug. 1 to Aug. 24, 1940
N. America	450	272	1,816	1,012
Argentine, Uruguay	364	343	1,307	986
Australia	...*	...*	466	...*
Russia	...	...	32	...
Danube and district	24	11	276	65
Other countries	...	...	155	...
Total	838	626	4,052	2,063

* Unobtainable.

Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended Aug. 17, 1940	Week ended Aug. 24, 1940	From Apr. 1 to Aug. 26, 1939	From Apr. 1 to Aug. 24, 1940
Argentina	269	186	8,716	4,891
Atlantic America	62	110	475	1,154
Danube Region	15	...	1,054	678
S. & E. Africa	...*	...*	1,378	880†
Indo-China, etc.	...	...	702	91
Total	346	296	12,325	7,694

* Not received. † Incomplete since July 27th.
Source: *The Corn Trade News*

Tin. — The International Tin Research and Development Council estimates that world production in July amounted to 18,800 tons, compared with 20,100 tons in June. Production during the first seven months of the year was 124,400 tons, against 77,600 tons in the same period last year. The price of standard cash tin in London continued its decline and closed on Wednesday at £257 5s. to £257 10s. per ton, compared with £261 to £261 10s. a week ago. The prices of all other metals are unchanged.

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

	Mar. 31, 1937 †	Aug. 23, 1939	Aug. 30, 1939	Aug. 13, 1940	Aug. 27, 1940
The Economist Index (U.K.):—					
Cereals and meat	93·0	66·1	66·9	86·9	93·5
Other foods	70·4	61·3	61·1	80·1	81·5
Textiles	74·2	52·9	54·3	88·3	86·3
Minerals	113·2	93·4	95·4	121·2	121·0
Miscellaneous	87·0	75·6	77·6	110·2	109·6
Complete Index	87·2	69·1	70·3	97·1	98·3
1913 = 100	*119·9*	*95·0*	*96·8*	*133·6*	*135·4*
Irving-Fisher Index (U.S.A.)	100·4	83·1	93·4	* 87·8	...

* This figure is the latest available; it relates to July 13th.
† Highest level reached during the 1932–7 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN
(1937 = 100)

	Home	Export	Total Index	Total % 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—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
May	131	112	128	+ 24·3
June	97	105	97	+ 4·3
July	82	94	83	+ 25·8

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.

Source: *Board of Trade Journal.*

RETAIL FOOD PRICES

	Average price per lb. at Sept. 1, 1939	July 1, 1940	Aug. 1, 1940	Per cent. increase since Sept. 1, 1939
	s. d.	s. d.	s. d.	%
Beef, British:— Ribs	1 2½	1 3¼	1 3¼	10
Thin flank	7½	9½	9½	25
Beef, chilled or frozen:— Ribs	9½	1 0¾	1 0¾	33
Thin flank	4¾	6	6	22
Mutton, British: Legs	1 3½	1 5¼	1 5¼	12
Breast	7½	8	8	7
Mutton, frozen: Legs	10¼	1 0	1 0	15
Breast	4	4	4	...
Bacon	1 3	1 6½	1 6¼	22
Fish				40
Flour (per 7 lb.)	1 1½	1 1½	1 1¼	1
Bread (per 4 lb.)	8¼	8½	8½	3
Tea	2 4	2 6	2 6	7
Sugar (granul'td)	3	4½	4½	47
Milk (per quart)	6¾	7¾	7¾	15
Butter, fresh	1 4½	1 6¾	1 6¾	13
Butter, salt	1 3¼	1 6¾	1 6¾	22
Cheese	10	1 0¾	1 0¾	29
Margarine: Special	6½	9	9	12
Standard		5	5	
Eggs (each)	2	2¼	2½	33
Potatoes (per 7 lb.)	6½	2½	9¼	42
Index, All foods, weighted (July, 1914 = 100)	136	168	164	19

Source: *Ministry of Labour Gazette.*

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to August 24, 1940, total ordinary revenue was £15,202,000, against ordinary expenditure of £61,212,000, and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £892,351,000, against £209,941,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1940–41	Receipts into the Exchequer (£ thousands) Apr. 1, 1939, to Aug. 26, 1939	Apr. 1, 1940, to Aug. 24, 1940	Week ended Aug. 26, 1939	Week ended Aug. 24, 1940
ORDINARY REVENUE					
Income Tax	510,500	44,615	75,315	2,147	2,295
Sur-tax	83,000	8,420	9,900	130	310
Estate, etc., Duties	86,100	35,020	35,490	1,030	880
Stamps	19,000	7,750	6,400	1,090	1,020
N.D.C.	70000	10170	9,040	540	520
E.P.T.		...	19,510	...	1,300
Other Inland Revenue	1,000	350	180	20	...
Total In. Rev.	769,600	106,325	155,835	4,957	6,325
Customs	309,350	101,370	115,909	5,298	6,867
Excise	213,550	46,357	57,900	887	1,184
Total Customs and Excise	522,900	147,727	173,809	6,185	8,051
Motor Duties	35,000	8,379	9,271	...	...
P.O. (Net Receipt)	13,291	5,324	9,850	Dr. 1,400	350
Crown Lands	1,150	620	540	90	90
Receipts from Sundry Loans	5,000	3,271	581	6	...
Mis. Receipts	13,250	2,796	11,863	500	385
Total Ordinary Revenue	1360191	274,442	361,749	10338	15202
SELF-BAL. Post Office and Broadcasting	86,222	29,476	30,050	1,400	1,900
Total	1446413	303,918	391,799	11738	17102

Expenditure	Estimate, 1940–41	Issues out of the Exchequer to meet payments (£ thousands) Apr. 1, 1939, to Aug. 26, 1939	Apr. 1, 1940, to Aug. 24, 1940	Week ended Aug. 26, 1939	Week ended Aug. 24, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	98,767	103,045	533	432
Payments to N. Ireland	9,400	2,977	3,022	419	380
Other Cons. Fund Serv.	7,600	3,304	3,322	...	...
Total	247,000	105,048	109,389	952	812
Supply Serv.	3219790	376,553	1141987	18050	60400
Total Ordinary Expenditure	3466790	481,601	1251376	19002	61212
SELF-BAL. Post Office and Broadcasting	86,222	29,476	30,050	1,400	1,900
Total	3553012	511,077	1281426	20402	63112

The 1939 figures include expenditure out of defence loans.

After reducing Exchequer balances by £499,532 to £2,507,807, the other operations for the week (no longer shown separately) raised the gross National Debt by £45,980,400 to about £9,837 millions.

(£ thousands)

OTHER ISSUES (NET)	
Overseas Tde. Guar.	27
P.O. and Teleg. Acts	250
Anglo-Turkish Agreement	68
	345

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to August 24, 1940, are :—

(£ thousands)

Ordinary Exp.	1,251,376	Ord. Revenue	361,749
Misc. Iss. (net)	5,417	Gross borr.	897,881
Inc. in balances	113	*Less*— Sinking fds.	2,724
		Net borrowing	895,157
	1,256,906		1,256,906

FLOATING DEBT

(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
Aug. 26	510·0	583·1	45·3	...	...	1138·4
1940						
May 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
„ 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0	„ „				
„ 20	815·0	„ „				
„ 27	826·0	906·5	43·6	...	30·0	1806·2
Aug. 3	831·0	Not available				
„ 10	836·0	„ „				
„ 17	836·0	„ „				
„ 24	836·0	„ „				

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939				s. d.	
Aug. 25	30·0	50·4	30·0	74 5·44	4
1940					
May 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
„ 21	65·0	97·6	65·0	20 4·97	60
„ 28	65·0	110·3	65·0	20 5·22	51
July 5	65 0	105·4	65·0	20 5·10	55
„ 12	65·0	112·3	65·0	20 4·97	48
„ 19	65·0	118·8	61·0	20 4·45	37
„ 26	65·0	125·8	60·0	20 4·44	31
Aug. 2	65 0	122·1	65·0	20 4·86	42
„ 9	65·0	122·5	65·0	20 4·62	41
„ 16	65·0	116 5	65·0	20 5 21	48
„ 23	65·0	109·7	65·0	20 5·63	56

On August 23rd 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 56 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 August 30th.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
Aug. 13	2,813	2,674	11,342
„ 20	2,470	2,419	15,805
„ 27	...	...	10,116
Totals to date	139,748*	143,507*	181,680†

* 39 weeks. † 10 weeks.

Interest free loans received by the Treasury up to August 27th amounted to 8,011, of a total value of £16,477,191. From the beginning of the campaign up to July 27th, principal of Savings Certificates to the amount of £19,322,000 has been repaid.

BANK OF ENGLAND RETURNS

AUGUST 28, 1940

ISSUE DEPARTMENT

£		£	
Notes Issued: In Circultn.	610,041 833	Govt. Debt	11,015,100
In Banking Dept.	20,195,378	Other Govt. Securities	615,721,406
		Other Secs.	2,750,533
		Silver Coin	512,961
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	237,211
	630,237,211		630,237,211

BANKING DEPARTMENT

£		£	
Props.' capital	14,553 000	Govt. Secs.	147,972,838
Rest	3,514,027	Other Secs.: Discs., etc.	3,875,187
Public Deps.*	8,827,829	Securities	24,621,458
Other Deps.: Bankers	118,655,912		28,496,645
Other Accts.	51,802,852	Notes	20,195,378
	170,458,764	Gold & Silver Coin	688,759
	197,353,620		197,353,620

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Aug. 28, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	610,042	+ 457	+ 80,543
Deposits: Public	8,828	− 5,717	− 22,240
Bankers'	118,656	− 4,716	+ 28,513
Others	51,805	+ 3,122	+ 12,827
Total outside liabilities	789,329	− 6,854	+ 99,643
Capital and rest	18,067	+ 14	− 138
COMBINED ASSETS			
Govt. debt and securities†	774,709	− 3,833	+ 365767
Discounts and advances	3,875	− 4,959	− 2,513
Other securities	27,372	+ 2,184	− 728
Silver coin in issue dept.	513	− 4	− 200
Gold coin and bullion	926	− 237	− 262823
RESERVES			
Res. of notes and coin in banking department	20,884	− 694	− 13,366
"Proportion" (reserve to outside liabilities in Bankg. dept.)	11·6%	+ 0·1%	− 9·7%

COMPARATIVE ANALYSIS*

(£ millions)

	1939 Aug. 30	1940 Aug. 7	1940 Aug. 14	1940 Aug. 21	1940 Aug 28
Issue Dept.:					
Notes in circ.	529·5	613·7	613·9	609·6	610·0
Notes in banking dept.	33·5	16·6	16·3	20·6	20·2
Govt. debt and securities†	295·8	626·1	626·6	626·7	626·7
Other secs.	3·5	3·3	2·8	2·8	2·8
Silver coin	0·7	0·5	0·5	0·5	0·5
Gold, *valued at s. per f. oz.*	263·0 *158·5*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*	0·2 *168·00*
Deposits:					
Public	31·1	19·2	30·7	14·5	8·8
Bankers'	90·1	114·1	107·6	123·4	118·7
Others	39·0	48·6	48·8	48·7	51·8
Total	160·2	162·7	156·4	186·6	179·3
Bkg. Dept. Secs.					
Government	113·1	157·3	161·7	151·8	148·0
Discounts, etc.	6·4	3·1	5·4	8·8	3·9
Other	24·6	22·0	20·8	22·4	24·6
Total	144·1	182·4	187·9	183·0	176·5
Banking dept. reserve	34·2	16·4	17·2	21·6	20·9
"Proportion"	% 21·3	% 9·5	% 9·2	% 11·5	% 11.6

* Government debt is £11,015,100; capital £14,553,000 † Fiduciary issue raised from £500 millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Bulgaria, Switzerland and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Mellie Iran, of June 22nd; Greece, Jugoslavia, and Lithuania, of June 29th; Portugal, of August 3rd; Japan and Argentina, of August 17th; Federal Reserve Reporting Member Banks, of August 24th.

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. Banks	Aug. 31, 1939	Aug. 15, 1940	Aug. 22, 1940	Aug. 29, 1940
Resources				
Gold certifs. on hand and due from Treas.	14,312	18,388	18,487	18,562
Total reserves	14,661	18,762	18,853	18,922
Total cash reserves	340	362	354	348
Total U.S. Govt. secs.	2,426	2,446	2,446	2,442
Total bills and secs.	2,445	2,457	2,458	2,454
Total resources	17,812	22,120	22,093	22,135
Liabilities				
F.R. notes in circn.	4,609	5,293	5,310	5,334
Excess mr. bank res.	4,800	6,390	6,420	6,420
Mr. bank reserve dep.	10,951	13,340	13,419	13,516
Govt. deposits	709	940	889	813
Total deposits	12,268	15,724	15,794	15,827
Total liabilities	17,812	22,120	22,093	22,135
Reserve ratio	86·9%	89·3%	89·3%	89·4%
Banks and Treasury:				
Resources				
Monetary gold stock	16,638	20,689	20,800	20,871
Treas. & bk. currency	2,905	3,027	3,030	3,034
Liabilities				
Money in circulation	7,141	7,944	7,976	8,006
Treas. cash and dep.	3,036	3,221	3,180	3,140

BANK OF ESTONIA

Million Estonian krones

Assets	June 23, 1939	May 31, 1940	June 7, 1940	June 23, 1940
Gold coin & gold bullion	40·89	40·90	40·91	40·91
Net foreign exchange	8·09	4·30	4·45	5·77
Home bills discounted	11·39	18·58	18·24	20·58
Loans and advances	13·13	30·27	25·32	38·19
Liabilities				
Notes in circulation	53·07	62·73	60·61	85·14
Sight dep., of which	24·09	34·04	28·73	25·60
(a) Government	9·98	14·72	8·97	13·64
(b) Bankers	11·24	4·10	3·38	7·81
Reserve ratio	63·5%	46·7%	50·8%	42·2%

PRAGUE NATIONAL BANK

Million Crowns

Assets	Jan. 31, 1940	May 15, 1940	May 31, 1940	June 7, 1940
Gold	1,602	1,596	1,596	1,596
Foreign exchange	802	717	728	728
Other cash	2,298	2,372	2,185	2,336
Bills and securities	333	102	444	481
Advances	825	524	542	542
Other assets	4,264	5,218	4,380	4,535
Liabilities				
Note circulation	5,911	5,354	5,601	5,558
Cash certificates	523	1,421	1,061	1,034
Clearing deposits	1,675	1,241	839	1,257
Other liabilities	1,473	1,971	1,834	1,829

BANK OF LATVIA—Million lats

Assets	June 26, 1939	June 10, 1940	June 17, 1940	June 24, 1940
Gold coin and bullion	92·84	71·53	71·53	71·54
Foreign currency	39·86	29·96	30·35	30·26
Short-term bills	52·87	59·67	60·19	63·04
Loans against securities	94·17	152·00	153·95	153·63
Liabilities				
Notes in circulation	83·68	103·63	104·52	116·58
Deposits & current accs.	133·17	127·78	126·82	119·20
Government accounts	75·16	73·45	71·95	68·53

BANK OF SWEDEN.—Million kronor

Assets	June 30, 1939	June 7, 1940	June 22, 1940	June 29, 1940
Gold reserve	615·5	806·3	820·0	834·2
Secondary cover:—				
Swedish assets	225·7	940·7	872·9	894·9
Foreign assets	‡729·1	424·4	444·4	436·6
Liabilities				
Notes in circulation	1058·9	1419·3	1416·7	1478·0
Deposits: Government	490·4	117·1	80·6	88·4
Banks & others	372·6	81·8	78·5	51·6

‡ Including "gold abroad not included in gold reserve."

NATIONAL BANK OF ROUMANIA

Million lei

Assets	June 10, 1939	May 4, 1940	June 1, 1940	June 7, 1940
Gold and gold exchange	18,712	21,029	31,545	31,563
Foreign exchange	1,404	4,007	3,913	3,822
Commercial bills	10,899	17,647	18,987	19,094
Treasury bills issued agnst. losses on credits	4,664	4,464	4,470	4,470
Advances on secs.	2,846	4,596	5,308	5,116
State debt	3,583	3,572	3,566	3,566
Secs. and participatns.	2,287	2,301	2,377	2,389
Liabilities				
Notes in circulation	38,950	49,946	52,467	52,911
Other sight liabilities	10,302	9,458	18,903	18,229
Long-term liabilities	5,119	6,378	2,449	2,654

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

Assets	July 10, 1939	June 24, 1940	July 1, 1940	July 8, 1940
Gold and English stg.	16·03	16·08	16·08	16·08
Other coin, bullion, etc.	4·86	7·70	8·12	8·17
Call money, London	14·75	42·99	42·77	43·29
Secrts. and Treas. bills	96·64	87·93	90·67	90·75
Discounts and advances	17·25	33·18	35·17	34·98
Liabilities				
Notes issued	47·53	60·88	61·62	61·62
Deposits, etc.	83·23	108·21	112·63	111·96

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

Assets	Aug. 7, 1939	July 22, 1940	July 29, 1940	Aug. 5, 1940
Gold and stg. exch.	7·95	15·74	15·82	15·89
Advances to State	19·23	25·48	25·23	25·23
Investments	3·74	2·54	2·54	2·54
Liabilities				
Bank Notes	15·59	19·49	19·62	19·72
Demand liabs.: State	2·57	22·25	22·17	22·07
Banks and others	11·25			
Reserves to sight liabs.	26·8%	...	...	...

BANK OF CANADA.—Million Can. $

Assets	Aug. 9, 1939	July 24, 1940	July 31, 1940	Aug. 7, 1940
†Reserve: Gold	205·2	...	...	...
Other	49·1	4·5	5·7	4·2
†Securities	165·5	503·9	515·8	532·0
Liabilities				
Note circulation	172·4	287·6	291·7	297·2
Deposits: Dom. Govt.	31·5	18·6	24·1	21·6
Chartered banks	205·2	195·1	194·4	208·1

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

RESERVE BANK OF INDIA

Million rupees

Assets	Aug. 18, 1939	Aug. 2, 1940	Aug. 9, 1940	Aug. 16, 1940
Gold coin and bullion	444	444	444	444
Rupee coin	748	375	363	356
Balances abroad	36	222	237	246
Sterling securities	595	1,315	1,315	1,115
Indian Gov. rupee secs.	374	496	496	496
Investments	68	89	89	87
Liabilities				
Notes in circn.: India	1,698	2,252	2,254	2,234
Burma	97	126	127	125
Deposits: Govts.	150	176	149	122
Banks	216	289	318	362
Reserve ratio	48·1%	66·9%	67·2%	67·4%

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between August 23rd and August 29th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. fcs. (25·22½) 17·65–75. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Batavian Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), 99·80–100·20.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent. pm.-par. Canada, ½ 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 £	Aug. 23, 1940	Aug. 24, 1940	Aug. 26, 1940	Aug. 27, 1940	Aug. 28, 1940	Aug. 29, 1940
Budapest, Pen.	27·82	19½*	19½*	19½*	19½*	19½*	19½*
Belgrade, Din.	276·32	155*	155*	155*	155*	155*	155*
		200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Sofia, Lev.	673·66	315*	315*	315*	315*	315*	315*
Helsingfors, Mk	193·23	180–210	180–210	180–210	180–210	180–210	180–210
Alexandria, Pst	97½	97⅜–5⅝	97⅜–5⅝	97⅜–5⅝	97⅜–5⅝	97⅜–5⅝	97⅜–5⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16
Kobe, Yen	‡24·58d.	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (e).	17·38	22½–25½	22½–25½	22½–25½	22½–25½	22½–25½	22½–25½
Montevideo, $	† 51d.	22½–25½	22½–25½	22½–25½	22½–25½	23½–26½	23½–26½
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3 7/16–4 1/16	3 7/16–4 1/16	3¼–3⅞	3¼–3⅞	3¼–3⅞	3⅜–4
Bogota, Pes.	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † 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.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Aug. 26, '39	Week ended Aug. 24, '40	Aggregate January 1 to Aug. 26, '39	Aggregate January 1 to Aug. 24, '40
Working days:—	6	6	200	201
Birmingham	1,619	1,714	80,702	76,612
Bradford	781	963	28,611	54,696
Bristol	1,214	1,964	41,583	60,251
Hull	723	456	26,882	25,854
Leicester	539	539	23,876	25,465
Liverpool	4,751	5,449	167001	194572
Manchester	7,465	9,190	319856	385170
Newcastle	1,118	1,008	51,480	45,162
Nottingham	341	329	16,561	14,520
9 Towns	18551	21612	759552	882312
Dublin	4,899	5,950	206040	205478
Sheffield*	568	375	35,980	22,499
Southampton†	...	95	...	1,568

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between August 23rd and August 29th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1 11/32%; 3 months, 1 13/32%; 4 months, 1 15/32%. Treasury bills: 2 months, 1–1 1/32%; 3 months, 1 1/32%; 6 months, 1⅛–1¼%. Short loans, 1–1¼%. Day-to-day money, ¾–1¼%. Bank deposit rates, ½%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
Aug. 23	23 5/16	22 15/16	Aug. 28	23¾	22 15/16
„ 26	23 5/16	22 15/16	„ 29	23 7/16	23 1/16
„ 27	23 7/16	23			

NEW YORK EXCHANGE RATES

New York on	Aug. 22, 1940	Aug. 23, 1940	Aug. 24, 1940	Aug. 26, 1940	Aug. 27, 1940	Aug. 28, 1940
London:—						
Cables	Cents 402¾	Cents 402¾	Cents 402¾	Cents 402¾	Cents 403	Cents 403
Switzerland, Fr.	22·79	22·79	22·79	22·79	22·79	22·79
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	39·95	39·95	39·95	39·95	39·95	39·95
Stockholm, Kr.	23·86	23·86	23·86	23·86	23·87	23·87
Montreal, Can. $	86·560	87·000	87·000	86·875	87·125	87·750
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	5·72	5·72	5·70	5·54	5·54	5·54
B. Aires, Pso. (mkt. rate)	22·75‡	22·65‡	22·65‡	22·70‡	22·65‡	22·50‡
Brazil, Milreis	5·05	5·05	5·05	5·05	5·05	5·05

‡ Official buying rate 29·78. (c) Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Lovibond (John) & Sons	Mar. 31	22,344	854	14,770	35,967	3,025	6,300	12	5,000	+ 445	21,417	14,235	12
Financial Land, etc.													
Estates Control	Mar. 31	83,609	...	81,835	247,865	33,722	20,500	100†	...	+ 27,613	90,153	73,516	100†
European & Gen. Corpn.	June 30	6,760	...	3,053	9,284	...	2,898	3½	...	+ 155	6,962	3,146	3½
Iron, Coal and Steel													
Brightside Foundry, etc.	June 30	146,173	...	58,601	89,528	2,500	43,750	25	...	+ 12,351	185,160	120,000	35
Davey, Paxman & Co.	Mar. 31	31,396	...	9,362	21,281	...	12,750	15	...	− 3,388	25,358	13,888	15
Houghton Main Colliery	June 30	78,689	...	21,206	72,258	...	38,540	10	...	− 17,334	57,216	39,584	7
Rubber													
Abaco (Selangor)	Mar. 31	5,454	...	3,112	5,810	...	2,246	7½	1,000	− 134	1,481	136	Nil
General Ceylon	Dec. 31	46,291	...	19,292	21,478	...	15,315	5	5,000	− 1,023	25,514	13,748	3
Shipping													
Tyne-Tees Shipping	June 30	38,105	20,000	17,504	22,596	...	20,460	5	...	− 2,956	42,427	16,827	5
Shops and Stores													
Great Universal Stores	Mar. 31	354,430	18,404	116,807	135,790	34,998	79,375	22½	...	+ 2,434	530,528	326,011	50(s)
Tea													
Dhamai	Dec. 31	36,149	...	8,675	13,680	680	7,402	17½	...	+ 593	33,013	10,910	17½
Trusts													
Second Clydesdale Invest.	July 1	54,881	...	22,353	42,103	8,812	6,175	5	5,000	+ 2,366	55,074	24,034	5
Second Scot. Westn. Inv.	July 1	93,255	...	28,950	65,804	17,500	4,667	2	6,783	...	93,524	29,115	2
Other Companies													
Brooke Bond and Co.	June 12	(a) 128,598	...	(a) 48,099	231,418	...	60,000	10	...	− 11,901	137,355	87,355	10
Cambuhy Coffee, etc.	Dec. 31	57,965	...	22,274	51,145	...	25,000	6	...	− 2,926	51,330	25,915	6
Clydesdale Supply	Mar. 31	19,556	1,866	4,833	17,078	4,286	2,500	8	...	− 1,953	26,137	9,937	8
De La Rue (Thomas)	Mar. 30	147,309	32,565	103,446	122,350	...	72,870	21	...	+ 30,576	289,991	248,355	26
Meyer (Montague L.)	Mar. 31	243,747	3,278	57,774	87,570	8,175	10,781	50	2,889	+ 35,929	84,934	41,047	33⅓
"News of the World"	June 30	545,344	40,000	186,303	211,128	126,000	80,000	13⅓	...	− 19,697	465,429	321,712	20(t)
North Glamorgan Wagon	Mar. 31	7,515	...	5,682	20,152	...	911	5	...	+ 4,771	5,992	3,640	5
Smith (Stephen) and Co.	Apr. 30	60,281	2,349	23,234	28,821	7,585	16,630	12½	...	− 981	50,227	30,393	12½
Waddington (John)	Mar. 31	49,420	9,504	19,454	57,178	9,912	3,450	6	6,000	+ 92	45,138	23,627	7½
Totals (£'000's):	*No. of Cos.*												
Week to Aug. 31, 1940	*22*	*2,257*	*129*	*876*	*1,530*	*257*	*533*	...	*31*	+ *55*	*2,324*	*1,377*	...
Jan. 1 to Aug. 31, 1940	*1,608*	*322,779*	*25,853*	*172,743*	*245,376*	*38,498*	*106,012*	...	*20,236*	+ *7,997*	*299,425*	*179,676*	...

(a) 56 weeks. † Free of income tax. (s) Absorbed £181,250. (t) Absorbed £80,000.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
BANKS				
Bank of Australasia	3½*	...	...	3½*
Mercantile of India	6*	...	Sept. 24	6*
National of India	8*	...	Sept. 26	8*
TEA AND RUBBER				
Gen. Ceylon Tea, etc.	...	5	...	3
Kampong Kuantan Rb.	10*	...	Sept. 16	5*
Scottish Assam Tea	...	10	...	10
Sthn. India Tea	...	8	Sept. 30	8
Talliar Estates	...	5	...	6
MINING				
Bushtick Mines	6⅔	10	...	7½
Sungei Way Dredging	20*	...	Sept. 28	5*
INDUSTRIALS				
Bairds & Scottish Steel	3*	...	...	3*
British Oxygen Co.	(s) 7*	...	Oct. 1	7*(t)
Canadian Celanese	75 cts.	...	Sept. 30	25 cts.
Carter & Co.	...	5	...	12½
Cons. Gas Baltimore	$1ps*	...	Oct. 1	90c.*
Cook (M.) and Son	10†	15	...	3¾
Crossley Building	2½*	...	Sept. 11	3*
Derby Mills	7½†	15	...	7½
Great Universal Stores	c2½†	22½a	...	50(b)
Guinness (Arthur)	14†	25	...	26
Harding Tilton, etc.	12½*	...	...	12½*
Imp. Tobacco (Canada)	10cts ps*	...	...	10 cts*
Indian Iron and Steel	v 12½†	20v	Sept. 26	15v
Leigh Mills Co.	...	12½	...	8
Lochgelly Iron, etc.	...	9*5d ps	...	1/– ps
Metal Closures	5*	...	...	5*
Norvic Shoe (Def.)	...	12	...	4
Oxley Engineering	...	10	Sept. 21	12½
Quirk Barton and Co.	...	...	...	2½*
R.F.D. Co.	4*	...	Sept. 6	Nil*
Raleigh Cycle Hldgs.	10*	...	Sept. 5	...
Ransome and Marles	11†	20	...	20
Reckitt and Sons	5*	...	Oct. 1	5*
Second Alliance Trust	12†	21	...	21
Sheepbridge Coal, etc.	‡6†	‡10	...	‡12½
Staveley Coal, etc.	‡5½†	‡8	...	‡10
Steel Barrel Scammells	6½†	12½	...	12
Sth. Met. Electric	3*	...	...	3*
Tennant Brothers	10†	12½	...	12½
Tor Investment	3†	5½	Sept. 16	5½
Trojan (Holdings)	7†	10	...	10
Tyne Tees Shipping	...	5	...	5
United Indigo, etc.	...	6¼	...	Nil

‡ Free of income tax. (a) 20 per cent. paid on a capital of £500,000. (b) Paid on a capital of £500,000. (c) Paid on a capital of £1,000,000. (s) Paid on a capital of £3,461,102. (t) Paid on a capital of £2,884,252. (v) Free of Indian income tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	+ or −	Aggregate Gross Receipts 1940	+ or −
B.A. and Pacific	7	Aug. 17	‡1,112,000	− 88,000	7,785,000	−1,056,000
B.A. Gt. Southern	7	17	‡1,843,000	− 61,000	13,359,000	− 307,000
B.A. Western	7	17	‡606,000	− 37,000	4,388,000	− 466,000
Canadian Pacific	33	21	$3,311,000	+ 675,000	100,854,000	+19514000
Central Argentine	8	24	‡1,374,000	− 606,850	11,518,700	−5,633,400

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	Aug. 28, 1940	Name	Aug. 28, 1940	Name	Aug. 28, 1940
For. Bond.	Unquoted	National D.	9/7½–10/7½	Key. Gold	7/4½ bid
Limited Inv.	10/9–12/3	Century	10/3–12/–	Br. Ind. 4th	9/3–11/–
New British	6/9–7/9	Scottish	9/—–10/6	Elec. Inds.	11/—–12/6
Invest. Tr.	8/6–10/6*	Univ. 2nd	11/6–13/3	Met. & Min.	8/10½–10/4½
Bk. & Insur.	12/—–14/–*	Inv. Flex.	7/9–9/–xd	Rub. & Tin	Unquoted*
Insurance	12/—–14/3*	Inv. Gen.	11/6–12/6	Producers	4/9–5/9
Bank	12/6–14/6xd*	Key. Flex	7/9 bid	Dom. 2nd	4/—–5/–
Sct. B.I.I.T.	9/6–11/6*	Key. Cons.	7/1½ bid	Orthodox	5/9–6/9

* Free of commission and stamp duty.

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 High	Low	Prices, Jan. 1 to Aug. 28, 1940 High	Low	Name of Security	Price, Aug. 28, 1940	Ch'ge since Aug. 21	Yield Aug. 28, 1940 £ s. d.
				British Funds			
71⅛	61	76¾	68⅛	Consols 2½%	73¾	–¼	3 8 0
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957)	109	+½	3 13 7f
...	...	98¾	98½	Conv. 2% 1943–45	98⅝	...	2 3 0
96¾	90⅛	100½	95½	Do. 2½% 1944–49	98¾xd	–½	2 13 2
99⅛	92⅞	103	97¾	Do. 3% 1948–53	101	+¼	2 17 2
99½	87	102¼	94	Do. 3½% after 1961	100xd	+¼	3 10 0f
112⅛	103¾	112	107½	Do. 5% 1944–64	109¼	...	2 15 6
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	91¼	...	3 2 4
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	97	...	3 0 0
95⅛	87½	99½	95	Fund. 3% 1959–69	98	...	3 2 9
109½	100½	113¾	105⅝	Fund. 4% 1960–90	112	...	3 4 5
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	101	...	2 8 9k
96⅞	91½	101¾	95⅛	Do. 3% 1954–58	100¾	...	2 19 0
...	...	100¾	100	War Bds. 2½% 1945–47	100¼	...	...
108⅝	102	111½	105 13/16	Victory Bonds 4%	109½xd	+1	3 6 9j
...	...	100⅞	98	War L. 3% 1955–59	100¾	...	2 18 9
98⅞	86	101⅝	93⅛	War. L. 3½% af. 1952	101	⅛	3 9 8f
83⅞	73	89⅛	80¼	Local Loans 3%	86½	...	3 9 7
99	91	100	97½	Austria 3% 1933–53	98	...	3 4 5
64	55½	71¼	59¾	India 2½%	67½	...	3 14 6
90	78	97¼	82¼	Do. 3½%	92	+¼	3 16 4
115¼	104½	115	105¼	Do. 4½% 1958–68	110	+½	3 15 6
				Dom. & Col. Govts.			
106¼	95	107⅛	101	Austrla. 5% 1945–75	102	...	4 13 2
112½	103	110⅞	106	Nigeria 5% 1950–60	107	...	4 3 4
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4 16 1
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4 2 0
				Corporation Stocks			
111½	104	110¼	104	Bir'ham 5% 1946–56	105½	...	4 3 8
81⅝	72	85	78	L.C.C. 3%	80	+½	3 15 0
93 9/16	86½	94½	87½	Liverpool 3% 1954–64	91	...	3 12 1
102¾	95	104	97	Middx. 3½% 1957–62	98½	...	3 13 3
				Foreign Governments			
91½	73¾	92¾	77¼	Argen. 4½% Stg. Bds.	79½	...	5 13 2
65½	34	58½	22	Austria 4½% 1934–59	30	...	11 5 0l
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23½	6½	35½	20	Brazil 5% Fd. 1914	26	...	9 12 0p
19	9	23	9	Chile 6% (1929)	14	...	10 14 0n
55½	23½	45¼	12	China 5% (1913)	18	...	...
72	30	63	25	Czecho-Slovakia 8%	*	...	...
86¼	58	79¾	50½	Egypt Unified 4%	65	+2	6 3 1
12½	9	10½	8	French 4% (British)	*	...	...
44	4	7⅝	5	German Dawes 5%	5½	...	...
33⅛	3	6½	3⅜	Do. Young Ln. 4½%	4	...	...
30	15	24½	12½	Greek 6% Stab. Ln.	*	...	...
35½	15	25	17	Hungary 7½%	10½	...	...
61½	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to Aug. 28, 1940 High	Low	Last two Dividends (a) (b) (c) %	%	Name of Security	Price, Aug. 28, 1940	Ch'ge since Aug. 21	Yield Aug. 28, 1940 £ s. d.
				Railways			
10	3¼	Nil	Nil	B.A. Gt. Sthn. Ord.	4	...	Nil
9⅛	4⅞	Nil	Nil	Can. Pac. Com. $25	*	...	...
52	22	3½ c	1½ a	Gt. Western Ord.	27½	–½	12 14 6
80	34½	5 c	2½ a	LNER 5% Pref. 1955	50	...	10 0 0
60	20	4 c	2 a	Do. 4% 1st Pf.	30½	...	13 2 4
24	9	Nil c	1½ c	L.M.S. Ord.	12	–¼	12 10 0
60½	21½	4 c	2 a	4% Pf. 1923	31½	–1	12 14 0
70½	35	2 b	2 a	4% Pf.	46½	–1	8 12 0
65¼	24	1½ c	¾ a	Lon. Trans. "C"	28	...	5 7 0
22	7	Nil c	1¼ c	Southern Def.	10	+¼	12 10 0
79	35½	5 c	2½ a	Do. 5% Pf. Ord.	46	...	10 17 6
104	58½	2½ a	2½ b	Do. 5% Pf.	77	...	6 12 0
				Banks and Discount			
67/9	50/6	10 b	7½ a	Alexanders £2, £1 pd.	51/3	...	6 16 6
342½	316½	6 a	6 b	Bank of England	329	–1	3 12 6
£51	£43½	8 c	8 c	Bk of Montreal $100	*	...	...
30/9	19/–	5 a	5 b	Bk. of N. Zealand £1	22/6	...	7 1 10e
73/3	46/6	7 b	7 a	Barclays Bank £1	62/6	1/–	4 10 6
9½	5¼	5 a	5 b	Chtd. of India £5	6¼	⅛	8 0 0
52/–	45/–	5 b	5 a	District B. £1 fy. pd.	48/9	+1/3	4 2 0
£95	£52	£21½ b	£21½ a	Hongkong and S. $125	£63½	+£1	7 17 6
54/6	30/–	6 b	6 a	Lloyds £5, £1 pd.	40/6	+1/–	5 18 6
8¾	5 17/32	7½ b	7½ a	Martins £20, £2½ pd.	6⅞	+⅛	5 9 0
85/–	68/–	8 b	8 a	Midland £1, fy. pd.	77/6	+1/–	4 2 0
5⅝	4	5 b	5 a	Nat. Dis. £2½ fy. pd.	4¾	...	5 5 0
32½	23⅛	8 b	8 a	N. of Ind. £25, £12½pd	24¾	...	8 0 9
69/9	39/–	7½ b	7½ a	Nat. Prov. £5, £1 pd.	50/6	+6d	5 18 0
444	385	8½ b	8½ a	Royal Bk. of Scotland	395	...	4 6 0
48/6	29/–	6¼ b	3¾ a	Union Discount £1	36/3	+1/3	5 10 0
85/–	46/–	9 b	9 a	Westmtr. £4, £1 pd.	61/6	+1/–	5 19 0
				Insurance			
24⅜	15¾	40 a	50 b	Alliance £1, fully pd.	19½	...	4 12 6
13⅛	8⅜	4/6 a	6/– b	Atlas £5, £1¼ pd.	9½	+½	5 10 6
16⅝	8 25/32	†25 b	†22½ a	Pearl (£1), fy. pd.	12½	+½	3 16 0†
15 5/16	9 5/16	6/– a	6/– b	Phœnix £1, fy. pd.	11½	+½	5 4 3
28⅜	16¼	†84·075c	†12½a	Prudential £1 A	19½	...	4 6 0†
8¼	5	11 a	19 b	Royal Exchange £1	6⅞	⅛	4 7 6
7	4¼	†10 b	13¾ a	Sun Lf. Ass. £1 fy. pd.	5¼	¼	5 0 9
				Investment Trusts			
498	472½	11 a	14 b	Alliance Trust	475	...	5 9 2
187½	180	3½ a	8½ b	Anglo-Amer. Deb.	180	...	6 13 4
188	139	6 b	4 a	Debenture Corp. Stk.	140	–4	7 2 9
187	155	5 a	8 b	Invest. Trust Def.	160	...	8 2 0
165½	139	3 a	7 b	Trustees Corp. Ord.	145½	...	6 16 0
175	140½	6 b	4 a	United States Deb.	152½	...	6 11 0
				Breweries, &c.			
125/6	96/3	†20 b	†5 a	Bass Ratcliff Ord. £1	106/3	+1/3	4 14 0†
57/6	36/3	11 b	5 a	Courage Ord. £1	41/3	–9d	7 14 0
70/3	46/–	6¼ a	10 b	Distillers Ord. £1	56/–	...	5 16 0
83/–	45/–	11 a	14 b	Guinness Ord. £1	67/6	+2/6	7 14 6
76/6	47/–	16 b	7½ a	Ind, Coope & Allp. £1	65/–	...	7 4 6
52/9	30/6	6 a	11 b	Watney Combe Def. £1	47/6	+1/–	7 2 0
				Iron, Coal and Steel			
6/6	3/–	10 c	10 c	Baldwins 4/–	3/9	...	10 13 3
34/7½	13/1½	†5 a	†10 b	Brown (J.) Ord. 10/–	21/3	...	7 1 0†
8/9	3/6	4 a	6 b	Cammell Laird 5/–	5/6	...	9 1 9
24/7½	11/3	3 a	5 b	Colvilles Ord. £1	16/3	+7½d	9 16 0
28/1½	12/6	10 c	10 c	Dorman Long Ord. £1	15/–	...	13 6 9
26/11¼	13/6	†2½ a	†4 b	Guest Keen &c.Ord. £1	20/7½	...	6 6 0†
27/9	13/1½	15 b	7½ a	Hadfields 10/–	20/–	+7½d	11 5 0
22/7½	11/3	2 a	5½ b	Powell Duffryn £1	12/6	...	12 0 0

Prices, Jan. 1 to Aug. 28, 1940 High	Low	Last two Dividends (a) (b) (c) %	%	Name of Security	Price, Aug. 28, 1940	Ch'ge since Aug. 21	Yield Aug. 28, 1940 £ s. d.
				Iron, Coal, &c.—cont.			
34/6	20/–	10 c	12 c	S. Durham Ord. £1	22/6	...	10 13 3
54/9	33/9	†2½ a	†5½ b	Staveley Coal, etc. £1	38/9	...	5 0 0†
47/6	26/–	12½ c	12½ c	Stewarts & Lloyds £1	35/–	...	7 2 9
39/–	17/6	10½ b	4 a	Swan, Hunter £1	23/9	...	12 4 0
24/3	11/6	5½ b	2½ a	Un. Steel Cos. Ord. £1	16/10	...	9 10 0
21/10½	9/6	4 a	6 b	Vickers 10/–	13/–	...	7 13 6
				Textiles			
8/10½	2/6	Nil	Nil	Brit. Celanese 10/–	3/9	...	Nil
38/6	21/3	5 a	5 b	Coats, J. & P. £1	29/–	6d	6 16 0
39/10½	20/3	7 c	2½ a	Courtaulds £1	27/–	1/–	5 3 0
35/9	22/6	2½ a	5 b	English Swg. Ctn. £1	25/–	...	6 0 0
24/4½	11/9	Nil c	7½ c	Lancs. Cotton Corp £1	16/3	3d	9 4 0
61/3	42/6	†10 c	†8½ c	Patons & Baldwins £1	45/–	...	3 15 0†
				Electrical Manufactg.			
43/1½	26/3	10 c	10 c	Associated Elec. £1	35/–	...	5 14 0
92/6	66/3	5 a	15 b	British Insulated £1	72/6	...	5 10 0
69/–	46/3	5 a	10 b	Callenders £1	50/–	...	6 0 0
20/–	11/6	12½ b	7½ a	Crompton Park. A 5/–	15/–	...	6 13 3
33/9	16/3	10 c	10 c	English Electric £1	25/–	1/3	8 0 0
83/–	52/6	20 c	20 c	General Electric £1	70/–	1/3	5 14 0
				Gas and Electricity			
38/3	23/6	5 b	3 a	Clyde Valley Elec. £1	31/3	1/3	5 2 6
42/6	20/6	10½ c	3 a	County of London £1	30/–	2/6	7 0 0
27/–	18/–	2½ a	3½ b	Edmundsons £1	23/–	1/6	5 4 3
18/3	11/6	1 7/10 b	2¼ a	Gas Light & C. £1	14/9	...	5 8 0
83½	29	2 a	4 b	Imp. Cont. Gas Stk.	39½	2	15 4 0
32/6	23/6	2½ a	5 b	Lancashire Elec. £1	26/3	...	5 14 2
21/–	12/–	2½ b	Nil a	London Ass. Elec. £1	15/–	...	3 6 9
31/4½	17/6	2½ a	4½ b	North-East Elec. £1	22/6	...	6 4 6
42/3	22/–	6 b	3 a	Northmet Power £1	28/9	1/3	6 5 0
38/7½	24/–	2½ a	5½ b	Scottish Power £1	28/9	7½d	5 11 0
39/6	24/–	5 b	3 a	Yorkshire Electric £1	28/9	...	5 12 0
				Motor, Cycle and Aircraft			
17/6	7/6	30 c	15 c	Austin 5/–	15/–	1/3	5 0 0
16/4½	6/–	4 a	6 b	Bristol Aero. 10/–	9/–	–1/–	11 2 3
36/3	17/3	12½ c	12½ c	De Havilland Air. £1	21/10½	7½d	11 8 6
16/9	7/–	†15 c	†12½ c	Fairey Aviation 10/–	11/–	9d	11 7 0†
18/7½	12/4½	5 c	6 c	Ford Motors £1	15/6	...	7 14 0
15/7½	6/–	17½ b	15 a	Hawker Siddeley (5/–)	9/9	3d	16 13 3
60/7½	39/4½	12½ b	2½ a	Lucas, J. (£1)	50/–	...	6 0 0
88/3	28/9	25 c	20 c	Leyland Motors £1	50/–	...	8 0 0
27/7½	16/9	45 c	40 c	Morris Motors 5/– Ord.	20/–	1/3	10 0 0
4 21/32	2⅛	5 a	15 b	Rolls-Royce £1	3¼	⅛	6 3 3
12/3¾	6/–	22½ c	25 c	Standard Motor 5/–	11/6	...	10 17 3
				Shipping			
22/7½	12/3	4 c	5 c	Furness, Withy £1	17/–	+1/–	5 19 6
23/9	13/6	4½ b	2 a	P. & O. Def. £1	19/–	+1/–	6 16 6
20/–	13/–	5 c	5 c	Royal Mail Lines £1	14/6	...	6 19 0
10/9	4/–	Nil c	Nil c	Union Castle Ord. £1	6/–	...	Nil
				Tea and Rubber			
16/7½	5/9	6 c	4 c	Allied Sumatra £1	8/9	...	9 2 9
27/3	14/–	2 a	4 b	Anglo-Dutch £1	14/4½	...	8 6 0
32/10½	20/–	2½ a	7½ b	Jokai (Assam) £1	25/–	...	8 0 0
3/11¼	2/3	4 a	6 b	London Asiatic 2/–	3/–	...	6 13 3
34/9	20/–	4 a	6 b	Rubber Trust £1	24/4½	...	8 4 9
3/3	1/7½	9 c	5 c	United Serdang 2/–	2/1½	...	4 14 0
				Oil			
60/3¾	23/1½	20 c	5 c	Anglo-Iranian £1	26/3	1/10½	3 16 0
27/7½	14/6	17½ b	12½ a	Apex (Trinidad) 5/–	22/6	7½d	6 13 3
73/6	35/–	5 a	16 b	Burmah Oil £1	41/10½	7½d	10 0 0
81/10½	28/9	†20 c	†5 c	Shell Transport £1	32/6	7½d	3 1 9†
80/–	45/6	7½ b	7½ a	Trinidad Leaseblds £1	68/9	3/9	4 7 6
				Miscellaneous			
62/6	38/9	7½ a	7½ b	Assoc. P. Cement £1	50/–	5/–	6 0 0
44/3	23/9	5 b	Nil a	Barker (John) £1	26/3	1/3	3 16 0
44/6	27/6	m29 c	30·9c	Boots Pure Drug 5/–	37/6	2/6	4 2 0
56/–	28/9	4 a	8½ b	Brit. Aluminium £1	34/4½	...	7 5 0
107/6	53/1½	†20 c	†19 1/6 c	Brit.-Amer. Tob. £1	76/3	...	5 0 0†
60/–	42/6	7 a	10 b	British Oxygen £1	57/6	...	6 0 0
52/6	32/6	12½ b	7½ a	Brockhouse (J.) £1	33/9	1/3	11 16 0
65½	27	4 c	4 c	Cable & Wir. Hdg.	48	...	8 6 0
6 3/16	3⅛	15 b	11 2/3 a	Carreras 'A' Ord. £1	4	...	6 13 4
38/9	19/9	9 c	12 c	Dunlop £1	28/3	1/–	7 0 0d
10/1½	4/–	5 c	Nil c	Elec. & Mus. Ind. 10/–	6/6	3d	Nil
28/3	16/3	15 a	25 b	Ever Ready Co. 5/–	21/–	6d	8 6 6
6 3/16	3¼	7½ a	20 b	Gallaher Ltd. Ord. £1	3¾	...	7 6 6
28/6	16/3	25 b	15 a	Gestetner (D.) 5/–	17/6	...	11 8 6
93/9	64/4½	20 b	5 a	Harrison & Cros. Df. £1	65/–	...	7 14 0
40/6	25/–	5 b	2 a	Harrods £1	27/6xd	5d	5 1 9
33/9¾	17/6	3 a	5 b	Imp. Chem. Ord. £1	25/3	9d	6 6 6
13/9	5/–	5 c	Nil c	Imp. Smelting £1	6/3	...	Nil
6 11/32	3 5/16	†15½ b	†7½ a	Imp. Tobacco £1	4¼	1/16	5 2 3†
$49 9/16	$30¼	$2·25 c	$2·00c	Inter. Nickel n.p.	*	...	...
12/3	9/–	5 a	7 b	International Tea 5/–	10/6	3d	5 15 0
34/3	15/–	4¾ a	5¼ b	Lever & Unilever £1	18/9	...	10 13 3
35/–	24/6	20 c	10 c	London Brick £1	33/1½	7½d	6 0 0
87/6	67/6	5 a	15 b	Lyons (J.) Ord. £1	80	2/6	5 0 0
54/4½	25/–	15 a	23 1/3 b	Marks & Spen. 'A' 5/–	33/9	1/3	5 16 0
4 1/32	2¾	5 a	12½ b	Metal Box £1	3⅛	...	5 12 0
87/6	45/–	12½ b	7½ a	Murex £1 Ord.	70/–	...	5 14 0
23/7½	13/9	4 a	6 b	Pinchin Johnson 10/–	18/–	2/–	5 11 0
17/6	12/6	15 b	3 a	Ranks Ord. 5/–	15/–	...	6 0 0
61/6	36/3	2½ a	12½ b	Spillers Ord. £1	55/–	2/6	5 9 0
57/9	35/–	10 b	3½ a	Tate and Lyle £1	44/4½	...	6 1 0
45/6	29/6	5 b	5 a	Tilling, Thos. £1	33/9	...	5 19 9
26/3	16/–	25 c	20 c	Triplex Safety G. 10/–	18/9	...	10 13 3
96/9	59/9	13¾ b	10 a	Tube Investments £1	80/–	...	5 18 0
68/–	41/3	11¼ b	3¾ a	Turner & Newall £1	55/–	2/6	5 9 0
52/6	38/9	7½ b	5 a	United Dairies £1	42/6	...	5 19 0
28/3	15/–	22½ c	28⅛ o	United Molasses 6/8	19/4½	...	7 19 0g
66/3	38/9	50 b	20 a	Woolworth Ord. 5/–	56/3	1/3	5 14 0q
				Mines			
65/7½	26/3	95 c	95 c	Ashanti Goldfields 4/–	41/3	1/3	9 4 0
11/9	6/3	i3½ a	i3½ b	Burma Corp. Rs. 9	7/3	1½d	9 1 0†
51/3	22/6	10 b	3¾ a	Cons. Glds. of S. Af. £1	27/6	...	10 0 0
15	11½	95 b	95 a	Crown Mines 10/–	12½	...	7 12 0
8¼	2 17/32	Nil c	Nil c	De Beers (Def.) £2½	4	¼	Nil
41/6¾	25/3	11¼ b	11¼ a	Randfontein £1	31/3	1/3	14 8 0
11 5/16	5⅝	25 b	25 a	Rhokana Corp. £1	7¼	...	6 19 0
16/–	7/–	5 b	10 a	Roan Antelope Cpr. 5/–	11/–	1/–	6 16 0
10⅛	6⅞	75 b	75 a	Sub Nigel 10/–	7¾	...	9 12 0
7 11/16	5	2/6 a	5/6 b	Union Cp. 12/6 fy. pd.	5⅝	⅛	7 2 0
88/9	30/–	Nil	Nil	W. Witwatersrand 10/–	47/6	5/–	Nil

(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. (i) Annas per share. (j) Yield worked to average redemption—end 1960. (k) Based on redemption at par in 1946. (l) Yield based on 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Aug. 20, 1940	Aug. 27, 1940
GRAIN, etc.—	s. d.	s. d.
Wheat—No. 1, N.Mt. 496 lb. f.o.b.Vc.	26 3	26 3
Eng. Gaz. av., per cwt.*	13 9	14 8
Flour, per 280 lb.—Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	18 9	20 2
Oats " " " "	14 6	14 7
Maize, La Plata, 480 lb., f.o.b.	14 3	13 7½
Rice, Burma, No. 2, per cwt. f.o.b.	9 6	10 0
MEAT—Beef, per 8 lb.—English long sides	4 8 / 6 0	4 8 / 6 0
Imported hinds	5 4 / 4 4	5 4 / 4 4
Mutton, per 8 lb.—English	8 0 / 4 4	8 0 / 4 4
…ted	8 0	8 0
…nglish, per 8 lb.		
…er cwt.)—Wilts. cut side	113 6	113 6
…r cwt.)—Green	118 6	118 6

OTHER FOODS

	Aug. 20, 1940	Aug. 27, 1940
BUTTER (per cwt.)—All Grades	143 0	143 0
CHEESE (per cwt.)—Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)—Accra, g.f.	35 0 / 55 0	35 0 / 55 0
Grenada	59 0	59 0
COFFEE (per cwt.)—Santos supr. c. & f.	45 0 / 65 0	45 0 / 65 0
Costa Rica, medium to good	95 0	95 0
EGGS (per 120)—English (Std.)	25 0	25 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—English, King Edward	7 0 / 8 0	6 6 / 7 6
SUGAR (per cwt.)—Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
Refined London—Granulated, 2 cwt. bags	36 10	40 6
West India Crystallised	36 9 / 37 9	38 0 / 41 6
TOBACCO (per lb.)—Indian stemmed and unstemmed	0 7 / 2 4	0 7 / 2 4
Rhodesian, stemmed and unstemmed	1 0 / 2 6	1 0 / 2 6

TEXTILES

	Aug. 20, 1940	Aug. 27, 1940
COTTON (per lb.)—	d.	d.
Raw, Mid-American	8·31	8·11
" Giza, F.G.F.	13·15	12·92
Yarns, 32's Twist	14·70	14·55
" 40's Weft	15·95	15·80
" 60's Twist (Egyptian)	27·50	27·30
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 3	s. d. 24 0
COTTON—continued. Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	35 3	35 0
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 3	13 1
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 3	12 1
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26/0/0	26/0/0
JUTE (per ton)—Native 1st mks., c.i.f. London	Nom.	Nom.
Daisee 2/3, c.i.f. Dundee, Oct.–Nov. (new)	...	23/0/0
SISAL (per ton)—African, Aug.–Oct.—No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	14 0 / 14 9	13 9 / 14 6
China fil	15 6	15 6
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23
Tops—64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28

MINERALS

	Aug. 20, 1940	Aug. 27, 1940
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	28 3 / 28 9	28 3 / 28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14 × 20)	26 0	26 0
NON-FERROUS METALS (per ton)—		
Copper (d)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	261/10/0 / 261/15/0	258/5/0 / 258/10/0
Three months	262/0/0 / 262/5/0	258/15/0 / 259/0/0
Lead (e)—Soft foreign, cash	25/0/0	25/0/0
Spelter (e)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0 / 195/0/0	190/0/0 / 195/0/0
Antimony, Chinese	90/0/0 / 92/0/0	90/0/0 / 92/0/0
Wolfram, Chinese ......per unit	...	...
Platinum, refined ......per oz.	9/10/0	9/10/0
Quicksilver ......per 76 lb.	54/10/0	54/10/0
GOLD, per fine ounce	s. d. 168 0	s. d. 168 0
SILVER (per ounce)—Cash	1 11 7/16	1 11 7/16

MISCELLANEOUS

	Aug. 20, 1940	Aug. 27, 1940
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(b) 4-ton loads and upwards per ton	s. d. 44 6	s. d. 44 6
CHEMICALS—Acid, Oxalic, net ......per ton	60/0/0	60/0/0
" Tartaric, English, less 5%	s. d. 2 0½	s. d. 2 0½
Ammonia, Sulphate ... per ton	9/13/0	9/11/6
Nitrate of Soda ... per ton	10/14/0	10/14/0
Potash, Sulphate ... per ton	11/18/0	11/18/0
Soda Bicarb. ... per ton	11/0/0	11/0/0
Soda Crystals ... per ton	5/0/0 / 5/5/0	5/0/0 / 5/5/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted Australian, Queensland 40/50 lb.	0 4¼	0 4¼
Cape, Jo'burg Ord.	0 4½	0 4⅜
Dry Capes, 18/20 lb.	0 6	0 6
English & Welsh Market Hides—Best heavy ox and heifer	0 7 / 0 8⅜	0 7 / 0 8⅜
LEATHER (per lb.)—Sole Bends, 8/14 lb.	1 6 / 3 0	1 5 / 3 0
Shoulders	1 0 / 1 10	1 0 / 1 10
Insole Bellies	0 8 / 1 1	0 7 / 1 0
Dressing Hides	1 10 / 2 2	1 8 / 2 0
PETROLEUM PRODUCTS (per gal.) 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
Fuel oil, in bulk, ex instal. Thames—Furnace	0 7¼	0 7¼
Diesel	0 8	0 8
ROSIN (per ton)—American	25/0/0 / 30/0/0	25/0/0 / 30/0/0
RUBBER (per lb.)—St. ribbed smoked sheet	s. d. 1 1	s. d. 1 0½
SHELLAC (per cwt.)—TN Orange	80 0	80 0
TALLOW (per cwt.) London Town—	22 10	22 10
VEGETABLE OILS (per ton net)—Linseed, raw	44/0/0	44/0/0
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	19/15/0	19/15/0
Oil Cakes, Linseed, Indian	7/5/0	7/5/0
Oil Seeds, Linseed—La Plata	...	...
Calcutta	16/12/6	16/12/6

(b) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (c) Higher Pool prices in some zones. (d) Price is at buyers' premises (e) Including import duty and delivery charges. * Average weeks ended August 10th and August 17th.

AMERICAN WHOLESALE PRICES

	Aug. 21, 1940	Aug. 28, 1940
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, Sept.	70⅛	71⅝
" Winnipeg, Oct.	73⅝	73⅝
Maize, Chicago, Sept.	61	61½
Oats, Chicago, Sept.	28⅛	28½
Rye, Chicago, Sept.	38	39⅛
Barley, Winnipeg, Oct.	33⅛	34⅛
METALS (per lb.)—		
Copper, Connecticut	11·00	11·00
Tin, N.Y., Straits, spot	50·62½	50·62½
Lead, N.Y., spot	4·90	4·90
METALS (per lb.)—cont.	Cents	Cents
Spelter, East St. Louis, spot	6·50	6·50
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	4·00	4·02
Coffee, N.Y., cash—Rio, No. 7	5⅛	5⅛
Santos, No. 4	6⅞	6⅞
Cotton, N.Y., Am. mid., spot	9·98	9·85
Cotton, Am. mid., Sept.	9·28	9·17
Cotton Oil, N.Y., Sept.	5·45	5·75
Lard, Chicago, Sept.	4·75	4·90
MISCELLANEOUS (per lb.)—cont.	Cents	Cents
Petroleum, Mid-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	19⅜	19⅜
Do. do. Sept.	19⅜	19⅜
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·62	2·70
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	0·69½	0·69½
Moody's Index of staple commodities, Dec. 31, 1931 = 100	150·8	...

SHORTER COMMENTS

(Continued from page 290)

tained at 5 per cent. for SECOND CLYDESDALE and at 2 per cent. for SECOND SCOTTISH. BROOKE BOND has suffered a set back in earnings. Gross income has fallen from £137,355 to £128,598 for 56 weeks, and net profits amount to only £48,099 against £87,355. The 10 per cent. dividend is, however, being paid as before. MONTAGUE L. MEYER, the timber merchants, have realised a spectacular rise in total income from £84,934 to £243,747. The bulk of this increase has been absorbed by tax allocation amounting to £164,663 against £19,624. Consequently, net profits are up only from £41,047 to £57,774, but the dividend is increased from 33⅓ to 50 per cent. Although total income of the NEWS OF THE WORLD has risen from £465,429 to £545,344, a rise in tax provision from £95,156 to £310,662 is responsible for a substantial drop in net earnings from £321,712 to £186,303. The 13¾ per cent. ordinary dividend paid on the increased ordinary capital absorbs the same sum as the 20 per cent. distribution in 1938–39.

MISCELLANEOUS

Indian Iron and Steel.—Final dividend declared of 12½ per cent. free of Indian income tax, making 20 per cent. for year against 15 per cent. last year.

British Oxygen Co.—Interim dividend declared of 7 per cent. against 7 per cent. last year on smaller capital.

Allied Bakeries.—At the annual meeting, Mr W. Garfield Weston, M.P., the Chairman, stated that total sales had increased despite the war, but that rising costs more than offset the higher price of bread. The large tax provision was necessitated by the considerable E.P.T. charges due from new companies in the group. The company is devoting funds to modernisation of equipment and higher stocks are carried in conformity with the wishes of the Ministry of Food. These drains on liquid resources account for the increase in bank loans.

Weston Foods.—Net profit, year to June 30, 1940, £91,139 after tax £123,124, and depreciation £11,551. Reserve, £10,000. Carry forward, £2,467. No final distribution on ordinary capital following interim of 10 per cent.

Gold Fields Rhodesian Development Company, Ltd. — Profit, year to May 31, 1940, £100,976 (£145,225). Depreciation reserve, £237,000 (£50,000). Transfer from general reserve, £75,000 (transfer to reserve, £15,000). Transfer from taxation reserve, £56,218. Carry forward, £4,607. Ordinary dividend, nil (5). Debtors, £6,663 (£75,891). Cash, £260,747 (£164,964).

News of the World.—Gross profit, year to June 30, 1940, £545,344 (£465,429). Income tax and E.P.T., £210,000 (£95,196). Taxation reserve, £100,000. General reserve, £100,000. Depreciation, £40,000 (£40,000). Employees' pension fund, £8,379 (£8,560). Ordinary dividend, 13¾ per cent., as before. Carry forward, £5,127 (£24,824).

Ransome and Marles Bearing Company.—Net profit, year to June 30, 1940, after taxation and all charges, £163,038 (£160,038). Ordinary distribution, 20 per cent., as before.

Houghton Main Colliery Company, Ltd.—Profit, year to June 30, 1940, £75,570 (£53,566). Taxation, £44,792 (£13,982). Ordinary dividend, 10 (7) per cent. Writing off capital expenditure, £9,572. Carry forward, £37,718 (£51,052).

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7, Bishopsgate, London, E.C.2.
August 28, 1940.

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By Order of the Board,
R. L. HIRD, London Manager.

26, Bishopsgate London, E.C.2.
August 27, 1940.

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THE BANKER

September, 1940

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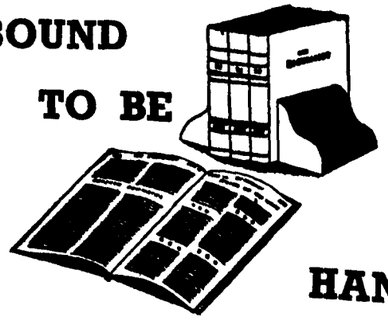

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Rising to the Crisis

SINCE last Saturday evening, London has been the world's main battle-front. Each night Hitler has sent his bombers to cruise over the city and drop their bombs with all the random barbarity that such an undiscriminating attack involves. In the first few raids, the target was the docks; but more recently the bombs have been dropped haphazard wherever they might kill or terrorise a civilian. The resulting damage has been heavy, if its burden on individuals is considered; very light in relation either to the wealth of the nation or to the scale of its war effort. But over a thousand persons have been killed and many times that number injured. Large numbers of people have been made homeless, millions have been robbed of their sleep and compelled to submit to inconvenience in getting to and from work.

These sufferings have been borne with courage and cheerfulness. It is common form in all such disasters to say that the morale of the people is excellent. In London this week the hackneyed phrase has had a real meaning. There is naturally a renewed wave of evacuation of women and children, and in some of the more badly damaged districts of the East End whole families have had to move. But these do not limit the fact that Londoners have met the onslaught with bravery and cheerfulness and with a resolution that has now been tested. London has been heavily bombed; and there is no doubt that it could be still more heavily assaulted. But the Londoner now knows that the risk is far smaller than the noise. Moreover, he is cheered by the knowledge that Berlin and other German towns are having a nightly dose of the same medicine from R.A.F. bombers that fly low and drop flares to identify their military targets.

The various civil protective services, which have been tediously standing by for a year, have had their first severe test, and from all the evidence that is now available it is apparent that they have worked with smoothness, courage and efficiency. The Auxiliary Fire Service perhaps deserves a special word of praise—not for any greater courage they have shown but for the greater risks they have run.

Whether the reaction of the central Government to the emergency has been equally prompt and far-reaching is rather more open to doubt. The hardest-hit places have been very poor areas, such as those working-class districts that cluster round the docks. This fact has, of course, increased the misery caused by sudden homelessness, since these people are often without any reserves on which they can fall back. A great deal has been done by the Ministries of Health, Food and Pensions to provide emergency shelter, rations and cash allowances. But the very poverty of the victims provided the opportunity for a demonstration of national unity in the face of danger and disaster, and nothing of this nature has been forthcoming. Too much is still being left to the unaided effort of the sufferers and the voluntary charity of the more fortunate. The note of appeal to charity is completely out of place. The East Enders have suffered for the nation; the nation owes them succour, and, if it is not forthcoming voluntarily, it must be taken where it can be found.

The military purpose of these indiscriminate night raids is not yet quite clear, though it soon may be. Officially, they are a reprisal for British raids on Germany. But it is more probable, as the Prime Minister has warned the nation, that they are the preliminary to an attempted invasion, for which preparations are being made all along the German coasts of the narrow seas. It is a clumsy tactic; for bombs on London do nothing to weaken the fighter squadrons of the R.A.F., the Army that watches the coast or the Navy that guards the seas. They can succeed only if they weaken the will of the people of the Metropolis—one-tenth of all Hitler's enemies, and, at this time, the nerve centre of the opposition to him. This is the part that the citizen has to play, and he will do his duty. Events are rising to their climax, and the ordinary Englishman is rising to the high measure of his opportunity.

Allies in Europe

WE shall not get rid of Hitlerism by military means alone. Even if we wished to take a limited view of modern warfare, our enemy has forced us to review our methods. In every campaign undertaken by Hitler, the military operations were only the final point of a bloodless war of propaganda, disintegration and corruption which had already been continuing for months, sometimes for years. As M. Stanislas Fumet wrote shortly before the collapse of France, "Hitler has never put his foot on territory which he had not previously corrupted." We must learn the lesson. The countries of Europe must be strengthened to receive their liberator as they were undermined to receive their destroyer. And since men on the whole prefer freedom to slavery, we should enjoy an advantage here which Goebbels and the Gestapo lacked.

It is the great merit of Mr Gollancz's latest anonymous pamphlet* that the necessity of widening our war strategy to match Hitler's total methods is driven home clearly and vigorously. We know the cost at which Hitlerism has been imposed first on Germany, then on the whole of Europe. We know the intolerable privations and indignities which the system entails. As "Scipio" points out in an impressive list of our potential Fifth Column, the Czechs remain a united nation with a network of underground conspiracy—for every bomb we drop on Prague they might well guarantee that fifty would explode. In Italy there are anti-Fascists in every class of society, as well as a potential Catholic opposition; the workers in Holland have kept their organisations intact; the farmers in Norway are ready for guerilla warfare, while even in Germany there are not only those who have always hated the system, but others who have been disillusioned and embittered by their failure to profit by it. All these thousands are already the Nazis' enemies. They can be our allies if we know how to mobilise them.

It is less easy to accept "Scipio's" conclusions when he passes from our need for a strategy to a definition of what that strategy should be. It is true that the definition is left vague; it includes "national liberation, but not a return to national sovereignty; . . . . it involves centralised economic institutions combined with personal liberty," but "Scipio" argues that if we accept the need for a revolutionary policy, secure the collaboration of our refugees, "achieve the organisation for propaganda and the will for victory, we shall find the blue print of the new Europe emerging as we conquer." Nevertheless, the strategy is, as "Scipio" admits, implicit in the book, and it is difficult to accept either all its assumptions or all its implications.

The assumptions are those with which Left-Wing publicists have long made us familiar—that the rights of property and profit-seeking capitalism are at the root of our economic evils, that national sovereignty must be abolished in the interests of international co-operation, that Tories, civil servants, big business men and financiers are potential Pétains because they regard "necessary economic change" as Bolshevism, that if Stalin is convinced of our "sincerity" he will abandon his policy of co-operation with Germany, and take his rightful place beside the defenders of democracy and progress. Further, it is assumed that the only policy which can counter the Hitlerian *mystique* is that of "European Revolution" which has a *mystique* of its own, of Communism, Socialism, the Popular Front, Left-Wing progressivism generally. Behind the political implications lie other more general ones, of a social and philosophical character. Although they are not all of them expressed in this book†, they are unmistakably there as parts of its "climate of opinion."

Thus "Scipio" asks the British people through their Government to commit themselves to a view of politics and economics which the British people as a whole simply does not accept. It is easy work for Hitler to pick on an ideology and identify it with the general will, for he has given up the delicate task of trying to govern the people by the people roughly according to their desires and interests. It is impossible for the British Government to adopt such an attitude for it is committed to the principle of greatest common consent. There is, of course, a great deal more common consent than the Government appears to be aware of, but there is emphatically no general consent for a programme which, though with certain verbal modesties, is very much that on which the Labour Party has not yet won a general election. "Scipio" points out the intense danger to national unity of allowing our regime and our cause to become identified with reaction and the *status quo*. It is undoubtedly great, but he leaves unmentioned the equal danger of forcing into reaction men of goodwill who hate Hitler, but feel strongly about private property. Democracy requires a basis of national unity and some degree of common purpose. That precious unity can be split as easily by over-activity on the Left as by under-activity on the Right. And the case of France, usually employed to illustrate the latter, is as good an illustration of the former possibility.

Even if the programme of European Revolution could be adopted without the danger of splitting public opinion at home—to the great advantage of Hitler—it is still far from certain that it would have the desired effect in Europe. It is easy to go from the assumption that left-wing internationalism is the faith of the workers to the fact that the workers are the majority of Europe and to draw the conclusion that therefore left-wing internationalism appeals to the majority in Europe. But is it the faith of the workers? If there is one thing the history between the two wars proves it is the ineffectiveness of this type of solidarity. The divisions and hostilities within the Italian trade union movement gave Mussolini his opportunity. The divisions between Anarchists and Communists in Spain could not be solved short of bloodshed. And M. René Belin's willingness to serve the Pétain Government is the most recent example of the lack of unanimity even within the ranks of organised workers. If in conditions of peace and relative freedom, the doctrine of Socialism failed to forge an effective majority of the Left anywhere in Western or Central Europe, still less an international solidarity of Labour, is it more likely to do so now that the ordinary barriers to understanding are reinforced by the isolation of doctored news and the Nazi spy system?

Our appeal cannot be based on a *Weltanschauung* which has not roused even those on whose interests it is supposed to rest. The Europe we are to stir up against Hitler is, as "Scipio" himself admits and then forgets, an infinitely complex organisation of social groups, classes and interests. Can we hope to rouse the farmers of Norway and the peasants of France on a programme which if not openly, at least by implication, undermines the validity of the rights of property? Can we touch the "political Catholic opposition" of Italy with a programme which accepts the inevitability of Communist revolution in Eastern Europe? Can we stiffen the *bourgeois* in every country enslaved by Hitler by starting off with a system apparently biased against their interests? If our European Revolution is conceived in these terms, it is Hitler, not ourselves, whose ranks will be reinforced by millions of willing allies. It does not follow that we should not make use of "subversive" elements—Anarchist, Syndicalist, Communist, Nihilist—wherever they are to be found.

* "100,000,000 Allies—if we choose." By "Scipio." Gollancz. 2s. 6d.

† It is a pity that a book which contains so much sound sense should commit itself to such sweeping and nonsensical generalities as "Europe . . . will not return to the economy of artificial scarcity which marked the epoch between the last war and this," or "As long as capital is poured into backward areas only when the investment produces profit, the older industrial counties will remain precariously balanced as rentiers living on the sweated labour of native peoples" (pp. 116-117).

Every act of sabotage is obvious gain for us. But sabotage is dearly bought if to secure it we have to identify our policy with that of the *saboteurs*.

And apart from ends, our means of propaganda would be hopelessly crippled by the adoption of an ideology. Hitler's great strength has been that his fundamental principle, the triumph of Germany, was very simple and his methods as complicated as the very complexity of Europe. "Scipio" notices that the Nazis have been all things to all men. It is not possible for us as a nation with certain standards to adopt so opportunist an approach, but at least we need not tie our hands by adding ideology to principle.

Must we, then, join the ranks of "Scipio's" defeatists and accept the inevitability of nothingness? By no means. As *The Economist* has frequently pointed out, the English tradition is one of conservatism and progress. If we are not given to revolutions, we are very definitely given to reforms, and the first step towards an effective foreign propaganda is to put more life into our democratic institutions at home, to meet the cry for greater equality of opportunity, a better distribution of the nation's wealth, a better planned and more vigorous productive system. Nor need we offer the peoples of Europe the *status quo* and the maintenance of the British Empire. It is the most usual error of the ideologue to consider that there is no common term between his own theory and the opinions he attacks. We are seeking a weapon which will unite men to resist Hitler. They will be men living under every kind of psychological and physical strain. They will be isolated, they will be spied upon. The appeal to them must be simple and immediate. Bread is one thing we can offer without unduly stressing the economic reorganisation and the measure of centralisation which the task of feeding Europe will help to bring in. Freedom is another, but after a year of occupation it is national freedom that will be uppermost in the minds of Hitler's victims. Here, in this nationalism despised of the theorists, we have a weapon whose potency is largely undiminished. Whatever reservations we make about the limits which must be placed upon national sovereignty in post-war Europe, if we begin our European propaganda with a campaign against it, we are weakening the one idea which can make whole communities, not merely isolated enthusiasts, revolt. It is beside the point to argue that nationalism did not in the supreme crisis unite France. The answer is that nothing else could have done, and, as in the case of Denmark and Norway, the national freedom which was taken for granted while it was enjoyed, may become an object of passionate desire once bourgeois and worker alike are under the Gestapo's control.

If we are inclined to doubt the power of nationalism, we can look at our own community. Its fundamental unity is based on the feeling of belonging together. That feeling may be weakened by Hitler's tactics of disintegration. But if by an unhappy chance invasion were to succeed, a unity of common suffering and common hatred would be assured. We have seen France, before she fell, the new France speaks with the voice of General de Gaulle, who fights quite simply that France as a national community may be free.

If we can show in our own community that freedom and national unity are the basis of social progress, and if we can offer the peoples of Europe the chance to restore with our help their own national freedom and to collaborate with us in the task of building a better Europe, we shall be in a position to say with "Scipio" "we give you . . . the proof positive in our present manner of living and in our present policy that our aim is not the privileges of our island and of its Empire, but the cause of freedom for which we now are fighting and which we can achieve if you join us in the battle." But this has nothing to do with an ideology that divides both us and Europe. It is the expression of principles which may yet unite us all.

Cheap Books

NINE great publishing houses have decided to meet the "menace" of cheap books by publishing cheap books themselves. Cape, Cassel, Chatto and Windus, Collins, Dent, Faber and Faber, Heinemann, Harrap and John Murray are members of the new British Publishers' Guild, set up to sell books at 6d., 9d. and 1s. It is an attempt to restore the stability of an industry that has lately made very heavy weather economically, and a recognition of the merits of centralised and rationalised methods, both in production and distribution. The basis is co-operative effort. The whole stock of guild books will be delivered to the Book Centre, a limited company which will pack, invoice and dispatch the books to customers. In tune with modern business trends, a standardised and price-maintained article will emerge in the book world.

The new enterprise, still only very small and in embryo, is clearly an attempt to "cash in" on the gigantic sales made by the pioneer producers of sixpenny books—40,000 to 150,000 copies of each Penguin and Pelican were sold in the first year of their publication during the period 1935 to 1938. It is designed to thwart this rivalry by meeting it on its own ground. By issuing and maintaining "a first-class list of cheap editions," its sponsors claim, "the Guild will discourage the sale by authors and publishers of established books to organisations which have contributed nothing to their original success." This is the gravamen of the publishers' grievance against cheap books—as it always has been. Their contention is that names and titles "made" by their efforts are exploited to the advantage of others—a charge which loses some force by the fact that an appreciable number of the latest cheap books are original works or by unmade authors.

A leading trade journal rightly observes that "the main object of the Guild is to bring back the stream to the book trade's own garden." But the enterprise goes deeper. What the pioneers have proved is that it is possible to produce and sell cheap books profitably; and the magnates of the trade have been constrained to fall into line with a discovery of great economic importance to their industry—and immense benefit to the book-reading public. The "garden of books" is a public garden, and cheapness is a virtue there.

All this is not new. It is the latest stage in an industrial struggle which has at least a century and a half of history. On the one hand have stood the publishers and distributors of "standing" to whom their set structure of prices, costs and margins has seemed sacrosanct. On the other hand have been the iconoclasts whose object it has been to secure a flow of cheap books. And, in the main, the battle *has* been concerned with names and titles "made" by the established publishers at their set prices. It began as a fight over what are called "remainders," copies that remain unsold at the established price. The practice of publishers used to be to destroy half or three-quarters of these, and to charge the full publication price, or nearly that, for those they kept. Their object was to keep prices up.

This was the state of affairs when, at the end of the eighteenth century, James Lackington opened a bookshop in Chiswell Street, Moorfields, London, where he sold remainders at half-price in defiance of trade usage. He thus defied the rules of what nowadays we would call a "trade association," an arrangement to maintain prices and fix the margin between the producer's price and that of the retailer. Lackington was the first modern undercutter, and his success was colossal—the first great victory of the cheap book. "I could almost be vain enough," he wrote later, "to suppose that I have been thereby instrumental in diffusing that general desire for reading,

now so prevalent among the inferior orders of society." The motto over his shop door was "small profits do great things."

The fight against later Lackingtons went on almost throughout the nineteenth century. Publishers' combinations, noted by Babbage and others, grew up, broke down and reformed again. They were the object of an inquiry made among the most famous authors of the middle of the century, John Stuart Mill, Tennyson, Carlyle, Dickens, Kingsley and others, who were asked whether they approved of the boycotting of booksellers who decided to sell at a lower profit than that decided by the publishers. Almost all were against it. Mill's answer was that he could not think of a case "in which a combination to keep up prices is more injurious than in the sale of books," a statement which, in 1877, was repeated by Mr T. H. Farrer (later Lord Farrer) before the Royal Commission on Copyright. Most newspapers were generally in favour of resale-price agreements with boycotting clauses, but both *The Times* and *The Economist* were opposed to them.

The struggle went on until the 'nineties, when the famous Net-Book-Agreement was definitely reached, regulating the retail price (though discounts were not controlled). The booksellers' margin was thereby fixed, and since books had to be sold and distributed as well as published, this apparently disposed of any further undercutting. Such an agreement could hardly be expected to "cheapen" books, though Mr Stanley Unwin—whose idealistic attitude in this matter will not be disputed—holds that "it is *now* to increased sales rather than to increased discounts that booksellers should look forth for increased profits." It is true that, with uncontrolled margins, it might well happen that booksellers would be more interested in high discounts than in low prices.

But, in general, the impetus towards cheaper books has not come from the set arrangements of the book trade. It came first, admittedly, from the sale of cheap reprints by certain established houses. But the recent drive towards cheapness has come from the Book Clubs and the publication of sixpenny books on a great scale. There are new Lackingtons in the field, for what is the sixpenny book, more often than not a reprint of some known work, than a "remainder" in a new wrapping? Lackington's point was that hundreds of copies of books were destroyed, not because they were unreadable or inferior or unwanted, but because the purchasing power of the relatively few who were able to buy them had been exhausted. Publishers were not anxious to find new marginal buyers. To them it seemed to be more profitable to have a good initial price, and to keep up the price of the few in stock for the stragglers among the buyers than to sell the whole lot at a cheaper price. Now, in the same context, the sixpenny book has lengthened the life of books, just as Lackington's shop did; and it is natural that it met with the strongest opposition from "regular" publishers.

Here, one should not be unjust. Publishing has features which distinguish it from other trades. A publisher may originally publish the books of "his" authors for some other reasons than mere profit. He may wish to give a chance to coming celebrities—often a doubtful and risky venture. His is the original risk, and his he feels should be the ultimate reward. Book printing is in a sense a public service. Often it is as profitless as most such services are, and the losses on a risky venture have to be made up from the sales of other books for which a greater number of buyers at a good price are available. But such considerations should never stand in the way of making books as a whole cheaper. If there is profit to be made from the sale of "remainders" cheap, in whatever form, to the advantage of both seller and buyer, then the publisher's job is, not to oppose such sales because they bring no profit to him, but to stake a claim to that profit by publishing them cheap himself.

That is what appears to be happening now. Publishers seem to have recognised, at last, that they cannot swim against the stream; and that sixpennies are not merely a flash in the pan and economically unsound. They are a new and likely line of business. So, tentatively and with reservations, the publishers are going to adopt the principle which for so long they have fought against as being contrary to all good publishing traditions and trade ethics. This, and the failing financial vitality of the book industry, make up the background of the British Publishers' Guild. The regular publishing trade is to undertake the publication of special books at cheap prices, and their pooling of resources will create a great undertaking. It is the method of the cartel and centralised selling to protect a limited monopoly; but it is certain to meet sharp and efficient competition from the irregulars who have carved out a new market with skill and discernment. The public should gain by more and cheaper books, the community as a whole by more readers, and the book trade itself by new life after a long time in set ways and habits.

Scuttling Law

At the beginning of the war Hitler ordered German merchantmen in foreign ports to break the voyage they had started and make for home. If they succeeded, so much the better, but if they failed then, rather than fall into the hands of the British Navy, they were to scuttle themselves. A few got home, a few were captured, many were scuttled.

On board these steamers there was a considerable quantity of cargo which belonged to British merchants and was insured against marine and war risks by British underwriters and insurance companies. Indeed, owing to the benevolent activity of the Government Cargo Pool, a very large part of British war insurance entered into before the war by British underwriters related to cargo in foreign bottoms; and whether or not the total value at the risk of the London and Liverpool market in these scuttled German boats reached the figure of £10,000,000 mentioned in the daily Press, the aggregate of the markets' liability was without doubt very high indeed.

On the scuttling of some steamers and the arrival of others in Germany, British merchants who had first insured their cargoes against war risks and then lost them, naturally said to themselves: "This is the risk against which we covered ourselves. We will now present our claims to underwriters and receive from them our indemnity." To their surprise (and it was probably a genuine surprise) they found that underwriters were not settling these claims. They learnt that the law was ambiguous. They were told by their brokers that the clauses which had of late years been added to the standard form of marine policy did not unmistakably cover an epidemic of scuttling, and that the only way of finding out what the clauses drafted by underwriters and underwriters' lawyers meant was to take one or more of the cases to Court and discover first what a learned judge thought they meant, secondly what three still more learned judges thought they meant, and thirdly what five impeccable judges knew they meant. And here several difficulties arose. It was unlikely that any merchant would be ready to spend large sums in litigation for the benefit of his fellow merchants, and it was not at all easy to find any one case so many-sided as to cover all the legal points that were at issue in all the different cases. The problem was to find the right claim to fight on and to find someone willing to pull the chestnuts out of the fire.

The two problems were solved in a curious way. Three separate cases were chosen, and all three were to be heard together; and the defendant underwriters agreed that, irrespective of the result, they would pay the costs of both sides in the action, so that we have the very peculiar situation of the defendants on an issue of £10,000,000 proving their anxiety to be sued by making an offer to finance the plaintiffs in a decisive suit. It was this suit which recently occupied the time of the Court for a considerable period and produced the judgment given at the end of last week by Mr Justice Hilbery.

In this judgment his Lordship began by discussing what happened at the neutral port, and decided that when the German master sailed on Hitler's instructions for Germany, taking the insured merchandise with him, he was acting as an agent of the German Government and applying to the merchandise in his steamer the familiar process known as

restraint of princes. But what was the effect of that restraint? It was, so his Lordship decided, to frustrate the venture.

To explain this term "frustration of the venture" one needs to go back to the last war and the famous case of Sanday *v.* The British and Foreign. In that case a cargo bound for a German port at the outbreak of war was intercepted by the British Navy and diverted to a port in this country. The cargo remained the property of Sanday's. They were not deprived of it. All that they were deprived of was an opportunity to get the cargo to the end of the voyage they had insured. On the strength of this loss they claimed that they had a "constructive total loss" on the policy and successfully sued underwriters for the insured value of the cargo. The venture, said the House of Lords, had been frustrated, and that was good enough for a claim.

The effect of this judgment on underwriters was considerable. Here was an assured in full possession of the insured goods recovering the value of the goods simply because he was not allowed to get them to their destination—and that, said underwriters, was not fair. So they drafted a new clause, which they added to their policies, freeing them from liability for any claim based on frustration of the venture caused by restraint of princes, and for more than twenty years practically every marine policy, including war risks, has contained this frustration clause.

Now the essence of the Sanday case was that Sanday's still possessed the goods, and the intention of those who drafted the frustration clause was to prevent a merchant from recovering a total loss for goods which were still in his possession. In fact, nine out of ten marine insurance experts would have held that the clause did not affect claims for goods of which the assured had been deprived. Mr Justice Hilbery's judgment knocks that conception sideways. It is now the law that if a master breaks off his voyage through the restraint of princes and goes off with the cargo on board the frustration clause debars cargo owners from recovering a constructive total loss on the policy. The last war gave underwriters an unpleasant surprise. This war gives the assured an equally unpleasant surprise.

But there is still another point. If the breaking off of the insured voyage did not give the assured his claim, surely (argued the merchants) the scuttling of the ship must do so. The scuttling was an act of war and produced a total loss. Is that not ground enough for a claim on a war policy? No, said Mr Justice Hilbery, it is not. The policy insured these goods for a particular voyage and for no other. When the German captain left the shelter of the neutral port he abandoned that voyage and started an entirely new one which the policy had not covered, and consequently no claims could attach to it. If an underwriter insures a cargo from Buenos Aires to China and the captain, instead of going to China, makes for Hamburg, and, failing to reach Hamburg, scuttles his ship—then the loss occurs on a voyage the underwriter never contemplated and never insured. So the merchant cannot recover.

In this way the merchants have lost their case in the first Court and the £10,000,000 or whatever the amount at stake may have been falls on the assured, not on their underwriters. In the peculiar circumstances of these actions, an appeal is certain.

NOTES OF THE WEEK

Roumania: the Home Front

The situation in Roumania is still very obscure. King Carol's last-minute attempt to save his position by transferring his dictatorial powers to General Antonescu failed in face of the wave of hostility which swept the country against himself and his regime. He was the scapegoat of the Transylvanian tragedy and nothing short of abdication would have prevented serious disorders. His son Michael becomes King for the second time, but the General retains full dictatorial powers. His aim is apparently to gather round him the leading figures in Roumanian public life on the basis of national reconstruction, acceptance of the Vienna *Diktat* and good relations with the Axis. The difficulty of the programme lies in the fact that for certain leaders it goes too far, for others not far enough. Peasants, Liberals and Iron Guards are apparently united in their relief at seeing the last of King Carol and such steps as the examination of the late King's Palace budget and of the secret funds of the various Ministries, the arrest of a number of high military officials and the freeing of certain categories of political prisoners are generally popular and fit in with the universal desire to blame King Carol for everything. But there is not much unity apparent in other fields. M. Maniu for the Peasants and M. Bratianu for the Liberals will have the greatest difficulty in reconciling acceptance of Vienna and the Axis with previous statements on foreign policy, and if it is true that they agreed to support General Antonescu on condition some form of parliamentary system were maintained, it is hard to see how acceptance of their condition can be reconciled with securing the support of the other great national group, the Iron Guard. The Iron Guard appears to have split into two groups. One group will co-operate with the General on the basis of a Cabinet of national concentration. The other, led by M. Horea Sima, is more active and more intransigent and is determined to force a purely Iron Guard Cabinet on the Dictator. Of the two groups, it probably has closer relations with Germany and ultimately, both on the side of the Iron Guard and of General Antonescu, Germany's attitude will be decisive.

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Roumania's Neighbours

Whatever the degree of unity achieved on the home front, it is the intentions of Roumania's neighbours that will determine her future. Trouble is not likely to come from her Balkan partners. On the Dobruja front the position is for the time being stabilised. A reasonable settlement has been accepted by both parties in a spirit of goodwill, and relations between the new Antonescu regime and Sofia are reported to be excellent. The transfer to Hungary has been carried through without incident, and since the Roumanians were happily employed changing kings, Admiral Horthy was able to ride in on his challenging white horse without meeting an ambush or a stray bullet. It is possible that Hungary is not yet satisfied but that she has obtained all the Axis will allow her. The uncertainty of Roumania's status springs from the intentions of the Great Powers and the old riddle of the extent of agreement between Moscow and Berlin. At Vienna it appeared complete. Russia's hint of further action tipped the Roumanian scales down on to the side of submission. But the Kremlin has been at pains to explain the move away. The incidents on the Bessarabian frontier were not of Russian origin. On the contrary, they were staged by King Carol in an elaborate attempt to save his own position. Arguing that he would not keep the throne unless he obeyed the Axis, and that Roumania would reject him if he did, he

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tried to create a Russian threat in order to turn to his people and say: "If I do not cede, Russia will overrun Roumania. I must give way to *force majeure*." If there is any truth in the Russian claim, Stalin may still be pursuing an independent policy in Roumania, and the division of territory may yet continue. Hitler, on the other hand, has undoubtedly scored a diplomatic triumph. He has placed Hungary under a supreme obligation, turned the resentment of the Roumanians against their king, and secured a friendly regime in which his Iron Guard supporters occupy a pivotal position. It is probable that Berlin's need of Balkan peace will lead the Nazis to support the accommodating General Antonescu, but any trace of insubordination can be countered by transferring German backing to the dissident Horea Sima group and by insisting that the Banat, with its rich industries and large German minority, be transferred to Hungary.

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The Presidential Campaign

The State of Maine, as usual, has "gone Republican" and, as usual, the Republicans are proclaiming it as an augury. In 1936 this individualistic State, which holds its elections two months before the 47 others, also went Republican, but it was followed in November only by Vermont. But this time the Republican majority has increased considerably, so there is an open field for prophecy. Actually, Mr Willkie seems to be losing ground slightly. It was to be expected that he would reach the peak of his popularity immediately after nomination—America always warms to a novelty—and the real question has been, and still is, whether he could retain enough of this initial lead to have a majority in November. The international situation has not helped him, for every intensification of the attack on Britain makes it more apparent that Mr Roosevelt has been right these four years in the main outlines of his foreign policy, and the argument against swapping horses in mid-stream is likely to outweigh the Republican charge that the President has been lax in preparing to put military force behind the doctrines he has so challengingly proclaimed. Moreover, Mr Roosevelt still has all his skill in monopolising the headlines. The creation of the joint American-Canadian Defence Board more or less blanketed Mr Willkie's speech accepting the nomination, and the exchange of destroyers for bases was also carefully adorned with references to the Louisiana Purchase by Jefferson (the idol of the present-day conservative Democrats) and used to exhibit Mr Roosevelt, quite justly, as the maker of history. Mr Willkie is the best candidate the Republicans have had since Theodore Roosevelt; but, with nearly two months still to go, the odds still seem to be on the President.

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The Internment Camps

The tribunal, which is to consider applications for release from internment made by those who claim to come within Category 19 of the White Paper, has now been appointed. It has as chairman Sir Cecil James Barrington Hurst, Judge of the Permanent Court of International Justice, and the other members are Sir Andrew McFadyean, Professor Seton-Watson and Mr I. A. Kirkpatrick. It will report to the Home Secretary whether any applicant can be shown by his writings, speeches or political activities to have taken a prominent part in opposition to the Nazi system over a period of years and is actively friendly towards the Allied cause. Thus, another admirable body, composed of persons sympathetic to the cause of the refugees, has been set up. But there are few signs of improvement in the conditions of the internment camps, which have now been run by the Home Office since the beginning of August. Some of the unnecessary cruelties have been abandoned. There is to be no compulsory deportation of Category B or Category C aliens, and a census has been taken of all internees so that there should be less of the early muddle when the wrong persons were sent abroad and wives had no knowledge of their husbands' whereabouts. But quite unnecessary stupidities still remain. Newspapers and books are allowed; but it is not certain that they will arrive at the camps, and if they do arrive it is generally after an unreasonable delay. Internees are still restricted to the writing of two letters a week—it even appears that they may not write more than twenty-four lines, though no limit is laid down as to the length of the line—and above all nothing has been done to give the internees anything to do or to establish mixed camps, so that families can be reunited. The Lytton Advisory Council is known to be making admirable recommendations on the welfare of aliens. But it has no powers, and so long as its functions are confined to recommendations, the responsibility for the conditions in the camps rests on the Home Office. The Government has only itself to blame that the indignation aroused by the ill-treatment of internees is throwing its whole internment policy into disrepute.

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The Army at Work and Play

The British Army is facing the prospect of a second winter of inaction; and the problems of the coming months will be intensified by the doubling of the numbers of troops at home compared with a year ago. Winter accommodation for 1½-2 million soldiers is the most obvious and immediate difficulty. But just as important will be the prevention of "accidie"—spiritual inertia to which an Army composed mainly of men drawn from civilian life will be particularly prone. Something is already being done. Young volunteers who enlist before their time of call-up are henceforward to serve in battalions composed entirely of their own contemporaries; their non-commissioned officers will generally be chosen from among them; and their junior officers will be men of nearly their own age who have just passed through an Officer Cadet Training Unit. Greater scope, too, is being given to special talent. To meet the demands for the more technical branches of the Army, such as the Royal Engineers, young men with mathematical and scientific qualifications will be selected by examination for a free six-month course at a university after which they will be posted to an O.C.T.U. of the arm of the Service they themselves choose. But for the great mass of the Army the defeat of "accidie" must largely depend upon facilities for enjoying leisure. A small directing staff for education has been set up at the War Office, and every effort is being made to provide vocational education so that soldiers can continue their peace-time studies. But the clearest sign of the authorities' preoccupation with the welfare of the troops is the invitation given by the Army Council to Mr George Black, famous as a producer of variety, to become honorary adviser on entertainment for the Army. Boredom will have a hard struggle against him.

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Education in War

So serious have been the blows dealt at education by the war—the muddles of evacuation, the complete or partial suspension of teaching in the evacuation areas for the first nine months of war, the abandonment of the raising of the school-leaving age, and the attraction of more and more juveniles into industry—that the air of triumph with which Mr Ramsbotham announced his scheme of physical training for young persons is easily explained. He has set up a small directorate, "to secure the further development of physical training and recreative work among young people of both sexes," which will work in close association with the youth branch of the Board of Education and in co-operation with the War Office, which will provide the necessary instructors. The chief advantage of the new scheme is that boys and girls, between the ages of 14 and 18, will be released for periods of physical training in their employers' time. There will thus be no question of providing facilities for children too tired to enjoy them. But although Mr. Ramsbotham said that he did not aim at "barrack-square" drill, the whole scheme savours too much of producing physical fitness, not as an end in itself, which it should be, but in order to produce better soldiers or better factory workers. It is difficult to see, otherwise, why the War Office is brought into the scheme at all or what is meant by "linking the physical exercises with the motions needed in industry." In any case, a scheme of physical training marks no real departure in education policy. Nor, it appears, shall we have such a policy in wartime, for though Mr Ramsbotham has declared himself in favour of day continuation schools, as envisaged by the Fisher Act, he said that wartime lack of classrooms and equipment prevented him from putting the Act into effect. Unfortunately, judging by the experience of the inter-war period, there is no prospect of the initiation of reforms after the war is over. Mr Ramsbotham said that we should not aim at secondary school education for all "unless we can devise new forms of secondary schools and teaching more suitable to the great mass of our young people." The Spens Committee did devise such schools nearly two years ago, and, like all other educational reports, their recommendations were promptly shelved.

Communal Feeding

Communal, instead of individualistic, feeding arrangements may soon become a recognised feature of national life in wartime. The appointment of Mr W. B. Chrimes, managing director of Cooper's Stores of Glasgow, Liverpool and London, as Director of Communal Feeding to the Ministry of Food, and the communal meals facilities that have had to be organised in Ramsgate and the East End, are two of the straws that show which way the wind is blowing. A significant proportion of the population of Great Britain, all members of the Fighting Forces, inmates of religious and other residential institutions, and many schoolchildren and workers in factories and other establishments, already take one or more meals a day at a common board. Restaurants and cafés provide similar facilities on a more haphazard basis for office workers. These existing arrangements for communal meals will probably have to be expanded before long to cater for a large part of the rest of the population. There is the need, first, to release as many housewives as possible for war work; secondly, to economise to the utmost in our consumption of food and fuel, and, thirdly, to provide facilities for feeding those who are rendered homeless by air raids. Perhaps the most pressing of these is that of mobilising the great reservoir of man-power constituted by the 8½ million married women who are not gainfully employed. The provision of one good meal a day on a communal basis for all workers and schoolchildren would release a huge number of housewives for war work. The second reason, the need to save food and fuel, may not appear so pressing now, while vegetables are still plentiful and plums to be had for the asking, but in a few months' time the case may well be different. Savings of up to 20 per cent. in food can be obtained by communal over even economical household feeding. Organising families in groups of four or five, each housewife in turn cooking for the others, would also overcome the waste inherent in the use of the ordinary gas or electric cooker for cooking small meals. Finally, Ramsgate has already provided an object-lesson in the need to have plans ready for an emergency, and for a period longer than the 48 hours envisaged in the present tea and bully-beef sandwich scheme of the Ministry of Health. Mr Chrimes will have the results of his Ministry's recent census of the capacity of eating establishments to help him, and should be able to mobilise every stove and saucepan on the kitchen front.

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Salute to the Brave

The Germans have celebrated the anniversary of the invasion of Poland by shooting the gallant Lord Mayor of Warsaw, M. Stefan Starzynski, in the concentration camp at Dachau. For M. Starzynski we can only rejoice that the year's agony has found a term—nothing illustrates so grimly the degradation of the Nazi spirit as their treatment of brave and honourable opponents—but this life which has come to an end is the symbol of a life to which nothing can put an end, the life of the Polish nation. For a year now, the Poles have fought beside us, and little by little we are learning to take the measure of this recklessly gallant people. In our ignorance, we dismissed the Polish campaign with a tribute perhaps to the common soldier, but almost contemptuous references to the inefficiency and instability of our allies. Now that the Nazi war machine has blasted its way across five more countries and has brought crashing to the ground the secular power of France, we are in a better position to measure the endurance and fighting qualities of the Poles who, attacked before they were mobilised, without tanks, without aircraft, with virtually no air defences, stabbed in the back by the Russian advance, held out for three weeks against the Germans and created the imperishable legends of Warsaw and the Westerplatte. Not content with this preliminary sacrifice, the Polish forces have been found in the front rank in every subsequent campaign. The *Orzel* made her heroic escape and fought through a long winter and the spring campaigns beside the British Navy before she was reported missing. The Alpine troops proved their magnificent quality in Norway. Polish troops held the line at Rethel and on the Swiss frontier, 2,000 of them covered the French retreat and the exodus of refugees—and of the 2,000 not one remained. In the hour of France's collapse the Poles declared their determination to fight on and while the bulk of them came to England, the 6,000 of Syria broke away and crossed into Palestine. And now, in the Battle of Britain, Polish pilots and Polish squadrons are showing the same indomitable spirit and magnificent courage. Here in the age of the machine, the totalitarian mass, the new slavery, are allies who uphold in defeat and in victory the honour and gallantry of free men.

The Hanoi Settlement

After a week of rumour and counter-rumour it appears likely that Admiral Decoux, Governor-General of Indo-China, has given way to Japan's insistent demand that Japanese troops should be given right of transit through Indo-China to the Chinese frontier; 12,000 troops are to land—or have already landed—and may use the railway and a camp within 12 miles of it. The French Governor's decision, since it was dictated from Vichy, is the result of German pressure, and it appears that the Nazis, after considerable hesitation, have decided that the embarrassment which Indo-China's submission can cause Britain and the United States outweighs the inconvenience to Germany of allowing Japan to establish a prior claim to an Axis conquest. Whether China will, as she threatened on August 28th, attack Indo-China is still uncertain. Chinese troops are already massed on the frontier and minor skirmishes with the French troops have taken place, but the first reaction to the report from Hanoi was that the number 12,000 is so insignificant that it can only be a token entry; and rumours that Kunming is to be evacuated and that the international bridge at Laokay has been blown up suggest that China will play a waiting game.

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The War with Italy

This has been an encouraging week in the Mediterranean. A long communiqué issued from the Admiralty made it clear that for whatever other purpose the Italian navy may have been built, it is not designed for war at sea. Indeed, it is hard to quarrel with Lord Samuel's claim that the Italian navy has adopted *é pericoloso spergersi* as its motto. Our air reconnaissance has ranged the Mediterranean in search of the enemy, but on the only occasion in which any part of the Italian main fleet put to sea, it was steaming for Taranto at high speed before the British forces could come up with it. In the meantime, aircraft of the Fleet Air Arm have been able to choose their targets on the Italian mainland at will and air attacks on the Dodecanese have been combined with intensive bombardment from the sea. An amusing light was thrown on "Axis co-operation" by an attack on our ships south-west of Malta during which the Italians claimed to have inflicted considerable damage by the "bold onslaught of the Italian dive-bombing planes." In fact no damage was done and the dive bombers were Junkers 87. On land, all activity has ceased and the lull has been usefully employed in bringing reinforcements to Egypt from East and West. A further contingent of Australains has landed and the naval section of the reinforcement sent to all three services has come out through the Mediterranean unimpeded. Nothing has so restored Arab confidence in Britain—shaken by the French collapse—than the sight of troops, ships and aircraft arriving at a time when the full weight of the *Blitzkrieg* is falling on Britain. It is fortunate that we have this surplus. The attack on Egypt—even though recent Fascist statements have reduced the Duce's ambitions from the conquest of Egypt to the seizure of Alexandria—must be imminent and may well be a concerted manœuvre with a German invasion of Britain. It is difficult to believe that the Italians will go into the attack in good heart. The promised

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short war and easy returns are slipping further from their grasp. There has been a wave of arrests to counter defeatism. Italy is the Achilles heel in the Axis partnership and our strategy *must take this weakness into full account.*

* * *

Second Thoughts in Vichy?

The Vichy regime is in difficulties which on the whole it does little to disguise. A few weeks ago Marshal Pétain admitted that his Government was "kept on the end of a rope" by the Germans, and it is probable that the reshuffle of the Pétain Ministry to exclude Senator Mireaux, M. Pietri, Senator Lemery and MM. Marquet and Ybarnégaray springs from the disgust of some of its more active members at the puppet rôle they must fulfil and from their desire to dissociate themselves from an experiment which is becoming more and more discredited among the French people. Both M. Marquet and M. Ybarnégaray have in their time preached national regeneration by authoritarian methods, but clearly they did not foresee that the authority would rest in Berlin. The Riom trials may also have hastened their departure. M. Daladier, General Gamelin and M. Paul Reynaud are now under arrest. It is possible to regard General Gamelin as criminally incompetent perhaps and M. Daladier as an insufficiently vigorous War Minister, but the inclusion of M. Paul Reynaud shows up the miserable farce for what it is—an attempt on the part of such men as Laval to curry favour with Hitler and Mussolini by pinning all the blame for the war upon the "friends of England." The Axis Powers have thrown the excuse back with a contemptuousa reminder that the whole French nation will be held responsible. The open bankruptcy of the Vichy regime is not without influence in the Colonial Empire. The behaviour of the Italian Commission in Syria is bringing home to colonial officers and citizens the real meaning of the armistice with Italy. Italy's "forbearance" in demanding demilitarisation, not cession, was merely a trick to secure occupation (which the local forces would have resisted) without resort to war. It is therefore possible that the lead given by French Equatorial Africa will be followed up. In General Larminat, Free France has a figure of such standing in the Near East that Vichy has been obliged to dispatch General Weygand to North Africa—presumably to damp down enthusiasm. It may well be too late.

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Conscientious Objectors' Pay

The trade unions have been discussing the position of pacifist workers. In general, the view that mobilised men who will not fight should not be paid more than those on military service is approved. On the other hand, employers should not be enabled by any arrangement allowing conscientious objectors no more than Army pay and allowances to obtain labour at cut rates. The solution most favoured is to pay the difference between civilian and Army pay into some central fund. Conscientious objectors themselves mostly favour some such scheme, but if equity is to be the goal, there is a further obstacle which also concerns the trade unions. Their object is to maintain recognised rates of remuneration for all grades of workers; and the argument that men in reserved employment, as well as those unfit for military service, have no more right than pacifists to profit by the war, in comparison with men in the Forces, follows too closely for comfort upon the proposal to equate the pay of conscientious objectors with the pay of soldiers. Actually, there is no great substance in the wider argument. It would indeed be a contribution to national solidarity if men of military age not serving were to be called upon to pay into a fund for the assistance of soldiers and their families. But the problem of equity is not one simply for working people. It applies to the entire community without exception, and while it would plainly be impracticable to reduce the remuneration of every citizen to the level of private soldiers' pay, it would be only fair if all increases of income above the pre-war level were to be heavily taxed or largely taken away by forced loans. There should be no suspicion of "*profiteering*" in any section of the community—and it must be said that the measures adopted to eliminate excess profits have not yet been balanced by any steps to check excess wages.

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Vegetables *versus* Grains

All are agreed that in this time of emergency the keynote of agricultural policy *must be intensity* of production, but there is not so much agreement about the best means of ensuring the maximum utilisation of the land. To replace imported wheat, if this is necessary, we should have to sow, not 1,500,000 acres as at present, but about 6,000,000, that is, 50 per cent. more than the total of 4,000,000 acres now under corn crops of all kinds—quite apart from the question whether the land is suitable for wheat growing. Moreover, wheat stocks are said to be available from Canada and elsewhere to last us until 1944, and of all our imported farm produce wheat presents least difficulty in storage and transport. The present insistence on wheat growing, therefore, it is argued by some, hardly fits in with the immediate facts, and it is suggested that it would be better to grow potatoes at an average yield of six tons per acre, rather than wheat at 16 cwts. per acre—especially as most of Britain grows potatoes well and wheat indifferently. The production of vegetables is equally important. We cannot import them now from the Continent, and they are an alternative source of vitamins to fruit which we may have difficulty in importing in the near future. Allotments and private gardens may supply vegetables for some 10 per cent. of the population, but large-scale cultivation would be necessary to supply the rest. Unfortunately, the cultivation of vegetables has fallen off in recent years. Between 1926 and 1936, the acreage under turnips and swedes (the latter a valuable source of vitamins) fell from 750,000 to 500,000; that of beans fell from 200,000 to 125,000, and of peas *from over 70,000 to under 50,000.*

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Even at a conservative estimate of an acre of vegetables sufficing for 20 people, it might be possible to produce all the vegetables we require on the 2,000,000 acres already ploughed under the new plough-up scheme. In other words, it is claimed, the normal agriculture of the country might have been carried on and the extra acres, with the high nitrogen content characteristic of old pasture land, devoted to vegetable growing. There are serious administrative, distributive and labour problems; but it could be laid down that each region should be self-supporting in vegetables as far as possible. Wherever possible, *a field on each suitable farm* could be set aside for each vegetable or root crop; and, as it is inefficient to have innumerable strips of different plants in adjacent fields, farmers could be incited to co-operate in the scheme. Labour could be pooled; and, as most of the work is seasonal, a volunteer corps might be formed in which schoolboys and townspeople would be encouraged to work extra hours during specific seasons. The main point is that the land should be utilised to the maximum, and the best way to achieve this, according to this argument, is by large-scale market gardening.

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Films and Propaganda

So far, not one of the Ministry of Information's activities at home has won even qualified general approval, in official or unofficial circles; and the Select Committee's report on the Films Division is another story of inefficiency, lack of co-operation and misdirected energy. The Ministry seems to have difficulty in realising that, in the words of the Select Committee, "British morale stands in so little need of artificial support," and continues to treat the public as frightened children in want of reassurance. The result, so far as the Films Division is concerned, has been that most of the propaganda films sponsored by the Ministry have attempted to interpret this general policy of reassurance, whereas their aim, as the Select Committee points out, should be to direct the patriotic spirit into channels of activity, "to break down the psychological barriers to the fulfilment of national requirements." For this purpose, short, five-minute films, which can be produced rapidly, are especially well suited. The Committee recommends that the Ministry should abandon altogether any direct sponsoring of feature films, which are in danger of being out of date before they are completed, but should ask commercial producers to allocate a certain proportion of their production to films of a distinct national value and obtaining for the producers in return such facilities, particularly Service facilities, as may be required, without any charge except the actual extra costs incurred by the Services. Of the three kinds of films, feature, documentary and news-reels, it is the last which is the most important for propaganda purposes, especially in Empire and foreign countries, but in the poverty of news-reels neither the Films Division nor the news-reels companies are to blame, but the Fighting Services which are in practice extremely loth to give facilities. Propaganda abroad has always been a debatable sphere between the Ministry and the British Council, and both are concerned in the distribution of films. The Committee considers the Council's newsreel, composed of selections from the five newsreel companies, to be superior to the Ministry's newsreel, which is also distributed abroad, and recommends *that it should be the official newsreel for Empire and foreign* countries.

* * *

Social Services on the Tyne

It is a common complaint of the well-to-do that they have to pay for the provision of so many services for their less prosperous fellows. A recent study* of social conditions in Tyneside reveals the fact that the extent to which any one of these services is, in fact, available to any particular needy individual varies to an astonishing extent, according to the district in which he happens to reside. Contiguous districts of apparently similar economic structure may differ widely in the amount of the respective social services they provide. Tyneside as a whole needs every kind of social service as much as any region in this country. This is shown by the tuberculosis and infant mortality figures, always a telling index of general social welfare. Whereas the death rate from tuberculosis in England and Wales in 1935-37 was only 52 per cent. of that of 1912-13, the corresponding percentage for the important districts of Tyneside ranged from 55 to 77. Infant mortality fell by 21 per cent. between 1923-25 and 1935-37 in England and Wales, but in Tyneside it only fell by 12 per cent., and in the latter period it was 61 per cent. higher than in London and the Home Counties. A high rate of deaths from tuberculosis and a high rate of infant mortality are both closely associated with poverty and overcrowding and indicate an urgent need for activity on the part of local authorities in such matters as housing, infant welfare, school services and medical services. One is prepared to find the response of local authorities to this need varying according to the rateable value of their respective districts; but a striking fact brought out by this survey is that in some instances districts with almost no financial resources put to shame other more prosperous districts whose need for the same services is just as great. Whereas the number of solid meals provided per necessitous school child (counting each badly undernourished child as equal in need to two "slightly" undernourished children) rose from 106 in 1936 to 136 in 1938 in England and Wales, it fell from 86 to 81 in Newcastle, from 30 to 15 in Gateshead and from 2,884 to 732 in Felling. It rose from 34 to 118 in Jarrow and from 83 to 175 in Hepburn. Yet these two last are far poorer districts than Newcastle. These instances could be reinforced by others from all fields of the social services. The author of the survey is mainly concerned with its bearing on the local government of Northumberland and Durham, and agrees in the main with the conclusions of the Royal Commission on Local Government in the Tyneside area. His work provides at the same time a valuable armoury of facts for critics of our archaic and confused system of local government and local rating.

* "Tyneside. The Social Facts." By David M. Goodfellow. Co-operative Printing Society, Rutherford Street, Newcastle-on-Tyne.

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Shorter Notes

The number of whole-time staff above clerical grades employed by Government Departments on July 1, 1940, was 54,902, compared with 47,609 on January 1st. The staff of the Ministry of Supply has increased by 1,704 to 4,909; of the Ministry of Food by 1,679 to 4,174; of the Admiralty by 771 to 3,032; and of the Ministry of Labour by 494 to 2,343. The Ministry of Information staff has risen from 192 to 1,399, which is partly accounted for by the transfer of the Postal and Telegraph Censorship from the War Office and of the staff of the Press and Censorship Bureau, but it is understood that Mr Frank Pick is making a complete review of the Ministry's staff with the object of reducing it.

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The decision of French Equatorial Africa to throw in its lot with General de Gaulle lends a special significance to the visit of Lord Hailey to the neighbouring colony of the Belgian Congo. The position of the Belgian Government, the headquarters of which is still in France, is obscure; but there is no ambiguity about the wish of the Congo Government to carry on the struggle, and Lord Hailey's mission, which is being undertaken on behalf of the British Government, is understood to be concerned with important economic questions affecting the colony.

The Battle of London should not let us forget Southern Rhodesia's fiftieth birthday, which was celebrated this week. As a self-governing Colony, Southern Rhodesia frequently falls between the two stools of the Crown Colonies and the Dominions, and her war effort has consequently not received the attention it deserves. Yet it is no less than that of the Dominions proper. Like them, she is an air force training centre, and since the entry of Italy into the war her own airmen and her own troops have taken part in the East African campaign.

Letters to the Editor

The Railway Problem

TO THE EDITOR OF THE ECONOMIST

SIR,—I am still unable to understand why *The Economist* has such an animus against the railway shareholder. An intelligent foreigner, on reading your article of August 31st, would imagine that the 10 per cent. increase last April, and the 7½ per cent. addition now being discussed were required in order to meet the demand of the shareholder for higher dividends. In fact, a huge increase in the amount of goods carried since the outbreak of war, partly as a result of Government traffic and partly as a result of the reduced competition from road vehicles which depend on imported fuel, should now be giving the shareholder the Standard Revenue assumed, if not promised, by the Railways Act, 1921.

But, as you know, railway wages have been repeatedly increased and the price of coal (mainly wages) has also risen; the increased charges are required to pay these increased costs, *not* to pay increased dividends to the shareholder. In real value the shareholder is not getting more than one-third of what he got in 1914-15, in spite of twenty-five years' improvements to his property and of the much heavier work thrown upon it. In 1914 he was given $\frac{1}{16}$ of the estimated national income; now he is getting about $\frac{1}{150}$, perhaps less.

Yours faithfully,
J. E. ALLEN.

Cambridge.

[Our correspondent is mistaken. *The Economist* has no animus against the railway stockholder. Its criticism of the railways' financial agreement with the Government is based on broader considerations, including its pronounced inflationary effects, and not on any question of the potential return which it may provide for stockholders. The article expressly pointed out that the process of adjusting charges to increased costs does nothing to increase railway net revenue, and we hope that the intelligent foreigner—if, indeed, he is the most suitable referee for a subject which has intelligent Englishmen understand—would realise that railway dividends can only be paid from railway net revenues.—EDITOR.]

The Internment Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—I am rather disconcerted to find quoted in your columns the statement in Parliament "that the leakage of vital information has noticeably diminished since internment began," as if it furnished an *ex post facto* justification of the Government's policy. Lord Winterton has in his time played many rôles, but there is nothing to show that he has been trained in the interpretation of statistics. It might be pointed out that other things happened at about the same time as friendly aliens were interned *en masse*. For one thing, a large number of people who are not aliens have been detained under Regulation 18B. But, what is much more important, we have simultaneously become to all intents and purposes isolated from the Continent of Europe. No postal communication by enemy agents has been possible with Holland, Belgium, France or Italy, and I have just received a communication from Zurich which has taken some six weeks to reach me. Surely this severance of communications alone would suffice to explain a phenomenal drop in the export of information, and to condemn Lord Winterton for flagrant indulgence in the *post hoc ergo propter hoc* fallacy.

I am, sir,
Your obedient servant,
ANDREW MCFADYEAN.

London, E.C.3.

THE WORLD OVERSEAS

Soviet-German Trade Prospects

(By a Correspondent)

IT is just a year since the Russian-German trade agreement was signed. At the time, Germany claimed this agreement to be of the utmost importance and declared that it would remove all economic pressure from the British blockade.

No data were available with regard to the nature and extent of the agreement, nor is it known how far both sides have managed to fulfil their respective contracts during the past year or to what extent imports and exports between them have expanded. A new German delegation left for Moscow at the beginning of this month and negotiations are in progress with regard to a renewal of the agreement for next year. But the present negotiations are being carried on with less propaganda than before, and the various articles in the Soviet and German press, published on the anniversary of the Russian-German pact, have underlined more strongly the political character of the pact and have avoided any discussion of economic collaboration.

The University of Birmingham has published a memorandum on the *Prospects of Soviet-German trade during the War Period**, which gives a thorough and objective analysis of the possibilities of an expansion in trade between the two countries. The analysis considers the programme of Soviet economic expansion envisaged by the Third Five-Year Plan; such planning of every field of economic expansion during the forthcoming years makes it easier to forecast the maximum limits to which Russia's foreign trade can increase in one direction or another.

The supplies which the Soviet Union can deliver to Germany to a great extent depend mainly on whether the Soviet Government is guided by purely economic considerations, or whether it is prepared to undergo economic sacrifices in pursuit of political objectives, the attainment of which would call for close co-operation between the two countries. Experience has shown that Russian economy can be elastically adapted to political ends, and, in this case, Russian exports could to a large extent supply German economic needs, if German-Russian economic collaboration were given a year or two to develop and if technical assistance were forthcoming from Germany. Such essential supplies as fertilisers, manganese ore, oil, and non-ferrous metals could be made available in considerable quantities.

Political developments during the last year, however, and especially recent events in the Balkans, do not point in the direction of closer co-operation between the two countries. It becomes more and more clear that realism is the aim of Soviet policy, and this excludes for the time being economic sacrifices on the part of Russia to help Germany.

The Trade Turnover

The terms of the Soviet-German trade agreement were kept secret, and the only official hint was a vague reference to the trade turnover between the two countries. It was affirmed that the first year of the trade agreement would see the greatest trade turnover between the two countries, since the Revolution surpassed. The record year was 1931 when the turnover amounted to Rm. 1,066 millions, according to German statistics and 2,365 million roubles, according to U.S.S.R. statistics. Therefore, the Birmingham memorandum points out, if imports and exports are intended to balance, German imports from the U.S.S.R. would total no less than Rm. 533 millions and U.S.S.R. exports to Germany no less than 1,182.5 million roubles.

These figures exceed substantially the levels reached in the past and are more than 10 times higher than the lowest level reached, which was in 1938 when Russian exports amounted to 88.3 million roubles and German imports to Rm. 47.4 millions. The following table gives the figures since 1931:—

	1931	1932	1937	1938
Russian exports to Germany in million roubles ...	566·5	440·1	107·6	88·3
German imports from U.S.S.R. in million Rm. ...	303·5	270·9	65·1	47·4

These figures show that an increase to the maximum value would involve a thorough reorganisation of the Soviet's foreign trade, and even if it is assumed that Russia is willing to undergo such a reorganisation, it would also be difficult to carry it out in practice because of the nature of Russian exports. Germany is interested in importing from Russia agricultural products, foodstuffs, oil, textiles and raw materials. These goods are now exported from the U.S.S.R. mainly with the object of receiving foreign currency to pay for imports. The production of none of these goods exceeds the needs of the Soviet home market and they can always be disposed of by increasing the supplies for home consumption. The barter system of German foreign trade would not satisfy the Russian demands for colonial produce and various metals. The commodities offered by Russia are becoming less attractive to Germany; for instance, after the occupation of Czechoslovakia, Poland and France, the German demand for imported timber has diminished.

There remains the possibility of an expansion in Russia's oil exports to Germany. In recent years the largest importers of Russian oil were France, Italy, Germany, Great Britain, Japan, Spain, Sweden, Belgium and Denmark, and if Germany got all the share of France, Great Britain, Belgium, and Spain, it would mean that Russian exports of oil to Germany could be more than trebled without increasing the total quantity exported. But here again demands of the Soviet home market have considerably increased, and it is doubtful if Russia will continue to expand her oil exports to Germany. The Soviet crude oil production has increased from 21.4 million tons in 1932 to 30.1 million tons in 1938, and the third five-year plan foresees an output of 36.3 million tons in 1940 and 48.5 million tons in 1942. But at the same time Russian oil exports have decreased from 6.1 million tons in 1932 to 1.4 million tons in 1938. Judged by the results of the first few months of the current year it is not likely that production as envisaged by the five-year plan will be fulfilled, and at the same time the demand for home consumption is still growing, especially as the needs of the Red Army are becoming greater from day to day. Consequently, Russia's unlikely to be able to spare large additional quantities for export.

The situation is the same with regard to the export of agricultural products. If the Soviet Government is willing, it should be possible to increase both the absolute figure of exports and Germany's share in them, particularly as a further increase in the production of agricultural products is foreseen in the year 1940. But here again the internal market shows a steady growth, and if Russia is not pressed to expand her exports because of the need to increase her imports, the whole increase in agricultural production will be absorbed by home consumption.

The Birmingham memorandum considers that the problem of transport is not an insuperable difficulty so long as Russian transport works in peaceful conditions and the Baltic and the Black Sea are outside the range of the British blockade. Over 60 per cent. of Soviet exports can be carried within the limits of these seas and there are no obstacles as far as the sea-borne trade is concerned in the way of a considerable increase of exports from the U.S.S.R. to Germany. Moreover, railway transport has improved of late, despite the increased pressure on the system.

A reshuffle of Russian exports from other countries to Germany largely depends upon Russian imports. Only part of the indispensable imports was provided by purchases in Germany and in countries now under German control. Essential commodities like sheet iron, pipes, refined steel, copper, nickel, tin, tea, jute, sisal, cotton, rubber, machinery, tools and general equipment were coming mostly from countries outside German control. The commodities supplied by Germany will also be curtailed as many of them are based on imported raw material of which there is now a great shortage.

The German market is, therefore, less attractive to the U.S.S.R. than it seemed at the time when the first agreement was signed. The difficulties described have to a great extent hampered the expected large increase in the exchange of goods between the two countries. In spite of the fact that no official figures are available, the conclusion can be drawn that the expansion of trade between Russia and Germany during the last year was small, and that it is doubtful whether it will increase much more so long as the present political conditions prevail.

September 1st.

* Birmingham Bureau of Research on Russian Economic Conditions, Russian Department, University of Birmingham.

Australia's Successful Savings Campaign

[FROM OUR SYDNEY CORRESPONDENT]

COMMONWEALTH Government Accounts for the financial year ended on June 30th show a record revenue of £A111.9 millions and expenditure for consolidated revenue of about £A109 millions. Revenue was £A16.8 millions higher than in the previous twelve months. The recorded surplus of £A2.9 millions is an understatement of the true position, since £A9 millions of revenue was appropriated to meet war expenditure which the Government had originally intended to charge against Loan Funds.

Defence and war expenditure amounted to £A55.2 millions during the period, and of this sum £A24.3 millions was appropriated from revenue. The remainder was met from loan proceeds. The need for heavier taxation and increased borrowing to finance mounting war expenditure has been stressed recently in speeches and in the press. The Government War Savings Campaign has been pushed vigorously, and sales of War Savings Certificates have far exceeded expectations. They are already more than £A10 millions, a figure which the Treasurer hoped to reach in 1941. The £A20 millions War Loan floated at the end of May was oversubscribed in ten days, a particularly gratifying feature of the response being the large number of subscribers, 32,600. This compares with a list of only 14,000 in the March loan of £A18 millions. Small investors have had the incentive of increasing certainty that steps will be taken to prevent interest rates rising unduly and involving them in capital loss at a future date. The decision in the middle of June to fix minimum prices for Commonwealth Government securities on all Australian Stock Exchanges is a welcome step still further safeguarding small investors against capital loss.

High Imports

Although many items, including income tax, exceeded the estimates, the big increase in revenue was very largely due to Customs and Excise receipts, which were £A8.4 millions above the revised estimates of November. In spite of the prohibition of certain goods and the introduction of a licensing system for all imports from countries outside the sterling area, total merchandise imports reached approximately £A144 millions for the twelve months. During the ten months following the outbreak of war, imports were £A20 millions higher than in the corresponding months of the previous financial period. Exports rose at the same time, and a preliminary figure is £A163 millions for the full period, which indicates that there was a decline in London funds during the financial year.

There was undoubtedly a move by importers to accumulate stocks through fear of the war causing a complete cessation of many supplies—a fear which has proved all too well-founded. This tendency was assisted by the Customs Department extending licensing periods for a number of months. Imports during the current financial year should fall off considerably, particularly as so many sources of supply are now no longer available.

July 23rd.

The American Presidential Campaign

[FROM OUR WASHINGTON CORRESPONDENT]

INTERSPERSED with the news of war over England, the American radio has been crackling these last three weeks with a series of vitally important domestic addresses concerned with foreign policy. Mr Wendell L. Willkie's speech of acceptance of the Republican nomination for the Presidency headed a list that included the names of General John J. Pershing, Admiral William C. Standley, Colonel William J. Donovan, Ambassador William C. Bullitt and Colonel Charles A. Lindbergh.

The Willkie speech represented the firing of the first big gun of the campaign. In addition to its statements on foreign affairs, it disclosed a daring strategy. The Republican nominee began by affirming the facts on the domestic counts that will be made against him. There is a current newspaperman's tag that "Whatever happens in the November election we will have a Democratic President, a Republican Vice-President, and a new Secretary of Agriculture." Mr Willkie took this charge about his former political affiliation head on: "Party lines are down. Nothing could make that clearer than the nomination by the Republicans of a Liberal Democrat who changed his party affiliation because he found democracy in the Republican Party rather than in the New Deal Party." Similarly specific was his counter to the charge that as an executive of a public-utility company he is a big-business representative: "Because I am a business man, of which, incidentally, I am very proud, formerly connected with a large company, the doctrinaires of the Opposition have attacked me as an opponent of Liberalism. But I was a Liberal before many of these men had heard the word, and I fought for many of the reforms of the elder La Follette, Theodore Roosevelt, and Woodrow Wilson before another Roosevelt adopted—and distorted—Liberalism."

The speech made it clear that the Republicans intend to appeal to every available American tradition in the course of the campaign. The tradition of notification and acceptance at a place other than the convention hall goes back to the pioneer period. The town of Elwood, Indiana, is a typical small mid-Western town with a Main Street, in which a child of immigrant parents who fled Central Europe to escape oppression found the opportunity to rise to success. An estimated 125,000 people saw this town in the course of the notification proceedings, and further hundreds of thousands saw the faces of its everyday citizenry in the picture magazines and heard the radio description of the ceremonies, including Mr Willkie's adoption of the motto that is carved above the door of the local high school: "The Hope of our Country." In such a setting, Mr Willkie's challenge to debate reawakened the tradition of the Lincoln-Douglas debates, held in another time of great crisis.

All of this serves as ammunition against the non-traditional course of Mr Roosevelt, from his Supreme Court proposal to his third-term candidacy. It also serves to put further into the background Mr Willkie's industrial and financial support from the eastern seaboard—into the same background that this very real support occupied during Lincoln's time. When Mr Willkie said that "by 1929 the concentration of private property had gone further than it should ever go in a democracy" the statement carried conviction in Elwood, for Elwood was formerly the scene of a tinplate industry from which fortunes of New Era proportions were made. The tinplate and glass industries subsequently closed down or moved away, leaving hollyhocks growing wild at the base of empty smokestacks and flat purses in Main Street homes.

A Non-Appeasement Election

But apart from establishing the domestic conditions of his candidacy, Mr Willkie's speech cleared up some major considerations in the field of foreign affairs. We now know that neither of the major parties is to be a party of open appeasement in this campaign: "No man can guarantee to maintain peace . . ." "Some form of selective service is the only democratic way in which to secure the trained and competent man-power we need for national defence . . ." "If the British fleet were lost or captured

. . . this would be a calamity for us . . ." "We must face a brutal, but a terrible fact. Our way of life is in competition with Hitler's way of life."

These statements remove major political obstacles which threatened to stalemate the defence programme this autumn. The prospects of action along a number of lines are measurably quickened. In respect of the cost of the effort before the country, Mr Willkie was as frank as about the need for it: "When Winston Churchill became Prime Minister of England a few months ago, he made no sugar-coated promises. 'I have nothing to offer,' he said, 'but blood, toil, tears, and sweat.' Those are harsh words, brave words; yet if England lives, it will be because her people were told the truth and accepted it. Fortunately, in America, we are not reduced to 'blood and tears.' But we shall not be able to avoid the toil and sweat."

A Contrast from Colonel Lindbergh

The attitude towards European events expressed by Mr Willkie, like that previously expressed by Mr Roosevelt, was at considerable variance with the speech of Colonel Lindbergh two Sundays before. This speech, the third which Colonel Lindbergh has made in the past year, closely parallels those made during the Munich period of the other democracies. It closely parallels the article in the *Saturday Evening Post* by Mr Mooney of General Motors that appeared on the same weekend. Colonel Lindbergh said: "It is time for us to consider the relationship we will have with Europe after the war. . . . In the past we have dealt with a Europe dominated by England and France. In the future we may have to deal with a Europe dominated by Germany. But whether England or Germany wins this war, Western civilisation will still depend upon two great centres, one in each hemisphere. An agreement between us could maintain civilisation and peace throughout the world as far into the future as we can see."

Three radio speeches by men familiar with the American armed forces and one by a member of the diplomatic corps have controverted this view. Speaking on the same day as Colonel Lindbergh, General Pershing broke a long silence to warn the country of its danger and to propose the sale of fifty destroyers to strengthen the British fleet. His main points were duplicated some days later in a speech by Admiral Standley, former Chief of Naval Operations. Colonel William J. Donovan, of World War fame as Commander of New York's "Fighting 69th," put the prestige of his experience behind the pending Bill for conscription now. And on August 18th Mr Bullitt, Ambassador in Paris, whose press comments on landing from France recently had left the country somewhat confused, delivered a rousing speech in front of Independence Hall in Philadelphia, warning the American people that they are next on Hitler's list.

August 25th.

Canada's Parliamentary Session in Retrospect

[FROM OUR OTTAWA CORRESPONDENT]

THE Federal Parliament completed its programme of business on August 7th, but under pressure from the Opposition groups the Government agreed that Parliament should not be prorogued but merely stand adjourned until November 5th, with the possibility of being summoned at an earlier date, if some very serious emergency arose. On the whole the Cabinet emerged from the session without any serious damage to its prestige, though this would have suffered severely if the Government had not overcome its original hesitancy to arrest and intern Mayor Houde of Montreal, who had openly defied it by advising the citizens of Montreal not to comply with the law enforcing a national registration of all people over the age of 16. The registration will take place on August 19th, 20th and 21st, and, as soon as data secured by it are available, the first batch will be called up for compulsory military training from the age classes of 21 and 22 to the number of about 30,000. Influential critics contend that a month's training in a camp is quite inadequate to produce any kind of military efficiency and a sheer waste of money.

A Good Opposition Leader

The great surprise of the session was the very effective leadership given to the Conservative Opposition by Mr R. B. Hanson, who was unexpectedly called to this post through the defeat and resignation of Dr Manion. Possessed of an even temper and a genial bonhomie, but never credited with any notable parliamentary capacity, he showed during the session good debating powers and a real sense for parliamentary strategy. He spiced valuable co-operation with the Government on all vital issues pertaining to the war with constructive criticism, and on more than one occasion drove Ministers into tight corners and forced them to change or modify their policies. Without much assistance he enabled the Opposition to perform its proper rôle, and as a result received considerable commendation from Liberal papers for performing a useful national service. Towards the close of the session he extracted from Ministers a full account of their stewardship of the national war effort, and it gave reasonable satisfaction to the country.

Mr Howe, the Minister of Munitions, was able to announce that the production of planes in Canada, which is now at the rate of 30 per week, will be at least quadrupled next year, and that tanks will soon be turned out at the rate of 30 per month. He also announced arrangements for the construction of another group of huge new plants financed jointly by the British and Canadian Governments for the production of explosives, shells and other war materials; the sum allocated to the construction of these new plants is now about $170 millions.

Before the session ended the Government secured passage into law for its unemployment insurance scheme, though in face of considerable opposition from the manufacturing interests, who feel that the burden imposed on them is too heavy. Conservative senators, who shared their views, proposed an amendment postponing the operation of the scheme until the end of the war, but the Government successfully resisted it.

New Wheat Legislation

The Government also encountered considerable criticism in connection with wheat marketing legislation which it introduced. The Bill renewed for the current crop year the guarantee of a minimum basic price for wheat on the basis of 70 cents for No. 1 Northern, the highest grade at Fort William and Vancouver; removed the limitation of 5,000 bushels for deliveries by any single individual to the Wheat Board; and made provision for the payment of storage charges to grain growers for the purpose of inducing them to hold their wheat on their farms instead of delivering it to elevators.

This move is intended to alleviate a serious problem now looming up in connection with the handling and storage of the new wheat crop, whose harvesting has now begun in the Prairie Provinces. The deterioration through drought, of which there were ominous signs in the first half of July, was checked in the second half of the month by almost ideal growing conditions; as a consequence, areas where the crops had been wilting badly have made a good recovery, and the prospects now are that a wheat crop of well above the average yield will be harvested in the three Prairie Provinces.

Shortage of Storage Space

The carryover of Canadian wheat on July 31st was roughly 275 million bushels, and the total storage capacity of Canada's elevators, terminal and country, is placed at 382 million bushels. Some Canadian wheat can be stored in ships and in elevators in the United States, but the quantity is obviously limited, and even after allowance is made for the recent British purchase of 100 million bushels of wheat and withdrawals for domestic consumption, which amounts to about 120 million bushels per annum, a serious storage deficiency now seems inevitable, even if the new crop does not exceed 400 million bushels. Sooner or later the elevators will be unable to take further deliveries of wheat, and an undertaking has been given that a plan would be worked out for paying the farmers for such wheat as could not be accepted by the elevators. A processing tax of 15 cents per bushel has also been imposed on all wheat used in domestic flour mills, and when, as a result, the price of bread was raised in Vancouver and other places, the Wartime Prices and Trade Board intervened to peg the prices of flour and wheat at the level of July 23rd.

Good Business Prospects

Thanks to the industrial boom generated by war contracts and the good crop prospects, Canadian business has been expanding during the summer months. The Bureau's index of employment stood at 124.7 on July 1st, compared with 120.9 on June 1st; during June the great expansion was in manufacturing, for which the index on July 1st at 130.3 was 8 per cent. higher than the previous maximum figure for that date, established just before the great depression began in 1939. In the Maritime Provinces the level of business in June was 23.4 per cent. higher than in June, 1939; the iron and steel industries of Nova Scotia are working at full capacity, and New Brunswick is benefiting from the prosperity of the forestry industries. The region around the great Miramichi River is developing a large export trade to Britain in pitprops, formerly supplied from the Baltic countries, and the contracts for these placed for 1940 by the British Timber Control Board in Canada and Newfoundland are estimated at 350,000 cubic fathoms.

August 10th.

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The Netherlands Shipping and Trading Committee

[BY A CORRESPONDENT]

BEFORE the war the Dutch merchant navy was almost equal in size to the French and, with a total gross tonnage of nearly 3,000,000, it was the eighth largest in the world. Of this fleet, only a small part was in Dutch ports when the Germans invaded Holland, and, as almost the whole of this part also succeeded in putting out to sea before the enemy occupied the ports, only a negligible number of ships fell into his hands.

The Dutch Government, well aware of the vital importance of maintaining this precious and traditional national possession, on May 10, 1940, immediately sent wireless messages to all Dutch captains to put into the nearest British or French port and there to wait for instructions from the Dutch consul, and at the same time transferred to the Netherlands Minister in London its powers under certain Dutch Shipping Acts. In order to promote the enforcement of these Acts, the Minister appointed an advisory committee, called the "Netherland Shipping Committee."

When the German occupation of Holland was completed, the shipowners in that country became unable further to direct their ships, and it became equally impossible for shippers and consignees in the occupied territory to take steps to safeguard and to dispose of their cargoes. For the protection of all these interests immediate action was urgently required; and on behalf of the Dutch Government in London the Minister of Commerce, Industry and Shipping empowered the "Netherlands Shipping Committee" (new members were added and it received the name of "Netherlands Shipping and Trading Committee") to act as custodian of all Dutch ships belonging to owners in occupied territory, and of all goods afloat or ashore in any part of the world belonging to or consigned to persons, firms or companies in occupied territory, and to negotiate with the Procurator General and the Treasury Solicitor for the release and disposal thereof.

Capital and Organisation

The Committee was given the legal form of a British limited company, and was incorporated on July 1, 1940. It has a capital of only £500, divided into 25 shares of £20 each, but the Royal Netherlands Government has fully and unreservedly guaranteed the fulfilment of all its obligations.

The shares do not carry any rights in respect of profits, and if, upon the winding-up or dissolution, any balance should remain, it will be used to compensate owners of Dutch shipping and Dutch cargo for the loss sustained by them in the present war, and for the formation of a fund for the relief or benefit of the officers and crews of Dutch ships.

The Committee has under its supervision 180 sea-going ships and more than 250 coastal vessels, besides some trawlers and tugs. It consists of four departments:—the Shipping Department, which looks after the interests of the shipowners and has a technical sub-department attending to repairs, certificates, surveys and crews; the Trade Department, which acts for cargo-owners and handles the storage and disposal of the goods; the Coastal and Short Sea Department, which protects the interests of the owners of vessels engaged in the coastal and short sea trades; the Detained Cargo Department, which was formed from a committee organised at the beginning of the war and represents the cargo-owners in the Prize Court and before the Admiralty Marshal.

An agreement has been made with the British Government whereby all Dutch vessels engaged in European trade are to come under time charter to the Ministry of Shipping as soon as they have discharged in a British port. Thus the committee is able to provide the British Government with a total shipping capacity of well over a million tons, a very important contribution.

The Disposal of Cargoes

All cargoes in Dutch ships and all Dutch cargoes in other ships are requisitioned by the Ministry of Shipping on arrival in Great Britain. The requisitioning is carried out by agents specially appointed by the Government in various ports. Claimants who are in possession of all necessary documents and evidence of title can apply to these agents and obtain from them either payment of the purchase price or release of the goods, if the Government does not wish to keep them. If no claimant has applied to the agents, the goods or the proceeds are handed over to the Committee. The claimant who has a complete set of documents at his disposal can then obtain what is due to him from the Committee. In cases where the claimant is unable to produce complete documents, the Committee nevertheless releases the goods or the proceeds, if it sees fit to do so, provided the receiver furnishes an indemnity signed by himself and by a bank and pays 2 per cent. of the c.i.f. price as a contribution to the Committee's costs.

Those goods, finally, which are neither kept by the British Government nor released by the Committee to claimants, are stored or disposed of by the Committee. Consequently the Trade Department of the Committee has a great variety of merchandise for sale, such as tobacco, coffee, cocoa, cotton, wool, wood, mineral and vegetable oils, grains, wines, fruit, ores, metals and chemicals.

September 1st.

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THE BUSINESS WORLD

War Insurance for Property

THE intensified night bombing attacks on London during the past week have emphasised the need for the review of the practicability of an insurance scheme to cover war risks on property which the Chancellor of the Exchequer is now to undertake. Since the Prime Minister announced nine days ago that the Government were to reconsider the problem "in the light of the facts as they are to-day," the facts themselves have changed. In August, only 800 houses were destroyed beyond possible repair; in a week of heightened bombing activity this scale of damage has been greatly exceeded, and it is not yet clear whether the enemy is putting forth his full destructive effort.

In present circumstances, however, the fact that the Government has second thoughts regarding the adequacy of its predecessor's compensation scheme is refreshing. Hitherto, the official attitude has been the reverse of courageous. As far back as April, 1937, the Government rejected the proposition that a scheme of insurance could be devised to cover war risks on land. It added that the most effective form of protection against air-raid risks lay in the effective prosecution of the existing programme of re-armament—a conclusion which has a hollow ring to-day. So do many of the contentions advanced in the Weir Report of last October. The plain fact is that the Weir Conference was so impressed by the estimates of potential damage placed before it by the defence authorities that it concluded forthwith that cover for war risks damage to property was not an insurable proposition.

Now that the Government is disposed to reconsider its estimates of damage, it may be presumed that many of the ancillary arguments with which the Weir Committee embroidered its conclusions may also be discarded—particularly the casuistical proposition that a mutual scheme of property insurance involving payments from property owners during or after the war in return for insurance cover would constitute "an unjustifiable earmarking of national resources for one particular objective." Property owners at large have the ability, and certainly the willingness, to contribute to a mutual insurance scheme. Their opinion of the Government scheme of compensation has not improved with experience of its working. They require a scheme which incorporates the basic method of insurance, coupled—as it must be—by Government reinsurance of the risk.

Another fallacy must be exposed before a war risk insurance scheme can properly be discussed. The Government (in other words, the Treasury) has hitherto held the view that no insurance scheme would be acceptable which would promise to provide an unlimited amount from public funds for compensation. It has been prepared to accept only the limited liability principle, and to offer a contribution of "reasonable and ascertainable dimensions." This is Budget orthodoxy misapplied. The limiting factor in any insurance scheme against war risks—and, for that matter, in the existing compensation scheme—is not the monetary factor; it is the supply of materials and labour to make damage good during and after the war. To fail to make the best use of the available services of the building industry, merely because the Treasury has set a preconceived limit to the financial assistance which it can give, would be an unpardonable waste of resources.

A revision of this academic Treasury view is overdue, for in the real ultimate sense, it is irrelevant to the problem. But, just as it has hampered the existing compensation scheme, it may still be advanced anew against an insurance scheme. Yet this consideration did not stand in the way of insurance schemes for marine war risks or cover for commodity stocks. Both of these classes required the vital protection of insurance, because the owners of ships and commodity stocks could not have carried on business if war losses were not to be replaced. The war has now reached the stage where the same conclusion holds good for many buildings, their plant and equipment. There is no suggestion that the Government compensation scheme, or any mutual insurance scheme which might be devised with Government support, should, or could, cover indirect war damage, such as is usually covered by consequential loss policies. The limitation of the scheme to a satisfactory form of cover against enemy fire is all that is expected, and in itself would mark real progress.

At present, the Government's compensation scheme merely provides the machinery for recording the extent of war damage. Local authorities may, in certain circumstances, proceed with first-aid repairs. But the responsibility for repairing more substantial damage rests with the owner, and if he decides to carry it out, he must pay for it from his own pocket, leaving the question of the amount of compensation which he may receive until the war is over. His claim, based on the level of building costs in March, 1939, is not, of course, intended to represent the full monetary payment to which he may be entitled when hostilities have ceased. He may receive a larger sum, to compensate in whole or part for the increase in building costs which has occurred since March, 1939. He might, if the Treasury's measure of the public purse were the determining factor, receive less. Conditions in March, 1939, are merely the yardstick of measurement for damage. Compensation will depend upon the multiplier which is applied to these standardised claims after the war is over. Such a scheme is better than nothing. It is, however, a potent breeder of uncertainty. Much rebuilding, of course, cannot, and should not, be undertaken until after the war. Owners of essential property—whether industrial or domestic—who find that they must rehabilitate their property will hardly be encouraged to undertake necessary repairs without some firmer assurance than a post-dated cheque with the amount left blank. It is surely better to meet claims of this sort as they occur, as far as possible. For general claims, it should be possible to provide the option of an immediate cash payment for proved damage, or an equity in a valorised pool of claims payable after the war.

What are the principles of such an insurance scheme? It must, in the first place, fix the rate of premium at a reasonable level. There are approximately 13 million houses in England, Wales and Scotland. Of these, over 1½ millions are owner-occupier houses mortgaged to building societies, and many of the remaining 11½ millions are owned by persons of modest means. A mutual scheme of insurance, therefore, must be related to the resources of the small property owner, to many of whom an annual premium of say, £2 10s. would be a burden, although it would be willingly paid. Assuming that the average value of houses was £500, such a rate of premium would represent no more than 10s. per cent., and would provide a premium income of £32½ millions to cover a maximum (though never potential) risk of £6,500 millions.

Obviously, there would be real doubt whether the scheme would be self-supporting on this basis. Hence, the second principle must be that of Government assistance. It is fitting that property owners as a class should take what steps are open to them to cover war damage; hitherto lack of opportunity, and not supine dependence upon the Government scheme, has impeded them. An unassisted mutual scheme might augment its income by higher premiums or by a post-war levy on the participants in the scheme, but the arguments in favour of a reasonable initial premium apply against any drastic subsequent increase, and if the Government itself cannot undertake an open commitment to be settled after the war, it is surely expecting too much of property owners to do so. Part of the loss must fall upon the general taxpayer, as part of the communal burden of the war itself. But another part, and possibly the larger part, should fall on owners of property. The balance of Government assistance which the scheme might require cannot, of course, be estimated, for the scale of war damage, though severe, may be exceeded in future. The essential point, however, is that the sole consideration of pounds, shillings and pence should not be allowed to weigh against the introduction of an insurance scheme.

The third principle is that the machinery for assessment and collection is ready at hand. War risks cover could be provided by the insurance offices, acting on behalf of a Government-guaranteed pool. The offices could collect the premiums at the same time as the premiums for normal civil cover, with the important proviso that any property not covered for civil hazards would be compulsorily insurable against war risks. They could furnish valuable assistance in survey work, which in some districts already falls heavily upon owners, building societies, and the District Valuation Panels. There is already a considerable shortage of professional valuers, and the present liability of the London area to multiple damage involves a real danger that the claims machinery may become congested.

Above all, it is to be hoped that, since the Government have undertaken to reconsider the views of their predecessors regarding cover for war damage to property, they will do so quickly and courageously. The "solid marks of confidence" to which the Prime Minister referred in his statement last week will not be heightened if the penumbra of caution and timidity which marked the Weir Report and its antecedents is allowed to overshadow the new enquiries. This new element of courage has been satisfactorily marked by the decision to meet claims for essential household furniture and personal clothing in full, for persons whose family income amounts to not more than £400—though there are many above that income level who will be sadly affected by the absence of any payments at all. It needs to be applied to the problem of property insurance, and to the relief of all who fall victims of enemy assault.

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Rubber in War

ON August 19th it was announced that the United States Rubber Reserve Company had arranged with the International Rubber Regulation Committee to purchase a further 180,000 tons of rubber, bringing the American emergency reserve up to 330,000 tons. The whole of the additional quantity is to be imported by America before the end of 1941. The agreement, negotiated and signed on behalf of the International Rubber Regulation Committee by Sir John Hay, is similar to that concluded last June for the purchase of 150,000 tons. The price which the Rubber Reserve Company has agreed to pay is between 17 and 18½ American cents per lb., f.o.b. Eastern ports. This purchase affords a convenient opportunity for examining the rubber plantation industry's position and prospects. The implications for investors will be considered in a subsequent article.

When the war broke out, rubber, which has become the most important product of tropical agriculture, was recovering from one of its periodical slumps. Between the end of August and the middle of December, the spot price (standard sheet) rose from 8¾d. to about 11½d. per lb. in this country, while in New York it advanced from 16½ cents to around 19½ cents per lb. The advance in the price of rubber, however, was less marked than that of other important primary products, especially in the United States. Thus, while the dollar price of spot rubber rose by 15 per cent. to 18 per cent. between August and mid-December last year, that of other primary products rose by 25 per cent. or more during this period. However, as a result of the increase of the basic quotas fixed by the international agreement from 60 per cent. in the third quarter of 1939 to 75 per cent. in the last quarter (to implement the rubber-cotton barter agreement without disturbing the market) and of the rise in prices, the rubber industry was prospering.

For the first two quarters of 1940, the quota was fixed at 80 per cent., which was much in excess of current consumption. Fears of a decline in prices proved unjustified, for the heavy re-stocking demand, coupled with the high level of consumption in America, assisted in maintaining the dollar price at around 18½ cents per lb., and the sterling price in the neighbourhood of 1s. per lb. This period was among the best the rubber industry has enjoyed for years past. While the prices of other primary products on the world markets have tended to fall since last spring, that of rubber has been well maintained.

True, costs have risen. So far as the cost of producing, transporting and loading the rubber on board ship at the point of shipment (f.o.b. cost) is concerned, Malayan producers had to face higher wages, as well as an advance in the prices of fertilisers and other materials and stores. The demand for higher wages was particularly insistent when the price of rice began to advance as a result of the depreciation of sterling in terms of the Java guilder. For British producers in the Netherlands East Indies the outstanding problem was that of double taxation. On the other hand, rubber producers escaped the sharp rise in wage costs which they usually experience in boom conditions, when they have to compete for labour with tea, sugar, tobacco, coffee and palm oil plantations. At present the other branches of tropical agriculture are so depressed that they are unlikely to attract labour from the rubber estates. As regards the cost of shipping rubber to consuming countries, freight and insurance costs have risen very substantially; the former are now 70 per cent. above pre-war levels, while war risk rates are very heavy. But as rubber is very valuable in relation to its weight and bulk, freight costs absorb only a comparatively small proportion of the selling price. At present rates, selling and shipping costs, excluding commission and brokerage but including landing charges, are in

the neighbourhood of 1.3 to 1.4 pence per lb., compared with 0.8d. per lb. before the war. Altogether the cost of producing rubber and shipping it to this country (c.i.f. cost) has risen by approximately 5 to 10 per cent. The moderation of the rise is, of course, largely due to the higher rate of release and the consequent spreading of fixed costs.

In May, the Regulation Committee fixed the rate of release for the second half of the year at 80 per cent. This was subsequently raised to 85 per cent. after the first purchase by the Rubber Reserve Company was announced, and the International Committee has this week announced a further increase to 90 per cent. for the October-December quarter. After the loss of virtually the whole of the European market, the 85 per cent. quota exceeded absorption even on the most favourable assumptions. In 1938, net imports of rubber into Continental Europe totalled 279,000 tons; the countries now under German or Italian occupation (including Metropolitan France) were responsible for approximately 224,000 tons, while the balance was consigned to neutrals whose imports are now carefully rationed. A reduction in demand of this magnitude is more than sufficient to turn the industry from prosperity to depression. The Regulation Committee—which has survived the capitulation of both Holland and France—could have reduced the quota; this, however, could not have been accomplished without serious dislocation, and it is almost certain that it could not have prevented a serious fall in prices and, consequently, of the foreign exchange receipts of the sterling *bloc*. In the circumstances, the second purchase by the American Rubber Reserve Company was of outstanding importance. The 330,000 tons to be purchased by the company represent a net addition to current absorption, and entirely offset the loss of the European markets. The price for the first purchase is equivalent to about 11½d. to 1s. per lb., landed London terms, which is very satisfactory, while on the 180,000 tons purchased on f.o.b. terms last month the producers are covered against the risk of any increase in freight and insurance charges.

A certain amount of misunderstanding seems to have arisen about the effect of the transaction on the foreign exchange situation of this country. It is feared in certain quarters that if the rubber purchased is of Netherlands East Indies or French Indo-China origin little gain, if any, will accrue to this country. This rests on a misconception of the working of the Regulation scheme. As the total exports of the various participant countries are restricted under the scheme to the amounts fixed by the Committee, it follows that, if the Reserve Company acquires a given quantity of say, N.E.I. or Thai rubber these countries will have to reduce their other shipments by exactly the same amount. The exports which would have to be reduced consist of (a) shipments to America to meet ordinary trade demands; (b) shipments to the sterling area; and (c) shipments to other countries, such as Japan, Canada and South America. Thus more British rubber would be shipped under these heads. As the foreign exchange control in Malaya, Ceylon and other British possessions will not permit the export of rubber outside the sterling area, unless foreign exchange, virtually all of which can be readily converted into American currency, is received in full by the authorities, dollars are received for shipments falling under head (a) and to many of the countries under head (c). So far as (b) is concerned, the position is different. If less N.E.I. rubber is shipped to the sterling area as a result of American purchases, the gap will be filled by British rubber which thus, instead of securing dollars, will only be saving N.E.I. guilders. It is, however, highly probable that the reduction of N.E.I. exports to the sterling area will be small.

The gain in dollar exchange to this country will be broadly equivalent to the same proportion of the American purchases as British production bears to the total. Moreover, though the Dutch East Indies cannot be strictly classed as a member of the sterling area, an appreciable proportion of the dollars acquired by her as a result of rubber shipments to America may ultimately find their way to this country.

In short, the immediate prospects of the rubber industry are not unfavourable, so long as America, who normally buys more than one-half of the world's output, continues her purchases. Thanks to her purchases for the accumulation of an emergency reserve, the industry has so far not suffered from the loss of European markets, and it will be able to continue operating at a fairly high level of its capacity and at a reasonable margin or profit, at any rate until well into next year. Moreover, the acquisition of a large reserve of rubber by the United States may act as a restraint on the production of synthetic rubber from oil which has the backing of powerful American interests. The industry's one serious risk in the near future is the danger of a military conflict in the Far East.

Finance and Banking

More Treasury Deposits

The money market has shown no perceptible reaction to the damage which the City as a whole and some of the market's constituent institutions have suffered during the past week. At times there has been some unevenness in the money position of the various banks, but postal and traffic delays have been mainly responsible for this. The credit position remains thoroughly comfortable, and, apart from some momentary hesitation at the beginning of the week, the banks have been persistent buyers of bills from the market. The latest Bank return shows a reduction of £8,572,000 in bankers' deposits, which in part reflects the payment of £20,000,000 in the form of Treasury deposits this week. This further instalment was asked from the banks last Friday and brings the total so advanced by the banks to £70,000,000. Further recourse to this method of borrowing is likely in the near future, as we are now in a comparatively lean revenue period, while Government deposits at the Bank of England remain at a level well below the average maintained in the past year. The reduction in bankers' deposits over the past week has not gone to swell Government deposits to an offsetting extent, as during this period Government securities in the Banking Department were reduced by £6,505,000. But, despite this reduction in the earning assets of the Bank and, therefore, in the credit basis, conditions in the money market remain exceptionally easy. Some indication of the abundance of resources seeking short-term investment may be obtained from the heaviness of recent applications for Treasury bills. Last Friday they totalled £125,785,000, while the previous week they had broken all records at £134,910,000. This increasing keenness in the demand for bills must be attributed in part to the growth of sterling area funds in London, to which detailed reference was made in last week's issue of *The Economist*. The increasing competition for an issue of Treasury bills which appears now to be limited to £65,000,000 a week means that the discount market must resign itself to somewhat lower allotments. Last week the percentage was 38 per cent., a figure which would certainly have been inadequate to supply the banks' demands for bills if this demand had not been somewhat diminished by the further £20,000,000 Treasury deposit payments which have been made this week.

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The Banks' Investments

The clearing bank monthly statements continue to reveal the expansionist trend which has characterised them over the past year. The basis of credit is still rising, bank cash last month being £11,283,000 higher at £273,275,000. This

(In £ millions)

	Aug., 1939	Apr., 1940	May, 1940	June, 1940	July, 1940	Aug., 1940
Capital and reserves	138·8	139·3	139·3	139·7	139·7	139·7
Acceptances, etc. ...	132·8	120·1	120·2	123·2	122·8	118·6
Notes in circulation	1·4	1·4	1·4	1·4	1·4	1·4
Current, deposit and other accounts ...	2,245·1	2,353·9	2,413·4	2,469·4	2,454·0	2,481·3
Total liabilities	2,518·1	2,614·7	2,674·3	2,733·7	2,717·9	2,741·0
Cash	232·9	253·9	257·0	269·6	262·0	273·3
Cheques, balances, & items in transit	73·4	79·6	78·8	123·3	87·6	75·5
Money at call.....	147·5	153·4	143·7	166·1	145·8	147·6
Discounts	279·1	338·4	408·7	384·1	415·3	430·1
Treasury deposit receipts	...	...	...	...	26·0	26·0
Investments	599·4	617·6	633·2	636·2	657·8	682·1
Loans and advances	984·5	983·4	964·3	962·5	931·9	919·0
Investments in affiliated banks	24·2	23·5	23·5	23·6	23·6	23·6
Cover for acceptances, premises, &c.	177·1	164·9	165·1	168·3	167·9	163·8
Total assets ...	2,518·1	2,614·7	2,674·3	2,733·7	2,717·9	2,741·0

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figure has only once been exceeded in the past, namely, last December, when the cash item was swollen by the usual end-year preparations. The total of bank cash for August was £40,409,000 higher than in August, 1939. The whole of the expansion in bank cash was not translated into a proportionate increase of bank credit last month, however, since the ratio of cash to deposits rose from 10.68 to 11.01 per cent. Even so, however, deposits have risen by £27,282,000 to £2,481,289,000, the highest level yet recorded. The increase in deposits has, in fact, been greater than this figure suggests, for over the month of August cheques in course of collection and items in transit fell by £12,072,000, thus reducing the element of duplication which the volume of outstanding cheques introduces in the total of deposits. The main contribution to last month's expansion in bank deposits was the increase in the banks' investments. These rose by £24,374,000 over this period, a total which probably reflects appreciable purchases of National Defence Bonds by the banks, a movement, incidentally, which emphasises the meagreness of the recent public response to this particular issue.

* * *

Silver Touches its "Ceiling" again

The silver market has been stirred into some semblance of activity this week, and its price movements have been interesting. The two features have been the disappearance of the gap between the quotations for spot and forward and the temporary spurt of the spot price to the limit of 23½d., at which the Indian Government is still prepared to sell in the London market. The disappearance of the backwardation on silver is largely due to the covering of speculative bear commitments. The operators in question have no doubt read the signs of an imminent extension of hostilities to the borders of the Eastern Mediterranean and have foreseen what would be the likely reactions of such a development on the Indian silver market. The demand for spot silver is at present finding most of its force in coinage orders. It is evident that no European nation is at present indulging the luxury of minting silver token coins. But events in the Near East and East Africa have apparently revived the demand for Maria Theresa thalers, and it may well be in this direction that the source of most of the current demand for spot silver is to be found. It should be added that the turnover of the market remains exceptionally small and that the policy of the Indian Government in pegging the upper price at 23½d. has involved no sizeable sales of the metal in the past week.

* * *

Banking Hours and Raid Warnings

The attempts made in the early stages of the intensified air attacks on this country to make specific and permanent ruling providing for the extension of banking hours on days when air raid warnings interrupt the working day have now been abandoned. The problem is one which has been found to yield best to a more elastic method of approach. On each day when the final banking hour has been interrupted by air raid warnings the Clearing Bankers' Committee decide until what time the banks will remain open for receiving and making payments. Their decision must, of course, be influenced by the parallel extension in the functioning of the Clearing House, but whereas an endeavour was at first made to synchronise the two, this is now no longer done. In practice the Clearing House is being kept open for 15 to 30 minutes after the "all clear" if that signal sounds within a few minutes of 2 p.m. or after that time. In similar circumstances banks keep their doors open to customers for the receipt and payment of cheques for periods determined each time on the circumstances of the case. These arrangements leave considerable latitude to the discretion of branch managers, who naturally study the reasonable convenience of their customers. One doubtful point which has arisen and caused some qualms in banking quarters is whether the banker loses his protection under the Bills of Exchange Act when transacting business after normal banking hours. Can he in such circumstances plead to be paying "in the ordinary course of business" under Section 60, or to be collecting "without negligence" under Section 82? The point may not be as crystal clear as some lawyers would desire, but it would be extremely difficult to convince a Court that by catering for the convenience of their customers in the emergencies of to-day, the banks were in fact depriving themselves of the protection of the law.

* * *

Building Societies' Income Tax

The Building Societies have long enjoyed an arrangement with the Inland Revenue by which their income tax liability has been compounded. This takes account of the fact that a large number of their members are not liable to taxation at the standard rate, and spares the authorities a flood of repayment claims if tax were deducted from interest payments at full rate. Until the end of the last fiscal year, an arrangement entered into in 1935 governed the liability, which with tax at the standard rate of 7s. 6d. amounted to 2s. 9¼d. in the £. The new arrangement imposes a composite rate of 42/90ths of the standard rate, which is equivalent to 47.6d. with tax at 8s. 6d., and in addition includes one-quarter of the difference between the statutory reduced rate (5s.) and half the standard rate (4s. 3d.), which is equivalent to a further 2.25d. Hence the total liability is 4s. 1.85d. in the £. Building societies were prepared for a substantial increase in their tax payments, but the actual increase, decided after prolonged negotiation, will confront them with a serious problem. Their present margins of profit are small and it is impolitic either to raise mortgage rates or to reduce investment rates. The importance of adequate reserves was never more apparent than to-day.

Investment

Markets Stand Firm

The chief influence on markets of the new "barbaric" phase of aerial onslaught has been to render dealing technically more difficult. Not only is the "House" itself in a heavily bombed area, but difficulties of transport and communications have depleted attendance, delayed posts and complicated the use of telegraph and telephone services. These material difficulties have failed to depress Stock Exchange sentiment. It is inevitable that, in such circumstances, trading should be conducted on a considerably reduced scale. Few are eager to enter into fresh commitments, but there has been no pressure to sell. Fractional losses in gilt-edged were generally corrected by a mid-week rally, though these levels were not entirely held on Thursday. The largest movements took place in undated securities and 3½ per cent. War Loan dropped a point from last week's high level of 101⅝ to 100⅝ on Tuesday. After a recovery on Wednesday to 101, the stock declined by ⅛ on the following day. Movements in industrial prices were narrow and the *Financial News* index of ordinary shares moved only from 64.1 on Friday last week to 63.5 on Thursday. The stores group was in poor condition and many iron and steel companies suffered small setbacks in prices, but the market did not lack some resisting features. The intensification of air raid damage was the signal for a steady rise in London Brick and Associated Portland Cement—and would have produced a boom in glass shares, if any were publicly dealt in. Lever and Unilever have been firm and at the beginning of the week Rolls Royce and John Thornycroft were favoured. Among home rails, Kaffirs, rubber and oil shares, there has been little business. The "House" as a whole is in a wait-and-see mood and there is a fairly general recognition that in themselves raids on the present scale are only a preliminary feature in the broader development of the war. But the general stability of all sections of the market during this week of trial is a remarkable tribute to the dispassionate and tenacious outlook of the great majority of investors.

* * *

Are War Bonds Enough?

It is no longer possible to disguise the fact that the response to the tap issue of 2½ per cent. National War Bonds is disappointing and insufficient for meeting the

financial requirements of the war. Subscriptions for the week to Tuesday last amounted to £11,110,875, making a total since June 25th of £203,012,345. This total, however, includes substantial re-investment of moneys released by the repayment of dissented 4½ per cent. Conversion Loan, and from the repayment of the large South Africa loan on July 1st. Why has the 2½ per cent. National War Bond failed to appeal to the large investor on the expected scale? That its yield is limited to the rate envisaged in the scheme of low interest rates announced last March is only partially relevant. Admittedly, there is a certain section of the commercial community which holds the view of the Middlesbrough business men who recently declared that the bonds "did not attract a sufficient yield for industrialists and other large investors." These critics have now experienced the lash from Sir Robert Kindersley, who has put a reasonable financial case for the bonds, supported by the pungent comment that the financial sacrifice involved in subscribing to a bond at 2½ per cent., compared, say, with one at 3 per cent., bears no comparison with the sacrifices which are being made by the Services—and, he might have added, by thousands of ordinary civilians. The episode shows, however, that if reliance is to be placed on the voluntary principle, no amount of exhortation will be sufficient to produce support for any particular issue unless it serves the needs of those who have the funds to invest. The rate of interest is not the sole factor among these needs. Convenience of date and ready marketability are also required. Possibly, there would have been better support for a longer-dated bond, carrying a higher rate of interest in accordance with the scale of interest rates which the Government has laid down in its financial policy. Certainly, the "tap" system imposes a measure of restriction upon dealings, and turnover in the 2½ per cent. National War Bonds consists of a relatively small number of specialised transactions. The National War Savings Committee were thus charged with an extremely difficult problem when they were asked to encourage support for the Bonds. It is a task which outranges their well-prepared approaches to the small investor. And it is one which would not have arisen if conditions had warranted the issue of a long-term stock in the open market. The establishment of such conditions is a prime necessity, for the present tendency to finance the war effort so largely at short-term contains obvious weaknesses, and marked potential dangers.

* * *

Assistance for Evacuation Areas

The financial problem of many municipalities in the coastal districts, some of which have been officially declared to be evacuation areas, was discussed in its investment aspects in *The Economist* of August 24th. The Prime Minister's statement on Thursday last week recognised the importance of the problem of local authorities whose rate income will not suffice for their purposes. The Ministry of Health is now prepared to make good any revenue deficiency by advances free of interest, repayable after the end of the war, according to the financial circumstances of the area concerned. The local authorities will not be required to increase their existing rate of poundage as a condition for receiving a loan. This is obviously wise, for to add to the already heavy burdens of ratepayers and local industry would merely aggravate the problem. Holders of municipal stocks may thus rest assured that their claims will be recognised and met during the war, and in cases where county council revenues are affected, some measure of financial assistance will also be contemplated. The need for assistance from central funds has now been acknowledged. It remains merely to add the footnote that the grant of State aid to certain evacuation areas may contrast sharply with the maintenance of interest rates up to 6 per cent. on certain stocks of these authorities which, but for the closure of the capital market for municipal conversions, would be replaced already, or at least in the near future, by loans carrying a rate of interest more in keeping with the Government's low interest policy.

* * *

Restricted Securities again

It is to be hoped that the reassembling of Parliament next week will bring the expected statement of policy on the resumption of dealings in restricted securities. Three months have now elapsed since the ban on dealings was imposed, and many weeks since restricted securities in the custody of bankers and brokers (for account of their clients) were silently garnered and shipped to Canada. The owners of these securities still lack an official deposit receipt for each security, by means of which dealings could be conveniently resumed in this country. Many of the securities in which dealings are restricted can only be dealt in readily on the London market. The absence of dealings affects both the living and the dead. How can securities owned by a deceased person be valued for probate at their free market value at the time of death, if no dealings were allowed on that date? The Inland Revenue authorities are prepared to accept the prices prevailing before the ban on dealings was imposed, though some of these prices were hardly representative of the free market value of the securities. The authorities, however, are not prepared to accept the London quivalents of prices in the New York or Canadian markets, since the latter were lower, in many cases, when the ban on dealings was imposed than the London prices themselves. There is no method of solving this valuation problem satisfactorily short of the resumption of dealings.

* * *

Associated British Picture Setback

The decision of the board of Associated British Picture to pass the ordinary dividend is a severe blow for Associated British Picture shareholders, who may not have expected the repetition of the 20 per cent. payment a year ago, but counted on some distribution. The reduction in revenue from £1,347,001 to £1,206,856 is perhaps less severe than the dividend decision might suggest, but it conveys a warning that the reduction in profits must be yet more severe in the *Blitzkrieg* conditions which have succeeded the year ending March 31, 1940. In these circumstances, the wisdom of the directors' decision must be recognised. The depreciation allocation has been raised from £200,000 to £250,000, though the general reserve provision is halved from £250,000 to £125,000. Owing partly to the rise in the taxation and N.D.C. liability from £216,103 to £395,831, equity earnings amount to £135,614, against £540,751, and represent no more than 11.1 per cent. against the previous year's 37.3 per cent. The carry forward is up from £82,087 to £92,701.

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Details of the company's profit position are analysed in the accompanying table:—

	Years to March 31		
	1938	1939	1940
	£	£	£
Trading profit including divs.	1,302,778	1,347,001	1,206,856
Taxation and fees	318,738	216,103	395,831
Depreciation	200,000	200,000	250,000
Mortgage and debenture interest	227,551	300,147	347,411
Preference dividend	90,000	87,000	78,000
Ordinary shares :—			
Earned	*466,489*	*540,751*	*135,614*
Paid	266,875	290,000	Nil
Earned %	*35·0*	*37·3*	*11·1*
Paid %	20	20	Nil
General reserve	200,000	250,000	125,000
Carried forward	81,336*	82,087	92,701

* After writing off £11,623 new issue expenses.

The reduction in film production during the past year, to which the directors draw attention, is illustrated by the fall, in the consolidated accounts, of "films completed and in progress" from £410,581 to £273,124. Elstree has been requisitioned on a basis which provides fully for maintenance, but production on a small scale has been restarted at Welwyn. Reduction in the group's general trading activities is indicated by the fall in debtors from £412,270 to £253,600 and in creditors from £1,020,712 to £669,750. Cash holdings at £275,009 have remained almost stable, but marketable securities amounting to £121,849 have been realised. It is clear that the directors are alive to the consequences of damage to property and of reduced receipts from evacuated and vulnerable areas. In present circumstances, it is satisfactory that the group's general reserves amount to £3,750,529 and that provision for taxation totalling £606,303 has been made. The 5s. ordinary shares fell on the dividend decision and are now quoted at par.

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Store Results

The latest West End store reports provide renewed evidence of the toll being taken by war of retail profits, which was plainly apparent in recent interim dividend declarations. To this generalisation the improvement in trading profit of *Debenhams, Limited,* from £672,227 to £676,702 for the year to January 31, 1940, provides a welcome exception, though the results come too late to afford much insight into current trading conditions. The report shows a surplus of £533,316, against £527,371 available for dividends. After meeting preference dividends totalling £379,000 and placing £50,000 to tax reserve, equity earnings amount to £104,316 against £148,371. The dividend on the high geared ordinary capital is to be reduced from 20⅝ per cent., paid in each of the past three years, to 8½ per cent. After allocating the usual £50,000 to general reserve, the carry-forward is rather higher at £258,557, against £245,907. The Debenham subsidiary, *Harvey Nichols,* has experienced a severe drop in total earnings from £73,989 to £28,507, and net profits are down from £51,683 to £6,320. The dividend on the 5 per cent. cumulative preference shares, which absorbs £30,000, has been paid, and, after taxation charges, war risks and A.R.P. expenditure, the report shows a net deficit of £15,867. In the year to July 31, 1939, a 2 per cent. ordinary dividend was paid, £10,000 was placed to general reserve and a credit balance of £28,284 was carried forward. The *Burberry* subsidiary, *H. J. Nicoll,* has also suffered severely, for its net loss of £18,435 for the year to March 31, 1940, compares with a net loss of £9,032 in the previous year. Provision for this loss is responsible for the fall in Burberry's net profits from £38,079 to £33,949, although trading profits were actually £4,870 higher at £66,396. This does not include the results of the Paris branch, whose net assets amounted to £55,417, of which £5,352 had been recovered by August 15, 1940. The balance, together with debtors totalling £17,714 in enemy or occupied countries, has been met by a transfer of £67,779 from general reserve, which is consequently reduced to £32,221. After meeting the 7½ per cent. preference dividend for eight months to March 31, 1937, accrued arrears of £212,500 remain. Profits during the past year have been affected by restricted supplies and demand, and by the lower rate of profit on Government orders and uniforms. Debenhams' 1s. ordinary shares stand at par. Harvey Nichols' 5 per cent. cumulative preference £1 shares and Burberry's 7½ per cent. cumulative participating £1 stock are both quoted at 8s. 9d.

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Two Textile Reports

The reports of two textile companies, Whitworth and Mitchell and Wardle and Davenport, for the year to June 30, 1940, show an improvement in earnings to levels which have not been recorded for over seven years. The previous year's substantial improvement in trading profit of Whitworth and Mitchell from £27,445 to £40,985 is far surpassed by the latest increase to £102,427. The tax provision of £40,000 against £6,300 constitutes a major rise in expenses, but despite this increase equity earnings amount to £31,200 against £5,909. The ordinary dividend is raised from 1½ to 7½ per cent., and is covered by earnings of 8.7 per cent. These figures, which represent the best year's trading since 1932-33, are more spectacular than those provided by the Wardle and Davenport accounts. The rise in the latter company's profit, after depreciation and after the provision of £16,000 for E.P.T., from £30,490 to £39,469 does, however, represent the best earnings since 1930-31. Additional depreciation for the past year amounts to £4,000 against £6,000. Before placing £10,000 to a special reserve for war contingencies, equity earnings are up from £20,018 to £30,814. The dividend, which is increased from 7½ to 10 per cent., is well covered by earnings of 15 per cent., and the carry-forward is £329 higher at £27,629. The highly satisfactory earnings of 1939-40 crown a period of rising profits for both companies, and have lifted them far above the depression levels to which Wardle and Davenport sank in the middle 'thirties and from which Whitworth and Mitchell were still struggling as late as 1937-38. It must remain doubtful, however, whether last year's level can be maintained in the face of war conditions. In his speech, Mr L. E. Walsh, chairman of Whitworth and Mitchell, points out that while up to April last more than 50 per cent. of the company's products were exported, the closing of continental markets and the threat to the Far Eastern markets must prejudice the company's future income. In the home market, Board of Trade restrictions on manufacture, even after the raising of the October-March quota from 25 to 37½ per cent., must be a severe disadvantage. The balance sheet position of both companies is, however, strong. In the Wardle and Davenport statement, the most significant change is a rise in stock from £31,359 to £71,133 and in creditors from £22,544 to £50,030. The cash holding of Whitworth and Mitchell has dropped from £124,597 to £69,945. The rise in Whitworth and Mitchell's stock from £196,167 to £239,662 is stated by the chairman to reflect appreciation in values. Both creditors and debtors have risen substantially from £30,286 to £93,072 and from £205,539 to £331,298 respectively. At present prices, the £1 ordinary shares of both companies offer yields in keeping with the less certain prospects of the current year. Whitworth and Mitchell ordinary shares at 10s. ex dividend yield £15 per cent. Wardle and Davenport £1 shares at 18s. 9d. ex dividend offer £10 13s. 4d. per cent.

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Tea Company Results

In 1939 improved crop yields combined with higher prices to provide the majority of tea companies with increased gross and net profits. This improvement has rarely

been sufficient to raise equity earnings above the 1937 level, owing to higher costs and heavier taxation. The tea industry

Company Years to Dec. 31	Tea Crop	Tea Av. Price	Total Revenue	Earned for Ord. Amt.	Earned for Ord. %	Div.	Ord. Shares Price‡	Ord. Shares Yield
	'000lb.	d. per lb.	£	£		%		%
Assam Frontier :								
1937	5,194	11·92	342,790	37,813	6·0	2½	5 7½	10·6
1938	6,082	11·72	361,283	24,769	3·1	2		
1939	6,548	12·19	425,221	27,183	6·5	3		
Imperial Tea :								
1937	7,133	14·71	376,587	68,399	20·6	8	19 4½ †	9·3
1938	7,654	13·13	356,864	57,480	16·8	8		
1939	7,727	...	389,973	47,298	13·9	9		
Jhanzie Tea :								
1937	3,537	13·92	205,795	34,556	8·4	8	20 –	7·5
1938	3,715	13·02	202,463	30,471	7·4	7		
1939	3,838	14·71	234,882	30,856	7·4	7½		
Assam Co. :								
1937	7,663	14·14	452,536	89,601	9·9	6½	16 3†	8·3
1938	8,361	13·19	460,333	71,073	7·3	6½*		
1939	8,378	15·11	531,988	91,140	10·7	7		
Jokai (Assam) :								
1937	9,116	13·97	525,316	72,431	12·5	12½	26 3	7·6
1938	9,414	13·24	512,729	59,730	10·5	10		
1939	9,717	14·96	603,247	60,350	10·4	10		

* Including 1 per cent. centenary bonus. ‡ £1 ordinary shares. † £1 ordinary stock.

(as was pointed out by Lord Meston at the Jokai (Assam) meeting) is now operating under conditions of Government control, as a result of which the 1940 crop may be purchased at the average price of the years 1937-39 with a 1d. per lb. supplement to meet the rise in costs on tea actually purchased. Under this arrangement no considerable advance in earnings can be expected for the present year. The results for the past three years of five leading companies are analysed in the accompanying table. Increases in crop yields have been general, though not considerable in size, the largest being of 466,000 lbs. realised by Assam Frontier Tea. Advances in prices range from 0.47d. per lb. for the same company to nearly 2d. per lb. for Assam Company. For all companies listed in the table, total revenue increased by rather less than £100,000. The most substantial advance was realised by Jokai (Assam), from £512,729 to £603,247. The movement of equity earnings has been less consistent. Assam Company, with earnings of £91,140, has surpassed the 1937 level of £89,601. All other companies have exceeded the 1938 level with the exception of Imperial Tea, which earned a surplus of only £47,298, against £57,480, representing earnings of 13.9, against 16.8 per cent. The ordinary dividend has, however, been raised from 8 to 9 per cent., and small increases have been declared by all other companies except Jokai (Assam), which has maintained the previous year's 10 per cent. payment. In the general rise in costs, the most significant is the increase in tax charges, for which Assam Company allocated £55,035, against £19,228; Imperial Tea, £44,579, against £16,500; and Jokai (Assam), £75,000, against £13,000. At present prices, tea share yields range between £7 10s. and £10 12s. per cent.

THE STOCK EXCHANGES

London

Note : all dealings are for cash

ALL sections of the London markets have preserved *sang froid* in the face of the intensified aerial *Blitzkrieg* on London which began last Saturday. Obviously, business has remained on a restricted scale, but prices have shown commendable resistance, and gilt-edged enjoyed a cheerful rally in midweek. Selling pressure did not develop at any time. *Small* turnover was largely due to reduced attendance at the House.

★

The first reaction in the *gilt-edged* market to intensified air warfare was concentrated in the first two days of the week on *irredeemable stocks,* which at the end of last week had reached high levels. On Monday, Old and 4 per cent. Consols, 3½ per cent. Conversion and 3½ per cent. War Loan fell by ½ point, followed by a *similar fall in* Old Consols on Tuesday, when 3½ per cent. War Loan and Conversion each lost ⅜. Tuesday's declines were largely corrected in midweek, when all stocks turned upward and the most substantial gains were then realised by irredeemable issues.

★

The foreign bond market has displayed little activity, though prices have been firm with the exception of small losses among Brazilian issues, depressed by reports of the coffee crop. On Monday, Japanese issues were in strong demand and the 6 per cent. bonds of 1924 rose 1½ points.

★

Home rail ordinary stocks, which suffered small losses on Monday and Tuesday, ruled firm, though dull, later in the week. Business was restricted and in midweek prices were hardly tested. Among *foreign rails,* a lively demand developed for Argentine issues, which rose several points in the course of the week.

★

In the *industrial* market, prices have ended gently downward, though in midweek this section of the market was also firmer. Recoveries have been shown by Rolls Royce, which gained on the chairman's statement, Lever and Unilever, Handley Page, J. Lyons and Tate and Lyle, which corrected an early fall. In the iron and steel group, losses, though small, have been fairly general and have affected John Brown, Babcock and Wilcox, Guest Keen and Stewarts and Lloyds. Stores issues slumped for readily understandable reasons, and certain electrical equipment shares, including G.E.C., Crompton Parkinson, and Siemens, reacted. Brewery issues remained relatively firm, despite setbacks for Bass, Charringtons and Meux. On Monday, all the tobacco leaders lost ground, but Godfrey Phillips and Imperial Tobacco advanced in midweek.

★

Mining markets shared the general dullness and *Kaffirs* suffered on Wednesday from small selling from the Cape. Most leading issues fell fractionally, including City Deep, Crown Mines, which lost ⅛, Daggas and East Daggas, Grootvlei, which was in demand on Monday, and Sub Nigel. *Oil* share prices were well maintained in the circumstances, though business was small. Mexican Eagle gained unexpectedly on the week, and slight setbacks for Anglo-Iranian and "Shell" Transport *ordinary were corrected later.* The increase in the rubber quota to 90 per cent. for the last quarter did little to stimulate interest in *rubber* shares and business remained at a minimum. *Tea* shares were supported early in the week, but reacted slightly later.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	*Corres. Day 1939*	Security Indices 30 Ord. shares*	Security Indices 20 Fixed Int.†
Sept. 6	1,561	*(d)2,755*	64·1	120·9
" 9	1,574	*1,250*	63·9	120·9
" 10	1,026	*2,460*	63·6	120·7
" 11	1,173(c)	*2,195*	63·5	120·7
" 12	1,070(c)	*2,480*	63·5	120·6

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940 : highest, 80·6 (Feb. 29) ; lowest, 49·4 (June 26). 20 Fixed Int., 1940 : highest, 126·5 (May 9) ; lowest, 114·9 (June 26). (c) Excluding stop press bargains. (d) Figures for August 31, 1939. Stock Exchange closed from Sept. 1 to Sept. 6, 1939.

New York

TRADING on Wall Street has been dull this week. Following moderate profit taking on Monday, dealers reacted cautiously to news of the high level of domestic business activity. Turnover was on a small scale, though rises of one point were common in midweek and the undertone remained optimistic. The market's main preoccupation has been the war news from Europe. Following last week's setback in steel mill activity from 91½ to 82 per cent. of capacity, for which the Labour Day holiday was mainly responsible, *Iron Age* estimates activity for the current week at 92½ per cent.

New York Prices

Total share dealings :—Sept. 5, 1,250,000; Sept. 6, 710,000 ; Sept. 7, 220,000 ; Sept. 9, 590,000 ; Sept. 10, 360,000.

	Close Sept. 4, 1940	Close Sept. 10, 1940		Close Sept. 4, 1940	Close Sept. 10, 1940
1. Railroads			Celanese of A.	29¼	28¼
Balt. & Ohio..	4¼	4	Chrysler	79	76¼
Gr. Nthn. Pf..	26¾	25½	Curt. Wr."A"	27⅞	27
Illinois Cent.	8⅛	7⅜	Eastman Kdk	136xd	130½
N.Y. Cent.....	14¼	13½	Gen. Elec. ...	34¼	33¾
Northern Pac.	7⅝	7	Gen. Motors..	49	47
Pennsyl. Rl....	21¾	20⅞	Inland Steel .	83	81¼
Southern	12⅞	12⅛	Int. Harvest .	46⅝	45½
2. Utilities, etc.			Int. Nickel ...	28½	27¼
Amer. Tel.....	164½	164	Liggett Myers	98	99½
Amer. W'wks.	9⅛	8⅝	Nat. Dairy ...	13⅝	13½
Pac. Light....	39	39¼	Nat. Distillers	21½	21
Pub. Sv. N.J.	35⅝	35¾	Nat. Steel	61⅞	63¾
Sthn. Cal. Ed.	27	27¼	Proct. Gamble	61⅛	63
United Gas ..	11⅞	11¾	Sears Roebck.	81⅛	79½
3. Commercial and Industrial			Shell Union...	9	8⅝
Amer. Metal..	16½	16¼	Socony Vac..	8⅞	9⅞
Am. Roll. Ml.	11⅞	11⅛	Stan. Oil N.J.	35⅛	35⅝
Am. Smelting	40½	38	20th Cen. Fox	5¾	5¾
Anaconda	22	21⅝	U.S. Steel ...	57⅛	55¼
Briggs	21¾	20⅝	West'hse El...	103¼	101¼
			Woolworth....	33¾	33¼
			Yngstn. Sheet	34	32½

DAILY AVERAGE 50 COMMON STOCKS

Sept. 5	Sept. 6	Sept. 7	Sept. 9	Sept. 10	Sept. 11
100·49	100·40	100·36	100·8	100·10	100 2

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

STANDARD STATISTICS INDICES (1926 = 100) WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	Aug. 28, 1940	Sept. 4, 1940	Sept. 11, 1940
347 Ind'ls ...	80·9	111·4	90 2	93 8	91·9
32 Rails	20 7a	30·7	25 4	27 5	26 2
40 Utilities ..	71·2a	89·4	80 3	81·6	80·6
419 Stocks ...	69·9	94·8	78 3	81·2	79·6
Av yield* ...	6·61% High	4·30% Low	6 05%	5·90%	6·07%

* 50 Common Stocks. a May 22nd.

Industry and Trade

Coal Difficulties

The collapse of the export market for coal has created many problems for the industry which it has not yet been able to solve. Unemployment is increasing to such an extent that in South Wales and Durham, areas which specialised in export trade, it is reported that many miners have not worked at all for the last ten weeks. The position is aggravated by the fact that at the time of the French collapse efforts were being concentrated on increasing production to supply all France's imports, and the labour force was being expanded. Mining is a reserved occupation, and men who returned to or entered the pits during the expansion are not now allowed to leave to enter the Forces or to take work in other industries. When the problems facing the industry were debated in the House of Commons last week it was announced that some relaxation of the reservation was to be permitted to enable unemployed miners to do munition work, but particular emphasis was laid on keeping open as many pits as possible and keeping men available, as it takes a very long time to train a miner. Once a pit has been closed, it may be as much as three months after reopening before it can be worked. To this end the Government has encouraged the accumulation of stocks, and these are now estimated to be about 22 million tons. Attempts have been made to share orders among all the coalfields and thus stop some mines working overtime while others are without orders. The two most serious obstacles are transport difficulties and the varying composition of coal from different areas. Although it may be possible to use inferior qualities as substitutes, there are many things for which a different kind of coal is completely useless. The Minister of Mines, speaking at Cardiff on Monday, said he contemplated making a levy on all coal production in Britain, the proceeds of which would be used to keep pits working which would otherwise be idle. It seems clear, however, that the only real solution is to increase the consumption of British coal. The loss of European markets means that there is capacity readily available to supply other countries if exports to them can be increased, but little has yet been accomplished. South America, which should be an important source of new business for this country, has been taking greatly increased quantities of coal from the United States.

* * *

Air Raids and Food Supplies

The fires in the London docks caused by the recent raids might reasonably have given rise to some anxiety in the minds of the general public concerning the effect on our food stocks. Lord Woolton has been quick to forestall such uneasiness by reminding the public that the policy of the Government has long been directed to the decentralisation of all food reserves, so that the past week's damage to food has been in the nature merely of an annoyance, and will not necessitate any change in rations. The chief foodstuffs affected have been flour, animal fodder, meat and sugar, but the effect on stocks has been described by the Minister of Food as negligible. In pursuance of the policy of avoiding large centralised stocks, the Minister has again urged traders to be as quick as possible in removing their supplies from the docks, and small shopkeepers to continue to build up their individual reserves as much as possible. In this connection it is a little disquieting to learn of the extent to which glass splinters have been damaging even food in tins; it is important that every person responsible for the storing of food, from the individual householder upwards, should take this warning to heart and remove stocks beyond reach of windows. The temporary interruptions to the feeding of the people caused by damage to water, gas and electricity mains and by the destruction of homes are being dealt with expeditiously. London's populace is showing itself as adaptable in this as in all its other difficulties, and the authorities, by the provision of cooked meat in all affected districts, and the establishment of a system of communal feeding in East London, are mitigating the temporary hardship.

* * *

America's Aircraft Industry

America's alleged superiority in manufacturing methods is often illustrated by reference to the achievements of her great mass-production industries, such as the motor manufacturing trade. In the view of many competent observers, however, the efficiency of industries that do not lend themselves to mass-production methods is no greater in America than in this country. Her aircraft industry, for example, is faced with the same difficulties as was the industry in this country before its expansion. The emphasis has been on technical problems and on the improvement of types rather than on production methods. And, in view of the comparatively small orders placed for individual types and the continuous improvement in specifications, this tendency is not surprising. But, great though the difficulties may be in the way of rapid expansion, they can be overcome more rapidly than in this country, for in America aircraft manufacturers can draw upon the vast resources in skill and organising ability of the mass-production industries. According to semi-official statements the output of aircraft is likely to rise from a monthly total of 900 in July to about 1,500 next January. But if output is to reach anything like the numbers that will be required in coming months, part of the industry must be organised on a mass-production basis. Given large orders for individual types, this can be done. Nor need it interfere with the improvement in quality which remains as essential as ever. The solution might be found, not in the extension of the capacity of existing plant, which should continue to concentrate on the improvement of types, but in the creation of a separate organisation, possibly with the assistance of the motor manufacturers, for the large-scale production of standardised types. But time is of the essence, especially as it will take many months to set up and equip the required mass-production plant.

* * *

Tin Smelting and the United States

There is beginning to be some anxiety in this country concerning the proposals to erect tin smelting plants in America. The cost of tin smelting in the United States has always been high enough to make it unecomonic, but it is now being felt that diplomatic and strategic considerations may nevertheless make it desirable. America has been dependent on tin smelted in Great Britain, the Dutch East Indies, Malaya, and the Belgian Congo. Normally only a small proportion of her imports comes from Britain and an interruption of supplies due to the destruction of plants or the loss of shipping facilities in the Atlantic would be inconvenient but not serious. But America wishes to safeguard herself against any action by the Japanese which might interfere with shipments from Malaya or Batavia. If America sets up smelting plants her best source of supply of tin ore would be Bolivia, and large purchases from there would be of especial value as they would help to counteract Nazi influence in South America, an aim to which America is paying particular attention. The anxiety in this country is caused by the fact that the high costs of smelting in the United States would almost certainly mean the imposition of an import duty on refined tin entering America and a consequent increase in the price of tin to the consumer. This would make America a more attractive market for the raw material, since higher prices would be obtainable there than in Britain and British refiners would thus be deprived of their raw material and their dominating position in the tin industry. The low level of prices ruling in London at present makes the American proposal even more attractive to raw material producers and the Metal Exchange, while recognising the necessity of conserving stocks, would be glad to have export licences more freely granted so that the trade can be maintained. The delivery of tin in the United States during the twelve months ended August 31st reached the record total of 100,730 tons, of which only about 6,000 tons can have been taken by the Government under the purchase schemes. Although there was some private accumulation of stocks, consumption must have been very high. During August 1,220 tons arrived in the United States from China, but it is thought that this was due to accumulation of orders over several months.

* * *

The New Timber Regulations

The European markets for timber are practically all closed. Even if an agreement were reached with Russia it could hardly be put into effect this year before the freezing of the White Sea ports. The only sources of soft woods are Canada and the United States. Hard woods are still obtained also from other parts of the British Empire and from South America. Since the outbreak of war the purchase and import of timber has been taken over by the Timber Control, and importers, who have been allotted quotas, have hitherto received a flat rate of remuneration for distributing the timber in this country. Under the regulations recently promulgated they will be paid on a sliding scale, varying according to the proportions of their allotted quota they have used. The basic rate is a commission of 10 per cent. of the selling price at which the Timber Control supplies to importers, but this rate is an average over the whole allotted quota. An importer who only sells a quarter of his quota is paid a commission of 18 per cent.; on the second quarter he gets 12 per cent.; on the third quarter 7 per cent., and on the last quarter 3 per cent. If the whole allocation is used up on work of national importance he may be granted additional allocations from the stocks of firms who have not used their full quota, but the commission on this is only 1 per cent. This means that large importers with Government contracts will be able, if they are content with a small remuneration, to absorb part of the allocations of the smaller firms and acquire a stronger hold of the trade. Under the old scheme the small importer was bound to get his turn and sell his allocation in time.

* * *

Latin American Grain Surpluses

In an article which appeared in *The Economist* of August 3rd on the results of the Pan-American Conference at Havana it was mentioned that commodity marketing agreements were to be concluded between the United States and the various Latin American republics to lessen the burden of unsaleable surpluses. Help is to be given by the United States Government by means of loans through the Export-Import Bank, and Congress has been asked to sanction an increase of 500 million dollars in the capital of that bank for this specific purpose. This method presumably takes the place of a far more ambitious scheme put forward tentatively by the United States—but opposed chiefly by Argentina—which planned a cartel to control the marketing of the export surpluses of the whole Western Hemisphere and thus prevent economic penetration by the Axis Powers. The subject of surplus coffee was dealt with in *The Economist* of August 24th, when it was pointed out that recent developments aggravated the old problem of over-production in the case of that product—especially in Brazil. Another commodity which is now attracting world-wide attention is wheat, and the reports of prolific harvests in the United States and Canada give rise to the belief that Argentina may be faced with an acute grain problem in the near future. Ploughing and sowing of wheat and linseed are at present in progress in Argentina, and the first official estimate of the area under cultivation is due about the middle of September. These crops will start coming on to the market in November. Last year the yields of both wheat and linseed were poor and no difficulty was encountered in selling the exportable surplus; in fact, during the first months of the war there was a considerable demand for wheat, and its export from Argentina has recently had to be restricted.

* * *

The maize harvest in Argentina has just ended, and its size constitutes a major problem. The yield has been one of the largest in recent years, but at the prevailing low price farmers are not even troubling to shell the cobs, and the Argentine Government has been obliged to take over most of the crop at a probable loss to the State of some £12 millions sterling after allowing for the projected use of part of the maize as fuel. Some indication of Argentina's reliance upon the sale of cereals and linseed is shown by the fact that even in 1938 and 1939, which were for the most part years of exceptionally low prices, the combined value of shipments of these products represented 42 and 44 per cent., respectively, of Argentina's total exports. Taking 1938 as a basis for comparison, the United Kingdom is Argentina's best customer for agricultural products, followed by Holland, Belgium and Germany, but Brazil is the largest single buyer of wheat, while the United States takes very large quantities of linseed. It is, of course, unnecessary for the United States to buy wheat or maize. Chile is also an exporter of agricultural products, but they represent only about 5 per cent. of the value of net total exports and consist mainly of beans and lentils, oats, barley and fruit. Chilean traders hope that the British Government will be able to absorb the supplies of these products formerly shipped to the Continent and thus augment the supply of sterling available to buy British goods in exchange. Otherwise, Chilean farmers will face a serious problem next season.

* * *

America's Cotton Crop

Lancashire cotton traders have taken little interest in the prospects for the new crop in the United States, but some surprise was expressed on Monday last, when the Government's second estimate of the output was published. At 12,772,000 bales, it compares with 11,429,000 bales forecast a month earlier. The forecast was about 750,000 bales higher than expected by the market. While it was known that the plants have had the advantage of very favourable weather during the past month, the increase in the yield per acre from 223.3 lb. in August to 250.7 lb. in September was unexpected. Nevertheless, the effect upon prices has been negligible. In the New York market prices are protected by the loan to farmers, whilst in Liverpool they are being maintained by the uncertainty concerning future imports. During the next twelve months, however, supplies of American cotton will be plentiful, for stocks are substantial.

* * *

A Year's Change in Prices

During the first year of the war *The Economist's* index of wholesale prices rose by 40.0 per cent., compared with an advance of 22.2 per cent. during the first twelve months of the last war. The greater part of the rise took place in

Capital Issues

Week ending September 14, 1940	Nominal Capital	Conversions	New Money
	£	£	£
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	Nil	...	Nil
Nat. Savings Certs.†	2,218,104	...	2,218,104
3% Defence Bonds†	2,197,575	...	2,197,575
2½% Nat. War Bonds‡	11,076,075	...	11,076,075

† Week to September 3, 1940. ‡ Week to September 10th, making total since June 25th, £202,977,545.

Year to date	Including Conversions	Excluding Conversions
	£	£
1940 (New Basis) ...	1,111,471,621	758,516,488
1939 (New Basis) ...	*108,021,846*	*85,495,904*
1940 (Old Basis) ...	1,096,026,117	743,270,984
1939 (Old Basis) ...	*71,923,052*	*50,492,973*

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
	£	£	£
1940 (New Basis)	757,531,816	984,672	Nil
1939 (New Basis)	*52,250,752*	*25,064,148*	*2,181,004*
1940 (Old Basis)	743,128,528	142,456	Nil
1939 (Old Basis)	*34,332,882*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb.	Pref.	Ord.
	£	£	£
1940 (New Basis)	742,921,173	1,458,755	14,166,560
1939 (New Basis)	*45,020,545*	*8,110,649*	*32,355,710*
1940 (Old Basis)	741,984,352	77,500	1,209,132
1939 (Old Basis)	*37,708,921*	*2,688,459*	*10,919,413*

"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.—TROJAN HOLDINGS have maintained the 10 per cent. dividend despite a fall in both gross and net earnings from £20,656 to £18,234 and from £19,648 to £17,566, respectively. The recovery which W. H. DORMAN has achieved in recent years has been satisfactorily maintained with a rise in gross income from £71,417 to £90,551 and in net profit from £21,125 to £23,971. The dividend is up from 12½ to 16¾ per cent. ANGLO-JAVA RUBBER COMPANY has doubled last year's dividend with a 4 per cent. payment. In common with other rubber companies, net earnings have

(*Continued on page* 358)

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

the early months of the war, chiefly as a result of the sharp advance in the prices of imported materials. Among the component sections of the index, the textile group showed the biggest rise. The price of cotton has been left uncontrolled and part of the increase is due to higher freight costs. Wool prices are all fixed by the Wool Control and have been stepped up very considerably above the level ruling last August. Flax has risen from £85 per ton in 1939 to £200 per ton and hemp from £20 11s. 6d. to £26 per ton. In the minerals section, steel prices have been increased by the Steel Control to compensate manufacturers for the higher costs of imported materials, while non-ferrous metals were fixed in September and increased in January, since when they have remained unaltered. Tin, the only metal included in the index whose price is not controlled, has fluctuated extensively, but on September 3rd it stood at £255 15s. per ton, against £229 18s. 9d. on August 30, 1939. Food prices have nearly all been fixed by the Ministry of Food and a good deal of the increase in the index is due to the higher prices being paid to farmers. In addition, butter, bacon and all imported foods are of course dearer. The increases among miscellaneous items have varied considerably in size, but the largest single increase took place in timber. Swedish timber, 2½ in. by 7 in., is now £46 5s. per standard, compared with £23 2s. 6d. on August 30, 1939. As a result of the extension of the British blockade to virtually the whole of Europe this summer, the tendency of prices on the markets of the exporting countries has been downwards. But while the cost of imported primary products is not likely to show much increase in coming months, domestic conversion costs are now steadily rising.

ECONOMIST INDEX OF WHOLESALE PRICES

1927 = 100

	Aug. 30, 1939	Sept. 27, 1939	Sept. 3, 1940	Increase since Aug. 30, 1939
				%
Cereals and meat	66·9	75·9	93·4	39·6
Other foods	61·1	66·8	81·5	33·4
Textiles	54·3	62·6	87·4	61·0
Minerals	95·4	99·1	120·9	26·7
Miscellaneous	77·6	81·4	109·0	40·5
Total	70·3	76·8	98·4	40·0

COMMODITY AND INDUSTRY NEWS

THERE have been few price changes during the week. The outstanding event has been the increase in the rubber quota, which has had no effect on prices. The Ministry of Food has announced that a scheme to ensure the even distribution of West African raw cocoa is to be introduced on October 1st. The scheme will not affect the distribution of manufactured cocoa products.

★

Cotton (Manchester). — An official estimate of the United States cotton crop was issued in Washington on September 9th. The figure is 12,772,000 bales, compared with an estimate of 11,429,000 bales a month ago. The Liverpool price fell slightly on Tuesday as a result of the increase in the estimate, but recovered on Wednesday. The legislative council of the United Textile Factory Workers' Association has decided to ask for the provisions of the Civil Defence Act to be applied throughout the industry so that employers should build air-raid shelters wherever they are. At present they are not compelled to build them in reception areas, where they are not eligible for a Government grant towards the cost.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended Aug. 30, 1940	Week ended Sep. 6, 1940	From Aug. 1 to Sep. 8, 1939	From Aug. 1 to Sep. 6, 1940
American	27·8	12·5	79	139
Brazilian	6·8	9·0	49	36
Peruvian, etc.	4·1	2·5	23	19
Egyptian	3·4	3·5	30	24
Sudan Sakel	0·4	1·1	23	5
East Indian	7·9	4·4	36	26
Other countries	3·0	2·3	23	15
Total	53·4	35·3	263	264

Source: *Liverpool Cotton Association's Weekly Circular.*

Tin.—The recent decline in the price of tin has been greatly accelerated this week. The metal is classed as indestructible and cannot therefore be insured against war risks. With the intensified air raids of this week consumers are naturally reluctant to increase their stocks and the price has fallen owing to lack of interest in the market. The scarcity of export licences granted has also continued, as it is clearly wise to retain supplies in the country. There are, too, proposals for establishing tin smelters in America in spite of the higher costs of refining in that country as some insurance against interruption of supplies. Such a scheme would mean some diversion of raw materials from Great Britain, which now refines Bolivian ores.

★

Grains.—Australia reports that the wheat areas are badly in need of rain and unless there is a heavy fall soon they may suffer as badly as in the great droughts of 1902 and 1914. Crops in New South Wales and Victoria are not expected to recover, but the position in South Australia is rather better. The first estimate of the wheat crop was issued by the Canadian Department of Agriculture this week. It is 561,104,000 bushels and is the second largest ever known.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Aug. 31, 1940	Week ended Sept. 7, 1940	From Aug. 1 to Sept. 9, 1939	From Aug. 1 to Sept. 7, 1940
N. America	435	500	2,743	1,947
Argentine, Uruguay	222	228	2,239	1,436
Australia	*	*	502	*
Russia	...	...	56	...
Danube and district	25	25	451	115
Other countries	...	...	207	...
Total	682	753	6,198	3,498

* Unobtainable.

Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended Aug. 31, 1940	Week ended Sept. 7, 1940	From Apr. 1 to Sept. 9, 1939	From Apr. 1 to Sept. 7, 1940
Argentina	88	69	9,136	5,048
Atlantic America	...	71	502	1,225
Danube Region	...	...	1,071	678
S. & E. Africa	*	*	1,800	880†
Indo-China, etc.	...	...	747	91
Total	88	140	13,256	7,922

* Not received. † Incomplete since July 27th.
Source: *The Corn Trade News*

★

Oils and Oilseeds. — Supplies of vegetable oils are ample for the Control to satisfy the needs of manufacturers of both edible and technical products. Supplies of linseed and groundnut cakes are good, though there is some shortage of cotton cake. Argentine shippers are offering Plate linseed at competitive prices, but there is little business being done with the United Kingdom. Growing conditions in the United States are satisfactory, and the crop is expected to be considerably bigger than last year's harvest.

★

Rubber.—The International Rubber Regulation Committee at its meeting on Monday increased the export quota to 90 per cent. of the basic rate for the last three months of the year. The rate was raised from 80 to 85 per cent. at the beginning of July. The rubber market did not expect the change, but it has had no effect on prices.

★

Export Groups. — Since *The Economist* last published a list on August 17th, the formation of the following Export Groups has been announced:—

Brickmaking, Clayworking and Briquetting Machinery.
Constructional Industries.
Expanded Metal.
Flax (Great Britain).
Ship and Boat Builders'.
Sports Equipment and Appliances.

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

	Mar. 31, 1937 †	Aug. 30, 1939	Aug. 13, 1940	Aug. 27, 1940	Sept. 3, 1940
The Economist Index (U.K.):—					
Cereals and meat	91·0	66·9	86·0	93·3	93·4
Other foods	70·4	61·1	80·1	81·5	81·5
Textiles	74·2	54·3	88·9	86·3	87·4
Minerals	113·2	95·1	121·2	121·0	120·9
Miscellaneous	87·0	77·6	110·2	109·6	109·0
Complete Index	**87·2**	**70·3**	**97·1**	**98·3**	**98·4**
1913 = 100	*119·9*	*96·8*	*133·6*	*135·4*	*135·5*
Irving-Fisher Index (U.S.A.)	**100·4**	**93·4**	***86·8**	...	...

* This figure is the latest available; it relates to July 27th.
† Highest level reached during the 1932-7 recovery.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to September 7, 1940, total ordinary revenue was £18,361,000, against ordinary expenditure of £72,372,000 and issues to sinking funds of £2,094,398. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £991,172,000, against £250,450,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Receipts into the Exchequer (£ thousands)

Revenue	Estimate, 1940–41	Apr. 1, 1939, to Sept. 9, 1939	Apr. 1, 1940, to Sept. 7, 1940	Week ended Sept. 9, 1939	Week ended Sept. 7, 1940
ORDINARY REVENUE					
Income Tax	510,500	49,873	86,549	1,277	7,606
Sur-tax	83,000	8,620	10,650	70	200
Estate, etc., Duties	86,100	37,230	38,210	1,200	1,210
Stamps	19,000	7,750	6,400	...	...
N.D.C.	70000	10,970	9,830	400	320
E.P.T.		...	22,380	...	1,490
Other Inland Revenue	1,000	360	210	...	...
Total In. Rev.	769,600	114,803	174,229	2,947	10826
Customs	309,350	113,437	127,740	6,613	5,619
Excise	213,550	49,412	68,999	1,642	899
Total Customs and Excise	522,900	162,849	196,739	8,255	6,518
Motor Duties	35,000	8,511	9,375	132	104
P.O. (Net Receipt)	13,291	5,254	9,750	550	600
Crown Lands	1,150	620	540	...	...
Receipts from Sundry Loans	5,000	3,351	645	79	64
Mis. Receipts	13,250	3,410	12,112	604	249
Total Ordinary Revenue	1360191	298,797	403,390	12567	18361
SELF-BAL. Post Office and Broadcasting	86,222	32,496	33,050	950	900
Total	1446413	331,293	436,440	13517	19261

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

Expenditure	Estimate, 1940–41	Apr. 1, 1939, to Sept. 9, 1939	Apr. 1, 1940, to Sept. 7, 1940	Week ended Sept. 9, 1939	Week ended Sept. 7, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	108,252	111,879	4,223	8,457
Payments to N. Ireland	9,400	3,275	3,319	298	297
Other Cons. Fund Serv.	7,600	3,328	3,332	...	8
Total	247,000	114,855	118,530	4,521	8,762
Supply Serv.	3219790	429,452	1271089	20066	63610
Total Ordinary Expenditure	3466790	544,307	1389619	24587	72372
SELF-BAL. Post Office and Broadcasting	86,222	32,496	33,050	950	900
Total	3553012	576,803	1422669	25537	73272

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £146,184 to £2,845,727, the other operations for the week (no longer shown separately) raised the gross National Debt by £56,533,530 to about £9,938 millions.

OTHER ISSUES (NET)
(£ thousands)

Overseas Trade Guarantees	79
P.O. and Teleg. Acts	400
	479

OTHER RECEIPTS (NET)
(£ thousands)

Land Settlement	21
Tithe Act	176
	197

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to September 1, 1940, are:—

(£ thousands)

Ordinary Exp.	1,389,619	Ord. Revenue	403,390
Misc. Iss. (net)	6,356	Gross borr.	997,979
Inc. in balances	451	*Less*—	
		Sinking fds.	4,943
		Net borrowing	993,036
	1,396,426		1,396,426

FLOATING DEBT

(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
Sept. 9	495·0	633·3	47·9	4·7	...	1180·9
1940						
June 1	710·0	787·5	50·4	...	...	1547·9
„ 8	725·0	822·4	47·9	...	...	1595·3
„ 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0		„	„		
„ 20	815·0		„	„		
„ 27	826·0	906·5	43·6	...	30·0	1806·2
Aug. 3	831·0	Not available				
„ 10	836·0		„	„		
„ 17	836·0		„	„		
„ 24	836·0		„	„		
„ 31	836·0	1042·6	60·7	...	30·0	1969·3
Sept. 7	836·0	Not available				

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939				s. d.	
Sept. 8	50·0	60·2	50·0	72 0·98	94
1940					
May 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
„ 21	65·0	97·6	65·0	20 4·97	60
„ 28	65·0	110·3	65·0	20 5·22	51
July 5	65·0	105·4	65·0	20 5·10	55
„ 12	65·0	112·3	65·0	20 4·97	48
„ 19	65·0	118·8	61·0	20 4·45	37
„ 26	65·0	125·8	60·0	20 4·44	31
Aug. 2	65·0	122·1	65·0	20 4·86	42
„ 9	65·0	122·5	65·0	20 4·62	41
„ 16	65·0	116·5	65·0	20 5·21	48
„ 23	65·0	109·7	65·0	20 5·63	56
„ 30	65·0	134·9	65·0	20 6·31	27
Sept. 6	65·0	125·8	65·0	20 7·01	38

On September 6th 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 38 per cent. of the amount applied for and applications at higher prices in full. £65·0 millions of Treasury bills are being offered on September 13th. For the week ending September 14th the banks will be asked for Treasury deposits to the maximum amount of £29·0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
Aug. 27	2,265	2,158	10,116
Sept. 3	2,218	2,198	10,222
„ 10	...	...	11,111
Totals to date	144,231*	147,863*	203,012†

* 41 weeks. † 12 weeks.

Interest free loans received by the Treasury up to September 3rd amounted to 8,201, of a total value of £16,683,240. From the beginning of the campaign up to August 31st, principal of Savings Certificates to the amount of £21,222,000 has been repaid.

BANK OF ENGLAND RETURNS

SEPTEMBER 11, 1940

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circln.	608,639,310	Other Govt. Securities	616,045,719
In Bnkg. Department	21,597,901	Other Secs.	2,675,644
		Silver Coin	263,537
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	237,211
	630,237,211		630,237,211

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	139,497,838
Rest	3,538,171	Other Secs.	
Public Deps.*	13,177,767	*Discs., etc.*	*4,074,336*
Other Deps.:		*Securities*	*23,005,743*
Bankers	*107,706,274*		*27,080,079*
Other Accts.	*50,035,789*	Notes	21,597,901
	157,742,063	Gold & Silver Coin	835,183
	189,011,001		189,011,001

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Sept. 11, 1940	Compared with Last Week	Compared with Last Year
COMBINED LIABILITIES			
Note circulation	608,639	− 1,358	+ 55,164
Deposits: Public	13,178	+ 2,326	+ 1,177
Bankers'	107,706	− 8,573	− 1,903
Others	50,036	+ 1,588	+ 9,221
Total outside liabilities	779,559	− 6,017	+ 63,659
Capital and rest	18,091	+ 8	− 138
COMBINED ASSETS			
Govt. debt and securities†	766,559	− 6,271	+ 64,856
Discounts and advances	4,074	+ 209	+ 216
Other securities	25,681	+ 112	− 1,716
Silver coin in issue dept.	264	− 246	− 245
Gold coin and bullion	1,072	+ 187	+ 410
RESERVES			
Res. of notes and coin in banking department	22,433	+ 1,545	− 4,754
"Proportion" (reserve to outside liabilities in Bankg. dept.)	13·1%	+ 1·3%	− 3·6%

COMPARATIVE ANALYSIS*

(£ millions)

	1939 Sept. 13,	1940 Aug. 21	1940 Aug 28	1940 Sept. 4	1940 Sept 11,
Issue Dept.:					
Notes in circ.	553·5	609·6	610·0	610·0	608·6
Notes in banking dept.	26·7	20·6	20·2	20·2	21·6
Govt. debt and securities†	578·0	626·7	626·7	626·8	627·1
Other secs.	1·5	2·8	2·8	2·7	2·7
Silver coin	0·5	0·5	0·5	0·5	0·3
Gold, *valued at s. per f. oz.*	0·1	0·2	0·2	0·2	0·2
	168·00	*168·00*	*168·00*	*168·00*	*168·00*
Deposits:					
Public	12·0	14·5	8·8	10·9	13·2
Bankers'	109·6	123·4	118·7	116·3	107·7
Others	40·8	48·7	51·8	48·4	50·0
Total	162·4	186·6	179·3	175·6	170·9
Bkg. Dept. Sec.					
Government	123·7	151·8	148·0	146·0	139·5
Discounts, etc.	3·9	8·8	3·9	3·9	4·1
Other	25·9	22·4	24·6	22·9	23·0
Total	153·5	183·0	176·5	172·8	166·6
Banking dept. reserve	27·2	21·6	20·9	20·7	22·4
"Proportion"	% 16·7	% 11·5	% 11·6	% 11·8	% 13·1

* Government debt is £11,015,100; capital £14,553,000. † Fiduciary issue raised from £500 millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Bulgaria, Switzerland and Turkey, of June 15th; International Settlements, Hungary, Java, Egypt, Mellie Iran, of June 22nd; Greece, Jugoslavia, and Lithuania, of June 29th; Estonia, Prague, Latvia, Sweden, Roumania, India and New Zealand, of August 31st; Argentina, Australia, Japan and South Africa of September 7th.

BANK OF CANADA.—Million Can. $

	Aug. 23, 1939	Aug. 7, 1940	Aug. 14, 1940	Aug. 21, 1940
ASSETS				
†Reserve: Gold	205·2	...	...	...
Other	53·8	4·2	2·7	4·3
†Securities	161·3	532·0	541·1	513·2
LIABILITIES				
Note circulation	174·2	297·2	299·2	302·1
Deposits: Dom. Govt.	28·9	21·6	22·8	28·6
Chartered banks	203·2	208·1	205·0	202·5

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. BANKS	Sept. 14, 1939	Aug. 22, 1940	Aug. 29, 1940	Sept. 6, 1940
RESOURCES				
Gold certifs. on hand and due from Treas.	14,577	18,487	18,562	18,631
Total reserves	14,909	18,853	18,922	18,966
Total cash reserves	321	354	348	323
Total U.S. Govt. secs.	2,824	2,446	2,442	2,434
Total bills and secs.	2,843	2,458	2,454	2,448
Total resources	18,633	22,093	22,135	22,201
LIABILITIES				
F.R. notes in circn.	4,679	5,310	5,334	5,391
Excess mr. bank res.	5,270	6,420	6,420	6,490
Mr. bank reserve dep.	11,526	13,419	13,516	13,525
Govt. deposits	615	889	813	791
Total deposits	12,896	15,794	15,827	15,825
Total liabilities	18,633	22,093	22,135	22,201
Reserve ratio	84·8%	89·3%	89·4%	89·4%
BANKS AND TREASURY: RESOURCES				
Monetary gold stock	16,808	20,800	20,871	20,944
Treas. & bk. currency	2,911	3,030	3,034	3,036
LIABILITIES				
Money in circulation	7,235	7,976	8,006	8,092
Treas. cash and dep.	2,842	3,180	3,140	3,083

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million $'s

ASSETS	Aug. 16, 1939	July 31, 1940	Aug. 7, 1940	Aug. 14, 1940
Loans, total	8,186	8,517	8,492	8,506
Investments	14,151	15,481	15,609	15,615
Reserve with F.R. bks	8,917	11,449	11,212	11,254
Due from domestic bks.	2,842	3,140	3,113	3,168
LIABILITIES				
Deposits: Demand	17,641	20,984	20,712	20,789
Time	5,245	5,320	5,335	5,336
U.S. Govt.	544	526	527	528
Inter-bank	7,838	8,239	9,018	9,082

BANK OF PORTUGAL

Million escúdos

ASSETS	July 12, 1939	June 26, 1940	July 3, 1940	July 10, 1940
Gold	920·0	920·7	920·7	920·8
Balances abroad	624·4	678·0	676·8	654·4
Discounts	403·8	433·9	440·9	447·0
Securities	117·9	102·2	102·2	278·4
LIABILITIES				
Notes in circulation	2075·4	2593·3	2678·1	2665·4
Deposits: Government	348·6	334·1	305·7	277·0
Bankers'	731·5	556·2	524·3	528·4
Other	72·8	111·8	99·9	128·2
Foreign commitments	195·8	259·0	258·1	257·8

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between September 6th and September 12th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. fcs. (25·22½) 17·65–75. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Ned. E. Ind. Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Ned. W. Ind. (Fl.) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), 99·80–100·20. Panama, $4·02–04; mail transfers 4·02–04¼. Philippine (peso), 8·07–12; mail transfers, 8·09–13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America ¾ cent. pm.-par. Canada, ½ 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 £	Sept. 6, 1940	Sept. 7, 1940	Sept. 9, 1940	Sept. 10, 1940	Sept. 11, 1940	Sept. 12, 1940
Budapest, Pen.	27·82	19½*‡	19½*‡	19½*‡	19½*‡	19½*‡	19½*‡
Belgrade, Din.	276·32	155*	155*	155*	155*	155*	155*
		200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Sofia, Lev.	673·66	315*	315*	315*	315*	315*	315*
Helsingfors, Mk	193·23	175–205	175–205	175–205	175–205	175–205	175–205
Alexandria, Pst	97½	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16	17 15/16–18 1/16
Kobe, Yen	†24·58d.	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (g)	17·38	22½–25½	22½–25½	22½–25½	22½–25½	22½–25½	22½–25½
Montevideo, $	† 51d.	23½–26½	23½–26½	23½–26½	23½–26½	23½–26½	23½–26½
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3¼–3¾	3¼–3¾	3¼–3¾	3¼–3¾	3¼–3¾	3¼–3¾
Bogota, Pes.	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † 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.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Sept. 9, '39	Week ended Sept. 7, '40	Aggregate January 1 to Sept. 9, '39	Aggregate January 1 to Sept. 7, '40
Working days:—	6	6	212	213
Birmingham	1,655	2,500	84,912	80,598
Bradford	746	1,449	30,484	57,968
Bristol	1,213	1,946	47,218	64,259
Hull	609	585	28,326	27,007
Leicester	596	714	25,060	26,751
Liverpool	4,538	4,639	177135	204040
Manchester	7,575	12053	337758	405932
Newcastle	1,099	1,104	54,234	47,371
Nottingham	400	468	17,451	15,339
9 Towns	18411	25449	802578	929265
Dublin	...	...	...	...
Sheffield*	619	970	38,015	23,857
Southampton†	...	104	...	1,752

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between September 6th and Sept. 12th:—Bank Rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1 15/32%; 4 months, 1 1/16–1⅛%; 6 months, 1⅛–1¼%. Treasury bills: 2 months, 1–1 1/32%; 3 months, 1 3/32%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. Discount deposits at 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
Sept. 6	23 7/16	23¼	Sept. 11	23 7/16	23 1/16
„ 9	23 7/16	23¼	„ 12	23 7/16	23 1/16
„ 10	23½	23 7/16			

NEW YORK EXCHANGE RATES

New York on	Sept. 5, 1940	Sept. 6, 1940	Sept. 7, 1940	Sept. 9, 1940	Sept. 10, 1940	Sept. 11, 1940
London:—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	403½	403¾	403¾	403	403	403
Switzerland, Fr.	22·78	22·74(b)	22·75	22·78	22·79	22·79
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	39·95	39·95	39·95	39·95	39·95	39·95
Stockholm, Kr.	23·85	23·85	23·85	23·85	23·86	23·86
Montreal, Can. $	87·500	87·680	87·625	87·125	86·625	86·625
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	5·35	5·38	5·38	5·40	5·45	5·45
B. Aires, Peso, (mkt. rate)	23·20‡	23·25‡	23·35‡	23·30‡	23·30‡	23·30‡
Brazil, Milreis	5·05	5·05	5·05	5·05	5·05	5·05

‡ Official buying rate 29·78. (b) Offered. (c) Nominal.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	Gross Receipts for Week + or −	Aggregate Gross Receipts 1940	Aggregate Gross Receipts + or −
B.A. and Pacific	9	Aug. 31	‡1,111,000	− 103,000	10,021,000	− 1,248,000
B.A. Gt. Southern	9	31	‡2,123,000	+ 285,000	17,414,000	− 1,000
B.A. Western	9	31	‡537,000	− 47,000	5,560,000	− 518,000
Canadian Pacific	36	Sept. 7	$3,530,000	− 477,000	109,731,000	+ 19,603,000
Central Argentine	9	Aug. 31	‡1,396,900	− 320,600	12,915,600	− 5,954,000

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	Sept. 11, 1940	Name	Sept. 11, 1940	Name	Sept. 11, 1940
For. Bond.	Unquoted	National D.	9/9–10/9	Key. Gold	7/10½–9/4
Limited Inv.	10/9–12/3	Century	10/6–12/3	Br. Ind. 4th	9/6–11/3
New British	6/10½–7/10½	Scottish	9/3–10/9	Elec. Inds.	11/4½–12/7
Invest. Tr.	8/3–10/3*	Univ. 2nd	11/4½–13/1½xd	Met. & Min.	9/1½–10/7
Bk. & Insur.	12/—14/–*	Inv. Flex.	7/9–9/–xd	Rub. & Tin	Unquot.
Insurance	12/3–14/3*	Inv. Gen.	11/9–12/9	Producers	5/—6/–
Bank	12/3–14/3xd*	Key. Flex.	7/10½–9/4½	Dom. 2nd	4/—5/–
Sct. B.I.I.T.	9/6–11/6*	Key. Cons.	7/3–8/9	Orthodox	5/9–6/9xd

* Free of commission and stamp duty.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
All Saints' Brewery	June 30	23,629	...	16,737	53,918	2,007	9,288	25	2,236	+ 3,206	24,228	18,176	25
Financial Land, etc.													
Port of Beira Devlpmt.	Mar. 31	14,371	...	8,054	12,295	...	7,878	4·11d	...	+ 176	15,540	11,047	4·5d
Trojan (Holdings)	Aug. 14	18,234	...	17,566	18,643	600	15,237	10	...	+ 1,729	20,656	19,648	10
Iron, Coal and Steel													
Dorman (W. H.) & Co.	Mar. 31	90,551	32,490	23,971	32,726	13,750	4,917	16⅔	10,000	− 4,696	71,417	21,125	12½
Rubber													
Anglo-Java	Mar. 31	191,882	...	51,710	66,965	...	53,280	4	...	− 1,570	84,833	24,782	2
Kepitigalla	Mar. 31	16,913	...	6,288	6,937	...	5,206	4·16	...	+ 1,082	8,375	1,277	2·08
Kerala Calicut	Feb. 29	27,448	1,271	10,221	11,635	...	3,594	4·35	6,250	+ 377	10,665	5,066	4·35
Merah	Mar. 31	5,207	508	3,175	6,068	...	2,125	2½	...	+ 1,050	2,389	Dr. 288	Nil
Sungei Gettah	Mar. 31	9,007	436	6,105	17,773	...	5,400	6	...	+ 705	4,270	848	Nil
Shops and Stores													
Burberrys, Ltd.	Mar. 31	70,770	4,977	33,949	76,822	50,000	...	...	...	− 16,051	65,464	47,111	Nil
Tea													
Jokai (Assam)	Dec. 31	211,245	...	66,351	115,239	6,000	57,818	10	...	+ 2,533	134,551	65,730	10
Textiles													
Wardle and Davenport	June 30	53,140	17,671	34,113	61,413	3,300	20,484	10	10,000	+ 329	43,869	29,318	7½
Whitworth and Mitchell	June 30	107,072	2,357	61,201	62,181	30,000	26,875	7½	...	+ 4,326	46,362	35,909	1½
Trusts													
Tor Investment	July 31	30,068	...	12,011	12,011	5,250	3,486	5½	3,275	...	29,388	13,518	5½
Other Companies													
Amalgamated Roadstone	Mar. 31	55,660	22,753	14,482	24,682	...	...	...	...	+ 14,482	74,527	43,551	6½
Assoc. British Picture	Mar. 31	1,206,856	250,000	213,614	295,701	78,000	...	...	125,000	+ 10,614	1,347,001	630,751	20
Meccano Limited	Feb. 29	263,929	10,318	32,831	56,408	5,075	10,000	5†	...	+ 17,756	250,324	42,003	15†
North Central Wagon	June 30	73,161	...	16,045	21,946	9,750	...	...	...	+ 6,295	114,200	43,627	15
Oxley Engineering	June 30	39,872	...	13,404	18,878	...	5,247	10	6,000	+ 2,157	26,655	14,544	12½
Tilbury Contracting, etc.	Mar. 31	86,307	16,425	21,006	55,669	...	23,000	10	...	− 1,994	157,495	70,951	15
Wagon Repairs	Mar. 31	96,841	...	43,863	68,109	15,000	30,418	10	...	− 1,555	89,368	57,816	10
Totals (£'000's):	*No. of Cos.*												
Week to Sept. 14, 1940	*21*	*2,692*	*359*	*707*	*1,086*	*219*	*284*	...	*163*	+ *41*	*2,632*	*1,196*	...
Jan. 1 to Sept. 14, 1940	*1,652*	*328,938*	*26,460*	*176,147*	*250,465*	*39,615*	*107,890*	...	*20,702*	+ *7,940*	*305,531*	*183,788*	...

† Free of income tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%
BANKS				
Central Hanover Bank	$1 ps*	...	Oct. 1	$1 ps*
Chartered of India	5*	...	Oct. 2	5*
Yokohama Specie	10p.a.	...	...	10 p.a.
INSURANCE				
Eagle Star	7½*	...	Oct. 1	7½*
TEA AND RUBBER				
Beaufort Borneo Rub.	...	2½	Oct. 4	Nil
Kepong (Malay) Rbr.	5*	...	...	4*
Scottish Ceylon Tea	4*	...	...	2½*
Merah Rubber	...	2½	Sept. 24	Nil
Sungei Gettah Rub.	3½†	6	Sept. 24	Nil
MINING				
Mineral Separation	20*	...	...	20*
Nundydroog Mines	10*	...	Oct. 4	20*
INDUSTRIALS				
Aeronautical Instru.	...	11	...	11
American Investment	2*	...	...	2½*
Beira (Port of) Dev.	...	4·11d	...	4·11d
Birmingham Invest.	3*	...	Oct. 1	3*
Boots Pure Drug	6*	...	Sept. 30	6*
British Aluminium	3*	...	Oct. 1	4*
British Thermostat	7½*	...	...	7½*
Cowans Sheldon	...	10	...	10
Daniell and Sons	5*	...	...	5*
Dartford Brewery	3*	...	...	3*
Dean (W. H.)	...	20	...	25
Debenhams, Ltd.	...	8½	Oct. 31	20⅚
Decca Records	...	25	Oct. 31	Nil
Duckham (Alexander)	5*	...	...	5*
Erith and Co.	5*	...	...	5*
Express Dairy	‡3*	...	...	‡2*
General Investors, &c.	3*	...	...	3*
Initial Services	5d ps †	25	...	25
Int. Bitumen Emul.	...	4	...	6
Lamont (James H.) s.	...	5*	Nov. 1	7½*
London Scottish Inv.	1½*	...	Sept. 30	1½*
Melbourne Hart	‡2½*	...	Oct. 3	‡3*
North Eastern Elec.	2½*	...	...	2½*
Natal Land, etc.	2*	...	...	3*
Nunnery Colliery	¾*	...	...	1½*
Parkinson (Sir L.)	4⅜†	13¾	...	18⅛
Parkinson 1940	2½*	...	...	...
Qualcast Limited	20‡	30	...	30
Robertson Ledlie, etc.	3*	...	...	3*
Ropner Shipping	...	6	...	2½
Rose (L.) and Co.	25*	...	...	25*
Ryder and Son	...	2½	...	5
Scottish Assets	3†	5	...	5
Severn Valley Gas	2¾*	...	...	2¾*
Shanghai Waterwks A	4/–*	...	Sept. 27	4/–*
Do. (B & C)	2·4d.*	...	Sept. 27	2·4d.*
Southalls, Ltd.	(a)7½*	...	...	10‡*
South Western Gas	2*	...	Oct. 10	2*
Taylor Walker & Co.	*2½	...	Oct. 4	4*
Transport Services	6†	10	...	5
Trojan Holdings	...	10	...	10
Trussed Concrete Stl.	2½*	...	...	2½*
Vaughan Bros. (Forg.)	12½†	22½	...	22½
Waller and Hartley	25*	...	...	25*

‡ Free of income tax. (a) Paid on 100 per cent. more capital.

TRANSVAAL GOLD OUTPUT

Statistics for August, 1940 (on basis of £8 8s. 0d. per fine ounce)

Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz. s.	d.
		£	£	s.	d.
Anglo-Amer. Corp.					
Brakpan	140,000	260,976	104,524	100	9·9
Daggafontein	161,500	392,432	222,023	73	0·2
East Daggafontein	71,500	158,056	62,012	102	1·8
E. Af. Land	111,000	257,398	142,943	74	9·5
Springs	165,000	371,650	200,311	77	6·2
Springs	94,000	167,791	67,308	100	7·9
Cons. Mng.-Rand M.		Fine ozs			
Deep	111,000	26,656	79,007	109	0
M. Reef	210,000	42,795	73,428	123	4
	372,000	86,021	328,362	91	10
Deep	201,000	36,627	107,530	109	9
Prop.	227,000	47,823	134,535	111	11
chhuis	71,300	9,268	19,107	127	0
nn's Lyd.	10,000	3,110	8,204	115	4
odder B.	94,000	15,592	61,263	90	4
odder East	136,000	22,658	78,621	99	0
Cent. Mng.-Rand M.—cont.		Fine ozs	£		
New Modder	205,000	30,765	104,500	100	7
Nourse	84,000	16,657	35,506	125	8
Rose Deep	85,000	13,027	27,614	126	3
Transvaal G.	31,900	5,113	5,638	144	7
Gen. Mining		£			
Van Ryn	63,000	60,230	8,006	149	3
W. Rand Cons.	240,000	373,390	166,113	96	1
Goldfields		Fine ozs			
Venterspost	110,000	21,894	50,216	122	3·3
S. and Jack	159,000	30,605	89,063	110	1·3
Robinson Deep	123,000	27,195	93,611	99	4·6
Sub Nigel	68,500	43,601	245,639	55	5·4
Vogels.	79,000	20,249	65,516	103	4·8
Rietfontein	35,000	5,360	16,028	108	3·4
Luipaards Vlei	62,000	13,469	34,600	116	8·8
"Johnnies"					
E. Champ D'or	35,000	71,000	36,169	82	9
Gov. Areas	247,000	422,035	190,154	93	7
Langlaagte	117,000	129,199	10,176	156	4
N. State Areas	129,000	269,021	145,168	78	7
Randfontein	400,000	478,706	135,155	122	2
Van Ryn	111,000	126,569	27,552	132	8
Witwatersrand	90,000	107,672	18,241	141	6
Union Corp.		Fine ozs			
E. Geduld	166,000	47,725	265,522	56	10
Geduld	116,000	26,580	118,157	79	1
Grootvlei	107,000	28,094	111,769	88	6
Marievale	48,000	12,908	36,340	111	10
Modder. Deep	51,000	6,221	9,508	139	2
Van Dyk	96,800	24,360	86,250	97	4

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 High	Prices, Year 1939 Low	Prices, Jan. 1 to Sept. 11, 1940 High	Prices, Jan. 1 to Sept. 11, 1940 Low	Name of Security	Price, Sept. 11, 1940	Ch'ge since Sept. 4	Yield Sept. 11, 1940 £	s.	d.
				British Funds					
71⅛	61	76¾	68⅛	Consols 2½%	73⅛	− ⅝	3	8	4
107⅛	98	110⅝	103⅛	Do. 4% (aft. 1957) ...	109⅝	+ ⅛	3	13	4f
...	...	98¾	98½	Conv. 2% 1943–45 ...	98½	− ⅛	2	3	4
96¾	90⅛	100½	95½	Do. 2½% 1944–49 ...	98⅞	− ⅛	2	13	1½
99⅛	92⅞	103	97¾	Do. 3% 1948–53 ...	101⅝	+ ⅝	2	16	2
99½	87	102¼	94	Do. 3½% *after 1961*	*100*	− ½	3	10	0f
112⅛	103¾	112	107½	Do. 5% 1944–64 ...	109½	...	2	14	6
87¼	79¾	92¾	86⅝	Fund. 2½% 1956–61	90⅝xd	+ ⅝	3	2	6
93⅝	87¾	98½	92	Fund. 2¾% 1952–57	97⅝	+ ⅛	2	19	6
95⅛	87½	99½	95	Fund. 3% 1959–69 ...	97¼xd	+ ½	3	2	11
109½	100½	113¾	105⅜	Fund. 4% 1960–90 ...	112¾	...	3	3	11
99¼	94¾	102	98 9/16	Nat. D. 2½% 1944–48	100⅛xd	+ ⅛	2	9	7(k)
96⅞	91½	101¾	95⅛	Do. 3% 1954–58 ...	101	+ ¼	2	18	9
...	...	100¾	100	War Bds. 2½% 1945–47	100¼	...	...		
108⅜	102	111½	105 15/16	Victory Bonds 4% ...	110	...	3	12	10j
...	...	100⅞	98	War L. 3% 1955–59 ...	100⅛xd	...	2	19	11
98⅞	86	101⅜	93⅛	War. L. 3½% af. 1952	101	− ¼	3	9	8f
83⅞	73	89⅛	80¼	Local Loans 3% ...	85⅞	− ⅝	3	9	10
99	91	100	97½	Austria 3% 1933–53 ...	99	...	3	2	8
64	55½	71¼	59¾	India 2½%	67	− ¼	3	14	8
90	78	97¼	82¼	Do. 3½%	91½	− ¼	3	16	6
115¼	104½	115	105¼	Do. 4½% 1958–68 ...	109½	− ½	3	16	4
				Dom. & Col. Govts.					
106¼	95	107⅛	101	Austrla. 5% 1945–75...	*102*	...	4	13	8
112½	103	110⅞	106	Nigeria 5% 1950–60	107	...	4	3	10
103½	92	105⅞	100	N. Zealand 5% 1946	101½	...	4	16	7
110	102	108½	103	S. Africa 5% 1945–75	104½	...	4	2	6
				Corporation Stocks					
111½	104	110¼	104	Bir'ham 5% 1946–56	105	...	4	1	3
81⅝	72	85	78	L.C.C. 3%	81	...	3	14	1
93⅝	86½	94½	87½	*Liverpool 3% 1954–64*	91	...	3	12	5
102¾	95	104	97	Middx. 3½% 1957–62	98	...	3	13	0
				Foreign Governments					
91½	73¾	92¾	77	Argen. 4½% Stg. Bds.	77	− 1	5	16	11
65½	34	58½	22	Austria 4½% 1934–59	30	...	11	5	0l
95	50	64	25	Belgian 4% (36) 1970	*	...	...		
23½	6½	35½	20	Brazil 5% Fd. 1914...	26	...	9	12	0p
19	9	23	9	Chile 6% (1929)	14	...	10	14	0n
55½	23½	45¼	12	China 5% (1913)	18	...	...		
72	30	63	25	Czecho-Slovakia 8%...	*	...	...		
86¼	58	79¾	50½	Egypt Unified 4% ...	66	+ 1	6	1	3
12½	9	10½	8	*French 4% (British)* ...	*	...	...		
44	4	7⅝	5	German Dawes 5%	5½	...	...		
33⅛	3	6½	3⅜	Do. Young Ln. 4½%	4	...	...		
30	15	24½	12½	Greek 6% Stab. Ln....	*	...	...		
35½	15	25	10¼	Hungary 7½%	11½	...	...		
61½	33	65	44	Japan 5½% 1930	*	...	...		

Prices, Jan. 1 to Sept. 11, 1940 High	Prices, Jan. 1 to Sept. 11, 1940 Low	Last two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 11, 1940	Ch'ge since Sept. 4	Yield Sept. 11, 1940 £	s.	d.
		%		%	**Railways**					
10	3¼	Nil		Nil	B.A. Gt. Sthn. Ord. ...	4	...	Nil		
9⅛	4⅞	Nil		Nil	*Can. Pac. Com. $25* ...	*	...	...		
52	22	3½	*c*	1½	*a* Gt. Western Ord.....	28½	+ ½	12	5	9
80	34½	5	*c*	2½	*a* LNER 5% Pref. 1955	50	...	10	0	0
60	20	4	*c*	2	*a* Do. 4% 1st Pf.	30	+ ½	13	6	6
24	9	Nil	*c*	1½	*c* L.M.S. Ord.	11¾	...	12	15	4
60¼	21½	4	*c*	2	*a* 4% Pf. 1923	32	+ ½	12	10	0
70¼	35	2	*b*	2	*a* 4% Pf.	45	+ ½	8	18	0
65¼	24	1½	*c*	¾	*a* Lon. Trans. "C" ...	27½	− ½	5	9	0
22	7	Nil	*c*	1¼	*c* Southern Def.	9¾	...	12	16	5
79	35½	5	*c*	2½	*a* Do. 5% Pf. Ord. ...	42½	− 1½	11	14	6
104	58½	2½	*a*	2½	*b* Do. 5% Pf.	75	...	6	13	4
					Banks and Discount					
67/9	50/6	10	*b*	7½	*a* Alexanders £2, £1 pd.	51/3	...	6	16	6
342½	316½	6	*a*	6	*b* Bank of England.....	329	...	3	12	6
£51	£43½	8	*c*	8	*c* Bk of Montreal $100...	*	...	...		
30/9	19/–	5	*a*	5	*b* Bk. of N. Zealand £1	23/9	...	6	14	10e
73/3	46/6	7	*b*	7	*a* Barclays Bank £1 ...	62/6	...	4	10	6
9½	5¼	5	*b*	5	*a* Chtd. of India £5.....	6½	+ ¼	7	14	0
52/–	45/–	5	*b*	5	*a* District B. £1 fy. pd.	48/9	...	4	2	0
£95	£92	£2½	*b*	£2½	*a* Hongkong and S. $125	£66½	+ £1	7	10	6
54/6	30/–	6	*b*	6	*a* Lloyds £5, £1 pd.....	43/6	...	5	10	6
82¼	51 7/32	7½	*b*	7½	*a* Martins £20, £2½ pd.	7	+ ⅛	5	7	0
85/–	68/–	8	*b*	8	*a* Midland £1, fy. pd....	76/6	6d	4	3	6
5⅝	4	5	*b*	5	*a* Nat. Dis. £2½ fy. pd.	4¾	...	5	5	0
32½	23⅛	8	*b*	8	*a* N. of Ind. £25, £12½pd	24	¼	8	6	6
69/9	39/–	7½	*b*	7½	*a* Nat. Prov. £5, £1 pd.	54 –	...	5	11	0
444	385	8½	*b*	8½	*a* Royal Bk. of Scotland	385	− 10	4	8	0
48/6	29/–	6¼	*b*	3¾	*a* Union Discount £1 ...	35/6	− 9d	5	12	0
85/–	46/–	9	*b*	9	*a* Westmtr. £4, £1 pd....	65/6	+ 1/–	5	10	0
					Insurance					
24⅝	15¾	40	*a*	50	*b* Alliance £1, fully pd.	19¾	+ ¼	4	11	0
13⅛	8⅝	4/6	*a*	6/–	*b* Atlas £5, £1¼ pd. ...	9¾	+ ¼	5	7	9
164⅝	82 5/32	†25	*b*	†22½	*a* Pearl (£1), fy. pd. ...	12¼	¼	3	16	0†
15 5/16	9 5/16	6/–	*a*	6/–	*b* Phœnix £1, fy. pd. ...	11½	...	5	4	3
29¾	16¼	†84·075	*c*	†12½	*a* Prudential £1 A	19½	...	4	6	0†
8¼	5	11	*a*	19	*b* Royal Exchange £1 ...	6¾	− ⅛	4	8	9
7	4¼	†10	*b*	13¾	*a* Sun Lf. Ass. £1 fy. pd.	5¼	...	5	0	9
					Investment Trusts					
498	472½	11	*a*	14	*b* Alliance Trust	475	...	5	9	2
187½	180	3½	*a*	8½	*b* Anglo-Amer. Deb. ...	180	...	6	13	4
148	139	6	*b*	4	*a* Debenture Corp. Stk.	140	...	7	2	9
187	155	5	*a*	8	*b* Invest. Trust Def. ...	*160*	...	8	2	0
165	139	3	*a*	7	*b* Trustees Corp. Ord....	145½	...	6	16	0
175	140½	6	*b*	4	*a* United States Deb. ...	152½	...	6	11	0
					Breweries, &c.					
125/6	96/3	†20	*b*	†5	*a* Bass Ratcliff Ord. £1..	106 –	2/–	4	14	3†
57/6	36/3	11	*b*	5	*a* Courage Ord. £1	41/3	...	7	14	0
70/3	46/–	6¼	*a*	10	*b* Distillers Ord. £1 ...	55/9	3d	5	17	0
83/–	45/–	11	*a*	14	*b* Guinness Ord. £1 ...	72/6	+ 1/3	6	18	0
76/6	47/–	16	*b*	7½	*a* Ind, Coope & Allp. £1	65/–	...	7	4	6
52/9	30/6	6	*a*	11	*b* Watney Combe Def. £1	46/6	− 1/–	7	6	0
					Iron, Coal and Steel					
6/6	3/–	10	*c*	10	*c* Baldwins 4/-	4/3	+ 6d	9	8	0
34/7½	13/11½	†5	*a*	†10	*b* Brown (J.) Ord. 10/–...	21/3	...	7	1	0†
8/9	3/6	6	*b*	4	*a* Cammell Laird 5/- ...	5/6xd	...	9	1	9
24/7½	11/3	3	*a*	5	*b* Colvilles Ord. £1 ...	17/–	+ 9d	9	8	10
28/11½	12/6	10	*c*	10	*c* Dorman Long Ord. £1	16/3	+ 1/3	12	6	9
26/11¼	13/6	†2½	*a*	†4	*b* Guest Keen &c.Ord.£1	20/–	− 7½d	*6*	*10*	0†
27/9	13/11½	15	*b*	7½	*a* *Hadfields 10/-*	20/–	...	11	5	0
22/7½	11/3	2	*a*	5½	*b* Powell Duffryn £1 ...	12/6	...	12	0	0

Prices, Jan. 1 to Sept. 11, 1940 High	Prices, Jan. 1 to Sept. 11, 1940 Low	Last two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 11, 1940	Ch'ge since Sept. 4	Yield Sept. 11, 1940 £	s.	d.
					Iron, Coal, &c. *—cont.*					
23 9	13 10	2	*c*	2	*c* S. Durham Ord. £1 ...	23 9	...	2	6	0
38 9	...	4		2	6 Staveley Coal, etc. £1	38 9	...	4	2	6
36 3	...	6		18	0 Stewarts & Lloyds £1	36 3	...	6	18	0
25	...	11		12	0 Sw. Hunter £1	25	...	11	12	0
17 4½	6d	9		2	9 Un. Steel Cos. Ord. £1	17 4½	6d	9	2	9
13 –	3d	7		14	0 Vickers 10/–	13 –	3d	7	14	0
					Textiles					
4 –	3d			Nil						
29 6	6d	6		15	0 Brit. Celanese 10/– ...	4 –	3d		Nil	
28 –	...	5		0	0 Coats, J. & P. £1	29 6	6d	6	15	0
25 –	7d	6		0	0 Courtaulds £1	28 –	...	5	0	0
16 6	...	9		2	0 English Swg. Ctn. £1	25 –	7d	6	0	0
46 3	7½d	3		12	9 Lancs. Cotton Corp £1	16 6	...	9	2	0
					Patons & Baldwins £1	46 3	7½d	3	12	9
					Electrical Manufactg.					
35 –	...	5		14	0 Associated Elec. £1 ...					
72 6	...	5		10	0 British Insulated £1 ...	35 –	...	5	14	0
55 –	2 6	5		9	0 Callenders £1	72 6	...	5	10	0
14 6	6d	6		18	0 Crompton Park. A 5/–	55 –	2 6	5	9	0
25 6	6d	7		16	9 English Electric £1 ...	14 6	6d	6	18	0
69 –	1 –	5		16	0 General Electric £1 ...	25 6	6d	7	16	9
					Gas and Electricity	69 –	1 –	5	16	0
31 3	7½d	5		2	0 Clyde Valley Elec. £1					
28 6xd	...	7		7	9 County of London £1	31 3	7½d	5	2	0
23 –	...	5		4	3 Edmundsons £1	28 6xd	...	7	7	9
14 9	...	5		8	0 Gas Light & C. £1 ...	23 –	...	5	4	3
39½	1	15		4	0 Imp. Cont. Gas Stk. ...	14 9	...	5	8	0
25 6	9d	5		17	3 Lancashire Elec. £1 ...	39½	1	15	4	0
14 6	11½d	3		8	6 London Ass. Elec. £1	25 6	9d	5	17	3
22 –	6d	6		6	0 North-East Elec. £1 ...	14 6	11½d	3	8	6
29 –	3d	6		4	0 Northmet Power £1 ...	22 –	6d	6	6	0
28 6	3d	5		12	6 Scottish Power £1.....	29 –	3d	6	4	0
30 –	...	5		6	9 Yorkshire Electric £1	28 6	3d	5	12	6
					Motor, Cycle and Aircraft	30 –	...	5	6	9
15 –	...	5		0	0 Austin 5/–					
9 –	...	11		2	3 Bristol Aero. 10/–	15 –	...	5	0	0
21/3	7½d	11		14	0 Dehavilland Air. £1	9 –	...	11	2	3
11 –	...	11		7	0† Fairey Aviation 10/–...	21/3	7½d	11	14	0
15/9	3d	7		12	6 Ford Motors £1	11 –	...	11	7	0†
9 7½	4½d	16		17	0 Hawker Siddeley (5/–)	15/9	3d	7	12	6
48 9	1/3	6		3	0 Lucas, J. (£1)	9 7½	4½d	16	17	0
51/3	...	7		16	0 Leyland Motors £1 ...	48 9	1/3	6	3	0
22/–	...	7		16	0 Morris Motors 5/– Ord.	51/3	...	7	16	0
3½	2/–	9		2	0 Rolls-Royce £1.....	22/–	2/–	9	2	0
11/6	⅝	5		14	0 Standard Motor 5/– ...	3½	⅝	5	14	0
					Shipping	11/6	...	10	17	3
17/3	3d	5		16	0 Furness, Withy £1 ...					
19/3	3d	6		15	0 P. & O. Def. £1.....	17/3	3d	5	16	0
14/6	...	6		19	0 Royal Mail Lines £1...	19/3	3d	6	15	0
6/6	...	Nil			Union Castle Ord. £1	14/6	...	6	19	0
					Tea and Rubber	6/6	...	Nil		
8 6½	2½d	9		2	9 Allied Sumatra £1.....					
14 7½	3d	8		3	0 Anglo-Dutch £1	8 6½	2½d	9	2	9
25 7½	7½d	7		16	0 Boots Pure Drug 5/–...	14 7½	3d	8	3	0
1 –	...	6		13	3 Brit. Aluminium £1 ...	25 7½	7½d	7	16	0
25 –	7½d	8		0	0 Brit.-Amer. Tob. £1...	1 –	...	6	13	3
2 1½	...	4		14	0 British Oxygen £1 ...	25 –	7½d	8	0	0
					Oil	2 1½	...	4	14	0
20 –	...	5		5	0 Anglo-Iranian £1					
29 4½	1/3	3		8	0 Apex (Trinidad) 5/– ...	20 –	...	5	5	0
25 6	6d	5		17	9 Burmah Oil £1	29 4½	1/3	3	8	0
45 –	7½d	9		6	6 Shell Transport £1 ...	25 6	6d	5	17	9
37/6	1/10½	2		13	3† Trinidad Leaseholds £1	45 –	7½d	9	6	6
69 4½	1/10½	4		6	9	37/6	1/10½	2	13	3†
					Miscellaneous	69 4½	1/10½	4	6	9
41/9	5/–	5		14	0 Assoc. P. Cement £1					
27/6	1/3	3		12	6 Barker (John) £1	41/9	5/–	5	14	0
39 –	1/6	3		19	9 Boots Pure Drug 5/–...	27/6	1/3	3	12	6
35/7½	1/3	6		11	9 Brit. Aluminium £1 ...	39 –	1/6	3	19	9
76/10½	7½d	5		0	0† Brit.-Amer. Tob. £1...	35/7½	1/3	6	11	9
58 9	...	5		16	0 British Oxygen £1 ...	76/10½	7½d	5	0	0†
33 9	...	11		16	0 Brockhouse (J.) £1 ...	58 9	...	5	16	0
50	2	8		0	0 Cable & Wir. Hdg. ...	33 9	...	11	16	0
4	...	6		13	4 Carreras 'A' Ord. £1	50	2	8	0	0
28/–	1/–	6		8	6d Dunlop £1.....	4	...	6	13	4
6 7½	1½d			Nil	Elec. & Mus. Ind. 10/–	28/–	1/–	6	8	6d
24 6	6d	8		2	0 Ever Ready Co. 5/–	6 7½	1½d		Nil	
3⅞	⅛	7		2	0 Gallaher Ltd. Ord. £1	24 6	6d	8	2	0
17 6	...	11		8	6 Gestetner (D.) 5/– ...	3⅞	⅛	7	2	0
72 6	...	5		10	0 Harrison & Cros.Df.£1	17 6	...	11	8	6
29/–	3/9	6		18	0 Harrods £1	72 6	3/9	6	18	0
25/9	1/6	4		16	0 Imp. Chem. Ord. £1...	29/–	1/6	4	16	0
7/9	...	6		4	0 Imp. Smelting £1.....	25/9	...	6	4	0
4¾	1/6			Nil	Imp. Tobacco £1	7/9	1/6		Nil	
*	⅛	4		16	6† Inter. Nickel n.p.	4¾	⅛	4	16	6†
10/9	...	...			International Tea 5/–	*	...	...		
20/6	6d	5		12	0 Lever & Unilever £1...	10/9	...	5	12	0
36/–	2/3	9		15	0 London Brick £1	20/6	6d	9	15	0
81/3	1/3	5		10	0 Lyons (J.) Ord. £1 ...	36/–	2/3	5	10	0
36/3	...	4		18	0 Marks & Spen. 'A' 5/–	81/3	1/3	4	18	0
3¼	...	5		4	0 Metal Box £1	36/3	...	5	4	0
67/6	2/6	5		7	9 Murex £1 Ord.	3¼	...	5	7	9
18 –	...	5		19	0 Pinchin Johnson 10/–	67/6	2/6	5	19	0
16 –	...	5		11	0 Ranks Ord. 5/–	18 –	...	5	11	0
57/6	1/–	5		12	6 Spillers Ord. £1	16 –	1/–	5	12	6
44 3	2/6	5		4	6 Tate and Lyle £1	57/6	2/6	5	4	6
35 –	9d	6		2	0 Tilling, Thos. £1	44 3	9d	6	2	0
18 –	...	5		14	0 Triplex Safety G. 10/–	35 –	...	5	14	0
81 3	9d	11		2	0 Tube Investments £1	18 –	9d	11	2	0
53 9	1/3	5		16	9 Turner & Newall £1...	81 3	...	5	16	9
43 1½	...	5		12	0 United Dairies £1.....	53 9	1/3	5	12	0
19 6	1½d	7		19	0g United Molasses 6/8...	43 1½	...	5	16	0
50	1/6	5		16	0g Woolworth Ord. 5/–...	19 6	1½d	7	19	0g
					Mines	50	1/6	5	16	0g
43 1½	1/3	8		16	0 Ashanti Goldfields 4/–					
7 3	...	9		1	Burma Corp. Rs. 9 ...	43 1½	1/3	8	16	0
30 –	1/3	9		3	Cons. Glds. of S. Af. £1	7 3	...	9	1	
12¾	...	7			Crown Mines 10/–	30 –	1/3	9	3	
3⅝	...				De Beers (Def.) £2½	12¾	...	7		
33 1½	1/0½	4			Randfontein £1.....	3⅝	...			
7¾	¼	3			Rhokana Corp. £1 ...	33 1½	1/0½	4		
13/–	6d	5		5	Roan Antelope Cpr. 5/–	7¾	¼	3		
71 5/16	1/16	6			Sub Nigel 10/–	13/–	6d	5	5	
5⅞	⅛	8			Union Cp. 12/6 fy. pd.	71 5/16	1/16	6		
52 6	...	...			W. Witwatersrand 10/–	5⅞	⅛	8		

(*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. (*i*) Annas per share. (*j*) Yield worked to average redemption—end 1960. (*k*) Based on redemption at par in 1946. (*l*) Yield based on 75½% 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 per cent. out of capital reserve. (*p*) Yield worked on a 2½ per cent. basis. (*q*) Worked on 69% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

	Sept. 3, 1940	Sept. 10, 1940
CEREALS AND MEAT		
GRAIN, etc.	s. d.	s. d.
Wheat—	26 4½	26 6
No. 1, N. Mt. 496 lb. f.o.b. Vc.	14 7	14 7
Eng. Gaz. av., per cwt.		
Flour, per 280 lb.—	25 6	25 6
Straights, d/d London	21 3	21 1
Barley, Eng. Gaz., av., per cwt.	14 2	14 5
Oats " " " "	13 0	12 9
Maize, La Plata, 480 lb., f.o.b....	10 0	10 6
Rice, Burma, No. 2, per cwt. f.o.b.		
MEAT—Beef, per 8 lb.—		
English long sides	4 8	4 8
	6 0	6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4	4 4
	8 0	8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)—		
Home Produced	121 4	121 4
Imported	85 0	85 0
COCOA (per cwt.)—		
Accra, g.f.	35 0	35 0
	55 0	55 0
Grenada	59 0	59 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	45 0	45 0
	65 0	65 0
Costa Rica, medium to good ...	95 0	95 0
	28 0	28 0
EGGS (per 120)—*English (Std.)*...	64 0	64 0
LARD (per cwt.)—Imported		
POTATOES (per cwt.)—	6 6	7 0
	8 0	8 0
English, King Edward		
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm. c.i.f. U.K./Cont.	7 6	7 6
REFINED *London*—		
Granulated, 2 cwt. bags	40 6	40 6
	38 0	38 0
West India Crystallised	41 6	41 6
TOBACCO (per lb.)—		
Indian stemmed and un-stemmed	0 7	0 7
	2 4	2 4
	1 0	1 0
Rhodesian, stemmed and un-*stemmed*	2 6	2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American.....	8·33	8·24
" Giza, F.G.F.	13·83	13·21
Yarns, 32's Twist	14·88	14·84
" 40's Weft	16·13	16·09
" 60's *Twist (Egyptian)* ...	27·50	27·00
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.
16 × 16, 32's & 50's ...	24 3	24 3

	Sept. 3, 1940	Sept. 10, 1940
COTTON—*continued.*	s. d.	s. d.
Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's...	35 3	35 3
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.....	13 3	13 3
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 3	12 3
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	200 0	200 0
Pernau HD	180 0	180 0
HEMP (per ton)—Manilla, spot "J2"	26/0/0	26/0/0
JUTE (per ton)—		
Daisee 2/3, c.i.f. Dundee, Oct.-Nov. (new)	22/0/0	22/0/0
	s. d.	s. d.
Common 8 lb. cops.....	2 4	2 4
SISAL (per ton)—African, Aug.-Oct. —No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)—	s. d.	s. d.
Japan	13 9	13 9
	14 6	14 6
China fil	15 6	15 6
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19	19
Selected blackfaced, greasy.....	14	14
Australian scrd. fleece, 70's	35½	35½
Cape scrd. average snow white...	28½	28½
N.Z. scrd. 2nd pieces, 50-56's ...	23	23
Tops—		
64's warp	42½	42½
56's super carded	36¾	36¾
48's average carded	29¼	29¼
44's prepared	28	28
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best

SHORTER COMMENTS

(*Continued from page* 350)

strikingly improved from £24,782 to £51,710. Higher taxation (£60,215 against £25,252) and the increase in the standard rate account for the reduction in the MECCANO tax free dividend from 15 to 5 per cent. and in the reduction in net profits from £42,003 to £32,831, despite the higher total income. NORTH CENTRAL WAGON COMPANY has passed the ordinary dividend after making a 15 per cent. payment for many years. War conditions and numerous defaults reduced gross income from £114,200 to £73,161 and net profits from £43,627 to £16,045. The normal dividend income was received from WAGON REPAIRS, which paid 10 per cent. as before from a net income of £43,863 against £57,816. The PORT OF BEIRA DEVELOPMENT COMPANY has reduced its dividend from 4.5d. to 4.11d. per share, reflecting a reduction in gross income from £15,540 to £14,371, for which a decline in imports and exports is responsible, and a fall in net profits from £11,047 to £8,054.

Transvaal Gold Output, August.—(Fine ounces) Witwatersrand, 1,169,790; other districts, 29,909; total, 1,199,699. July total, 1,195,536. Native labour employment as at August 31st: Gold mines, 353,493; coal mines, 18,526; total, 372,019.

British Aluminium.—Interim dividend 3 per cent., payable on October 1st, against interim last year of 4 per cent. and final of 8½ per cent.

Brewers and Distillers of Vancouver, Ltd.—The consolidated statement of this company and its subsidiaries for six months ended June 30, 1940, show net profits $140,602.96 ($202,627.01) after deducting for depreciation $66,555.34 ($67,252.84) and as a reserve for income taxes at the new rates $129,500 ($90,062.28). Apart from the increase in taxes the decrease in net profits is more than accounted for by the complete liquidation of inventories of American type whiskies which were taken into the accounts last year.

North Central Wagon Company.—Net revenue, year to June 30, 1940, £59,254 (£110,228). To tax provision, £8,200 (£17,260). Net profit, £16,295 (£43,877). Carry forward, £12,196 (£5,900). No dividend on ordinary shares against 15 per cent.

Amalgamated Roadstone Corporation, Ltd.—Trading profit, including those of all the subsidiaries, year to March 31, 1940, £55,660 (£74,527). To amortisation, etc., £22,753 (£19,290). To income tax, £15,136 (£6,209). To N.D.C., £2,135 (£2,963). The fixed dividend on £250,000 6½ per cent. cumulative preference shares has not been paid since April 1, 1939. Net profit, £14,482. Carry forward, £24,682 (£10,199).

Anglo-Java Rubber Company.—Total revenue, year to March 31, 1940, £374,580 (£228,872). Estate expenditure, £[illegible]698 (£144,039). To estates reserve, £30,000 (£10,000). To buildings, etc., £5,000 (£5,000). To taxation, £57,500 (nil). Ordinary dividend, 4 against 2 per cent. Carry forward, £13,685 (£15,255).

Tekka, Ltd.—Profit (after N.D.C.), year to March 31, 1940, £34,278 (£13,108). Depreciation, £5,000. Taxation reserve, £6,000 (£2,500). Ordinary dividend, 1s. 3d. per share (3d.). Carry forward, £24,197.

Meccano, Ltd.—Gross profit for year to February 29, 1940, £254,526 (£239,891). Overhead charges, £134,656 (£148,467). Taxation, £60,215 (£25,252). Net profit, £47,532 (£54,201). Carry forward, £41,333 (£23,577). Ordinary dividend, 5 per cent. tax free (15 per cent. tax free).

Qualcast, Ltd.—Profit for year to June 30, 1940, £99,663 (£97,553). Ordinary dividend 20 per cent. plus cash bonus 10 per cent. as before.

Yokohama Specie Bank.—At the general meeting, held in Japan on September 10th, accounts for 121st half-year ended June 30, 1940, were submitted and approved. A dividend at the rate of 10 per cent. per annum was declared. In addition, a further amount of Yen 1,250,000 was carried to the ordinary reserve, bringing this fund to Yen 142,150,000.

Second Alliance Trust. — Revenue year to July 31, 1940, £226,983 (£230,161); to expenses, etc., including £64,300 (£47,645); taxes, £75,180 (£57,719); interest, £44,728 (£55,967); to 4½ per cent. Preference dividend, £21,001; final ordinary dividend, 12 per cent., making 21 per cent. (same); to contingency reserve, £30,000 (same); carry forward, £17,847 (£13,475).

Initial Services, Ltd.—Profit to June 30, 1940, £308,434 (£336,042). To general reserve, £10,000 (£50,000). Ordinary dividend unchanged at 25 per cent. for year. To staff benevolent fund, £1,000 (same). Carry forward, £9,497 (£10,603). The aggregate profit of the company for the year ended June 30, 1940, and its subsidiary companies for the accounting periods ended therein, before making reserve for taxation, amounts to £327,759, compared with the aggregate figure of the previous year of £364,174.

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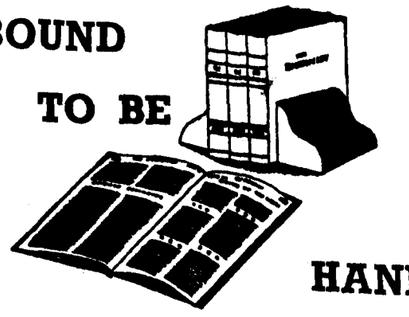

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Is It Inflation?

THE present week is a landmark of quite exceptional importance in the history of British public finance. With this week's return, the total of the gross National Debt, so far as it can be calculated from week to week, has gone above the figure of £10,000 millions. The last comparable landmark—that of £1,000 millions—was passed just before the end of the first year of the last war; this new stage is reached just after the end of the first year of Hitler's war. This conjuncture of events would be sufficient to dictate a survey of the financing of the first year of the war, even if Mr Keynes had not re-directed the attention of the public to financial matters by his surprisingly soothing and optimistic broadcast of Monday evening. Mr Keynes had two points to make: the first was that there was no reason to expect a lowered standard of living when the war is over; the second was that there has been no significant degree of budgetary inflation to date. The first point may be readily conceded. Indeed, it has been emphasised in these columns ever since the first week of the war, and it can well be re-emphasised now, when the sight of destruction in our own cities might lead to the false conclusion that the nation's future capacity for creating wealth is being seriously impaired. The truth that the nation must pay for the war while it is in progress is now fairly generally accepted: its corollary is that the nation will not have to pay for it, in the shape of a lower standard of living, when it is over.

Mr Keynes's second proposition, however, deserves closer scrutiny. An essential preliminary to deciding whether or not there has been any inflation hitherto is to be quite clear about what constitutes this dreadful bogy. A rise in prices, even in all prices, does not by itself constitute inflation, in the sense in which the word is currently used. That rise may be entirely due to a rising world price-level, shifting exchange rates, increased freights or a scarcity of goods. Nor can we safely diagnose inflation merely because the rise in prices is accompanied by an increase in the quantity of money in existence. When prices rise, the community needs additional supplies of money to carry on its business, and the rising circulation, or an increased total of bank deposits, may be purely consequential. It is only if both prices and the quantity of money go on rising after a country has adjusted itself to any change in its external circumstances that a *prima facie* diagnosis of inflation can be made out. And it is only if it can be established that the increased quantity of money is coming into existence, not consequentially as the result of a demand from the public, but causally as a means of meeting the Government deficit, that probability can be turned into certainty.

Some of the evidence for and against the existence of inflation is summarised in the three charts on the next page. Two of these relate to the movement of prices, the third to the supply of money. The first chart shows that there has been a definite rise in all forms of prices. The rise in wholesale prices has been rather greater than in the first year of the last war—but with this significant difference, that while the greater part of the rise in this war was in the first four months, with a considerable slackening of the rate thereafter, in the last war the rise tended to get steeper as time went on. The conclusion to be drawn from this comparison is reassuring. With a much more rapid acceleration in Government expenditure, prices have risen little more than in the first year of the last war—and though there was plenty of inflation later on in 1914-18, it would be conceded by all monetary historians of that period that little damage had been done by August, 1915.

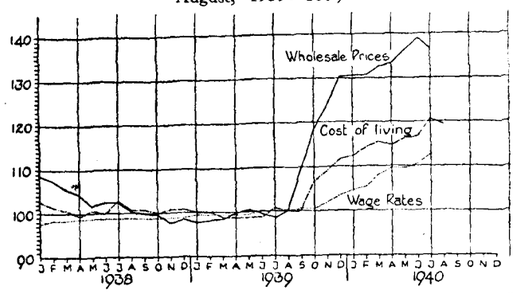
The behaviour of the different categories of prices has been as might have been expected, with the rise in wholesale prices considerably larger than that in the cost of living. The rise in wage rates, though considerable, has been much smaller than either of the other two. This is what usually happens, and it would seem to suggest that, in respect both of timing and extent, the impetus towards higher prices has come from wholesale prices — that is, from imports. On the other hand, the second chart shows

that the rise in wholesale prices has been considerably greater than can be justified by the fall of the pound (which does not, in any case, affect more than a portion of our imports) or the trend of world prices. Moreover, though wholesale prices are not now rising, the other two lines of the first chart show no convincing sign of having reached their peak. The conclusion of this brief examination of prices would seem to be that the original impetus came from outside, but that there is a distinct tendency for the rise to continue after this original impetus has exhausted itself. On the money side, the third chart shows an almost identical proportional increase in current accounts—the active portion of bank deposits—and in the amount of notes and coin actually in the hands of the public. The rise has been moderate, but it has accelerated in the last few months—just when the rate of Government expenditure has been increasing rapidly.

A close examination of the available data does, therefore, disclose a few signs of the presence of an inflationary element. On the side of prices, there is the continuing rise in prices—no less noteworthy because it seems to be

I.—PRICES, 1938-40

(*Wholesale Prices:* "Economist" Index; *Cost of Living:* Ministry of Labour; *Wage Rates:* London and Cambridge Service. August, 1939 = 100.)



strongest, at the moment, in wage rates. On the money side, there is an accelerating creation of purchasing power. But these symptoms of inflation are neither large nor, without further examination, very conclusive.

Further light can be sought by an examination of the methods by which the increased supply of money has come into existence. If it were the result of an increased demand from the public for cash with which to transact business at higher prices, one could expect to find an increased need for bank advances, a tendency for the banks' cash ratios to fall, and even perhaps a hardening of money rates. But this is not at all what has happened. The advances of the clearing banks were nearly £66 millions lower in August, 1940, than in August, 1939; and their cash ratio had risen from 10.37 per cent. to 11.02 per cent. The significant changes in the clearing banks' balance sheets had been as follows:—

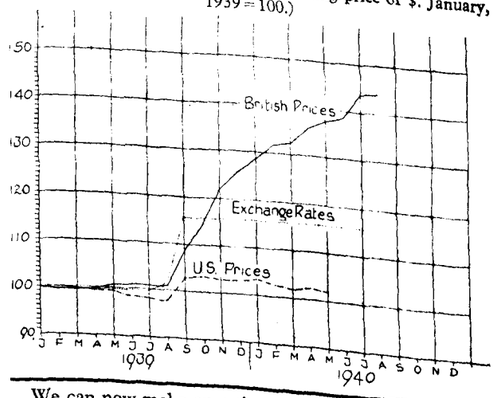
CHANGE (TO NEAREST MILLION POUNDS) IN BALANCE-SHEET ITEMS OF LONDON CLEARING BANKS, AUGUST, 1939, to AUGUST, 1940

	£ million
Deposits	+ 236
Cash	+ 40
Discounts	+ 151
Treasury deposit receipts	+ 26
Investments	+ 83
Loans and advances	− 66

Virtually the whole of the increase in discounts, Treasury deposit receipts, and investments can be considered to be money placed at the disposal of the Treasury. A total of £260 millions has been found for the Government in this way, of which £66 millions came from the savings of the public through the repayment of bank advances, and the remainder came from newly-created credits. The Government's indebtedness to the Bank of England itself (so far as it can be identified) was £78 millions higher at the beginning of September than it had been twelve months earlier (which was *after* the sale of the Bank's gold to the Government). Making allowance for banks not members of the London Clearing House, we shall be safe in saying that in the first year of the war Government expenditure to the amount of about £300 millions was financed out of newly-created bank credit. Moreover, the repayment of advances to the banks shows that this creation of money was the first rather than the last link in the chain. In other words, it is unmistakably inflation, even though, in comparison with the sums of money in circulation, an inflation of £300 millions might be excused, like the servant girl's illegitimate baby, on the ground that it is a very little one.

II.—BRITISH AND AMERICAN PRICES

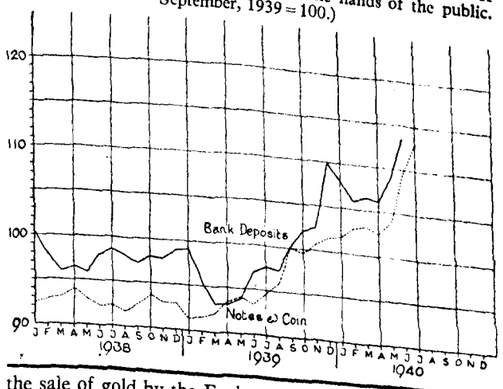
(*British Prices:* Board of Trade; *U.S. Prices:* Bureau of Labor Statistics; *Exchange Rates:* Index of sterling price of $. January, 1939 = 100.)



We can now make an estimate of the methods by which the first year of war has been financed. The total ordinary expenditure of the Exchequer was, in round figures, £2,640 millions. Revenue provided £1,160 millions, increase in the floating debt £800 millions, sales of Savings Certificates and 3 per cent. Defence Bonds £270 millions and the creation of other debt a net amount of £400 millions. (The total of these items does not exactly agree with the expenditure owing to small miscellaneous transactions). These figures require a certain amount of rearrangement before they can be presented in intelligible form. Any draft on the external assets of the country (e.g.

III.—THE SUPPLY OF MONEY

(*Bank Deposits:* Index number of current accounts of London Clearing Banks; *Notes and Coin:* Index number of Bank of England estimates of notes and coin in the hands of the public. September, 1939 = 100.)



the sale of gold by the Exchange Equalisation Account) or the incurment of external debts (e.g. an increase in sterling area balances in London) will tend to be reflected in an increased issue of Treasury Bills. A substantial part, perhaps nearly half, of the increase in the floating debt should therefore be regarded as the utilisation of capital assets. The so-called "small savings" amount to more than the £270 millions of subscriptions to Savings Certificates and Defence Bonds; the total of "personal savings," large and small, as distinct from institutional savings, can perhaps be put as high as £400 millions. The estimate can therefore be presented in the form of the table on page 391, though it must be emphasised that nearly every figure is an estimate.

Is this a dangerous state of affairs? In itself, no. Only a counsellor of perfection would expect a full-scale war

	£ millions
Total ordinary expenditure of the Exchequer	2,640
Funds raised by—	
Revenue	1,160
Utilisation of capital assets*	400
Personal savings	400
Institutional savings	380
Creation of credit	300
Total	2,640

* Including new debts incurred abroad.

to be financed without any inflation at all, and it is a matter for congratulation that eight-ninths of the total cost has been raised by non-inflationary means. But it is doubtful whether this favourable record can be repeated in the second year of war. Total expenditure will then be at least £4,000 millions, of which revenue is not likely to find more than, say, £1,600 millions on the basis of tax as already announced. None of the three other non-inflationary items can be counted on to produce much more than in the first year, unless special steps to secure an induced expansion of savings—or compulsory savings—are taken. There is consequently a risk that, if nothing more is done, the contribution left to be made by the creation of credit may be four times as large in the second year as in the first. On the other hand, there are powerful and continuing factors at work which will serve, not to reduce the amount of inflation, but to palliate its effects. For one thing, the blockade of virtually the whole of Continental Europe has produced a state of affairs not far removed from deflation in world markets, and this cannot fail to exert a substantial drag on any tendency of British prices to rise. Secondly, coupled with budgetary inflation, we still have a substantial movement of private and industrial deflation in this country itself, owing to the activities that are being brought to an end by shortage of raw materials, evacuation, bombing and the deliberate restriction of consumption. There is a very real sense in which these deflationary tendencies are more dangerous to the community at the present moment than any current budgetary inflation.

Possibly Mr Keynes did not realise the extent to which his broadcast would be generally taken as an invitation to the public to stop worrying about precisely those crucial points of financial and fiscal policy on which he himself and others have been trying for twelve months past to arouse opinion. This would certainly be a dangerous inference. The most that can be said is that, through a conjuncture of circumstances, we have been able to avoid the difficulties of war finance in the first year of war—though not as completely as Mr Keynes would have us believe. The most significant point in his broadcast was that "this second year is, in truth, the first year of the real war for Britain." There is not the slightest reason for relaxing the pressure of opinion for a courageous and comprehensive financial policy.

Japan's "Manifest Destiny"

THE belief that Japan's destiny is to control the whole of the South Seas—an unspecified area stretching from the Asiatic mainland to the limits of the Barrier Reef and very probably beyond to Australia—is as old as the Japanese Navy. The campaigns in China are a mere preliminary, the closing of an inconvenient back door before the main offensive is launched. The collapse of Holland and France in the early summer opened up new vistas of conquest, although all politicians were not as frank as General Koiso, Japan's special envoy to Netherlands Indies, who declared, early in August, that Japan's mission was to "emancipate" Holland's oppressed and exploited colonies. The demands on Indo-China and the despatch of Mr Kobayashi, the Minister of Commerce, to Batavia to secure new trading facilities and new openings for Japanese penetration are two facets of the same policy—the turning of Japanese attention towards the South where the European wars have created a vacuum.

Germany is no obstacle to a new advance; and it seems that Germany values Japan's "nuisance value" more than the retention of her own lien on Indo-China. Nor have many obstacles—bar the very great obstacles of our physical presence in the Far East—been raised by Great Britain, beleaguered in the West and suffering a series of military reverses. Our record in the Far East this year is one of melancholy retreat. The year began badly with the *Asama Maru* incident, and although, after a year's negotiations, the Tientsin question was settled early in June, in a few weeks Japan was demanding the closing of the Burma Road. On July 17th we closed the Road. The attitude of the Japanese took the form of inciting acts of terrorism in Shanghai against Chinese and foreigners and new and more far-reaching demands on Indo-China, continuing anti-British demonstrations and speaking more openly of the "changing balance of power" in the world. The British Government felt compelled to make a clarification of Japanese policy "in view of the rumours of Japan's inclination towards the Axis and the "clarification" was received in the ten British subjects. The limit of British patience was reached with the suspicious death of Reuter's correspondent, and the reply was to arrest a number of Japanese citizens in London and other parts of the Empire. This firmness had its effect. Most of the British prisoners were released, and the anti-British demonstrations ceased.

Actually the real obstacles to Japan's new expansion came from the obstinate refusal of the China incident to go into liquidation, and the stiffening of the United States' attitude towards Japan's claims in the Far East. Japan is in the melancholy position of seeing the curtain rise for the first act of her South Seas drama before the Chinese overture has been played through. Since January the results of Japanese military action in China have been on the whole discouraging; the setting up in March of the Central Chinese Government of Wang-ching Wei had a no more successful sequel. Mr Cordell Hull immediately dismissed the Nanking Government's pretensions, and Chungking was able to announce that only six of the 260 members of the Kuomintang's Central Executive Council had agreed to serve at Nanking.

Thus, when events in Europe provided new opportunities for Japanese advances, they had to be used, not primarily to extend her influence southwards, but to cut off Free China from its sources of supply overseas. The demand for a free hand in Indo-China aims first of all at closing Chiang-kai Shek's supply routes, and the movement of units of the Japanese Navy southwards has been primarily designed to break down the last objections of the Vichy Government. But by increasing pressure on Indo-China and moving into a new area of expansion, Japan has increased the distrust and the activity of the United States. The American Government coupled its contemptuous refusal to recognise Wang-ching Wei with a $20 millions loan to the Chungking Government, a loan which Japan fretfully declared to be "an unfriendly act." In April, Mr Cordell Hull stated that any threat to the Netherlands Indies would be looked upon as a threat to the peace of the Pacific as a whole, and therefore as a matter of grave concern to the United States. After the collapse of Holland, America's concern was underlined by the concentration of the American Fleet off Hawaii. The United States' ban on the export of aviation petrol and scrap, although it was a general embargo, was pointed enough to lead Japan to protest, and the ban was a reminder of what a full embargo could do if American patience were once exhausted. A new loan to China, announced this week, is still another proof that the United States is not to be warned off.

But Japan is not perturbed only by the attitude of the United States. The gradual grouping together of the democratic English-speaking Powers into a loose alliance is equally disturbing. America's two-ocean Navy, com-

bined with the new co-operation with the navies of the British Empire, may well create a situation in which Japanese control of the South Seas is a physical impossibility. The defence talks with Britain and Australia have a special relevance, since Australia will take fresh courage if she can rely upon a system of Anglo-American co-operation in defence. Nor can Japan hope for much from a change of President in the United States, since Mr Willkie has declared a free democratic China to be in the interests of the United States.

There is no substantial division of opinion in Japan on the necessity of liquidating the China incident. Those who earlier preferred limited conquests and an understanding with Chiang-kai Shek have been driven to the extremist standpoint by Chiang-kai Shek's determined resistance and by the absolute necessity of securing China for exploitation in order to recoup the losses of three years' wasteful war. But there is considerable division of opinion upon the advisability of extending the sphere of conflict. The military and naval extremists wish for a hard and fast alliance with the Axis and for the elimination of all foreign interests in China. They use Britain's military embarrassment, the defeat of France and Holland and the emergence of a "New Order" as their grounds for urging a bold foreign policy. They can also use the hardships imposed by the war on the civil population, the increases in taxation, budgetary deficits, inflation, the unrest and dissatisfaction, as arguments in favour of a desperate bid to end Japan's "servitude" now, to secure control of China and extend Imperial Japan into the South Seas.

The conservative advisers of the Emperor, the great business interests (the *Zaibatsu*), the moderate politicians see the danger of this path. The help the Axis can give to Japan is negligible. China *may* be more easy to liquidate, if Japan controls Indo-China and if the Burma Road is permanently closed, but, short of a conflict with the United States and Britain, there is no guarantee that these southern approaches can be permanently closed. Similarly, the attractions of occupying and exploiting the Netherlands Indies are great, but no supplies of raw materials from the East Indian Archipelago could compensate Japan for a possible loss of her British or American markets. Japan cannot go forward on an untrammelled path of aggression; so far she has not even made her first aggression pay.

Much that is paradoxical in Japan's recent history is explained by the fact that she must let "I dare not" wait upon "I would." It explains the outbursts of indignation and bitter "reprisals" followed by readiness for a conciliatory settlement. It explains the frequent contradictions. It explains the verbal violence. Above all, it explains the recent changes in the structure of the State. Extremist pressure has for years been directed towards the establishment of a military dictatorship. Every major crisis—the shooting of Mr Monye and Baron Dan in 1932, for example, or the Tokyo revolt of 1936—has seen the political power of the Services increased. The success of the totalitarian Powers in Europe since 1938 has been used by the military extremists to urge that Japan can be as successful only if she abandons the effete forms of parliamentary democracy and establishes a structure more in keeping with "world history" and her own particular genius. Few influential politicians have any great feeling for a democracy which has never been more than a name, but the moderates have a very strong animus against a military dictatorship which might launch Japan into a war against the West, and at the same time ruin the whole delicate economic mechanism upon which Japan's war effort rests. The Konoye form of totalitarianism will therefore be a compromise. To satisfy the militarists, the forms of parliamentary democracy are to be abolished, but supreme power is to remain with the Emperor—and so with the moderates who surround him. There will be no single party, no dictator, for the only conceivable "fascist" dictator in Japan would spring from the ranks of the Army, and the moderates are still powerful enough to keep the military malcontents in check.

Thus Japan faces the winter with none of her major problems settled. Even in Indo-China, where the position is still not clear, it appears that there are limits to what Frenchmen on the spot will brook on instructions from the Vichy defeatists. It is not even certain yet whether fighting on the border between French and Japanese forces has ceased, though it is reasonably sure that Japan will be able, by agreement or by force, to establish the bases she seeks against China. But, if France and Britain have been obliged to beat a retreat, a new era in Anglo-American co-operation has opened. And in Japan, if the moderates have kept power only at the price of a tactical withdrawal, the number of further positions to which they can retire is very limited. And whether moderates or militarists are at the helm, there is little in Japan's future save further war, further ruin, further involvement in the New Disorder in East Asia.

Parliament at War

THE Germans' definition of military objectives is generous. It includes Buckingham Palace, and the Houses of Parliament are no doubt on the list. As a consequence, the doings of Parliament now get little advance publicity; and, as Members in any case meet on fewer occasions than in peacetime, in order to leave Ministers freer to prosecute the war, the central rôle of the legislature tends to be somewhat hidden. The single aim of government in these days is to fight the enemy, and the stress is almost entirely on administration.

Away from Westminster, too, Parliament lacks its peacetime limelight of party politics. By-elections are not contested by the major political groups. Local propaganda is confined to keeping the parties' identity and ideals alive. There will be no general elections while the war lasts, and a Bill to prolong the existence of the present House of Commons is expected soon.

All this does not involve the abnegation of Parliament. The House of Commons necessarily speaks in more muted tones and not so frequently, but its chief function is the same as always—and more important. The cardinal need in wartime is indeed a strong executive. But the stronger the executive is permitted to be, the greater the responsibility of the Commons to make sure that the powers of government are used efficiently and according to the people's will. In peacetime, the people can speak at elections, and the sanction of their suffrage is never far from any Government's mind. In wartime it is different and, more than at any other time, it devolves upon Members of Parliament to do the people's work for them as their representatives.

Parliament then has three jobs in wartime. The first and most important is to secure that the Government which commands the support of a Parliamentary majority has also the confidence of the people. Cabinets and Ministers can be changed even though the acid test of elections is withheld. The party make-up of the Commons has not perceptibly altered since the war broke out. But the events of last May, when Mr Chamberlain gave way to Mr Churchill, represented a radical realignment in English politics, and they mirrored a sweeping) or dramatic change in public opinion. The question at stake was the conduct of the war, and it fell to Members in an Parliament, regardless of their lesser loyalties and party, perations, to save their country. The new Government should cluttered with old and irrelevant allegiances. But assets. mands the people's confidence as the old one than the It is popular in proportion to the popularity of candidates and ment that is popular—that is, the Government large and people would have chosen had they the chance—its second duty is to see to it that the Government is efficient, to play the searchlight of Parliamentary questions and criticism upon the conduct of the war in all its branches, and to keep

watch over both the liberty and security of the nation. It has been a heartening sign so far in this war that every attempt to curb democratic curiosity, and every effort to give *carte blanche* to the executive in matters vitally affecting civilian rights, have been resisted. It is no accident that Mr Churchill, who himself has a deep historical faith in the mission of Parliament, has been raised to power and given the full confidence of the Commons. That is Parliament's third duty—to give the completest backing to a Government proved both efficient and popular.

Full support is not mere acquiescence. A complaisant Parliament would be no Parliament at all, but a Reichstag. Support must mean more than a vote in the lobby or a docile *Heil*. It means positive assistance in the conduct of public affairs; and one of the lessons of the war may be the discovery of new ways to harness the energy and ability of Members. In ordinary times, the part of the back-bencher in the business of government, in planning policy or administration, is too small. His duty, apart from his constant contact with constituents, is to vote for or against the Government, and the give-and-take of democratic procedure is conducted by a comparatively few leaders and pundits of the main parties. To a point, this is inevitable. Party discipline among the majority is indispensable to ensure the carrying through of a positive programme of legislation by the Government—the party leaders to whom the task of working out and applying such a programme is devolved; and it is almost equally needed by the Opposition to secure unbroken support for an alternative programme which would be the Government's programme were the current Ministers to fall at the polls or in the House. The two-party system provides two broad channels of opinion, through one or the other of which all the significant aspirations or interests of the electorate can be voiced, and its discipline makes stable and positive government possible.

This is the time-honoured formula which explains the impotence of private Members. It is common sense so far as it goes, but it does not explain their inactivity. In both France and the United States, other methods have attracted the attention of British observers. The standing commissions of the Chamber of the French Republic in contact with Government departments gave a chance, like the corresponding committees of the American Senate, for groups of elected representatives to pass judgment in their own right upon legislation, to study particular problems of government at first hand and to survey the workings of the executive critically. The two systems vary widely, but their example has long given rise to proposals here for forming Members into groups of responsible experts, and the overloading of parliamentary time has added strength to the case for devolving more work upon specialised committees of Members.

Actually, these suggestions are not wholly sound. The trouble about devolution of this sort is that it weakens responsibility and detracts from the power and competence of the Government itself. There is the constant danger of creating an *imperium in imperio;* in France the official spokesmen of the commissions were the rivals of Ministers rather than their *aides;* and in the United States the [illegible]em is only possible because the so-called Cabinet has [illegible]ny case neither responsibility nor power. These objec- are convincing. Responsibility must remain fairly squarely upon the shoulders of the Cabinet, to be [illegible] only to the shoulders of another Cabinet, when the [illegible]t of electors or of the House of Commons is with- Moreover, Members of Parliament, in their capacity [illegible]bers, are not experts. They are representative and their function is not to make policy but, with [illegible]n their constituencies, to watch critically over its "trick[illegible]" without participating.

[illegible] does not mean that no fresh work can be found —the [illegible]t least of the Members, though it does imply [illegible]cent proposal of the Labour Party for departmittees to scrutinise administration ignores [illegible] elements in present constitutional practice. The function of finding and supporting a popular and efficient Government remains paramount; and it is imperative that, when such a Government is found, it should be given full powers to carry out its policy without stint or hindrance. But the duty of criticism is indispensable. Constant vigilance is necessary to elicit information about the activities of the executive and to ensure that the Government's popularity and efficiency are not lost; and it is on this side of inquiry and criticism, not in the Government's own sphere of government, that the energies of Members might be made more helpful.

Frequent opportunities for criticism are, of course, part and parcel of parliamentary procedure as it is—at question time, on adjournment motions and in general debate. But these are largely desultory and fortuitous opportunities in times of crisis, powerful though the part of parliamentary questions still is, and it is probable that the model for more continuous use of Members' zeal can be found in two wartime developments. The first is the Select Committee on National Expenditure which, through a number of sub-committees, examines the economical side of departmental activities. Public money is asked for and spent by the Ministers of the Crown and no one else. That is a constitutional maxim. But the Commons are still guardians of the people's purse, and in their scrutiny of national expenditure the members of the Select Committee have already drawn attention to a large number of cases where money has been wasted because of faulty planning and short-sighted policy in the service departments and in the Ministries of Supply, Shipping and Food. Their ostensible aim is to secure economy, their actual aim to promote efficiency, and it would not be incompatible with the exclusive responsibility of the Cabinet for policy for more Members to play a part more continuously in this scrutiny of official acts. Moreover, the defunct duty of the Commons to pass judgment upon expenditure, a duty which has fallen into disuse because of the congestion of parliamentary procedure, would thereby be restored. It is in the ramification of this Select Committee's work, rather than in the creation of new, self-important and vaguely autonomous bodies, that the assistance of Members can be most usefully sought.

The second wartime development is the practice of consulting interested and representative Members to settle differences about policy. Most notably it was used early in the war to revise controversial Defence Regulations, and more recently it was employed in the discussions about the powers of emergency courts. This does not mean, or should not mean, backstairs legislation or secret treaties. Fundamental differences must be finally settled on the floor of the House, but consultation of this kind can open up short cuts and bring to light ideas for solving difficult problems. The basis of popular government is precisely consultation with groups and individuals with strong views and relevant experience; and if the scrutiny of expenditure may help the Commons to fulfil their rôle of ensuring that government is efficient, frequent informal consultation can help them to carry out their other task of seeing that it is popular as well. The use of women Members, not as a smoke screen to conceal the lack of large plans to train and employ women on war work, but as consultants in the cutting of the knots that still delay the process of recruitment, is an obvious case in point. So is the use of London Members to smooth out the ragged social problems of the bombed capital, and the consultation of all shades of military experience and political opinion to work out a final form for the command, organisation and operational training of the Home Guard. Consultation inside the House is by no means new, but it has a new importance when, more than ever, the Government must be given its head in the conduct of the war. It becomes the more important for the Government to be kept in close step with the needs and wishes of the people. Members of Parliament are simply citizens chosen for precisely this purpose, and on no important issue should there be any gulf, whether of ignorance or of indifference, between them and Ministers. It is not without significance that, in both the conduct of the war and the reconstruction of society under the pressure of war, the counsel that Parliament has carried from the people to the Government has consistently been to press on, not to hold back. By translating this popular will to victory into critical advice Parliament can do as much as Ministers to win the war.

NOTES OF THE WEEK

Brief Offensive

The news that General de Gaulle's forces of free Frenchmen, with British aid, were challenging the Axis penetration of French West Africa came as a welcome tonic early this week. The *Connétable* had already won over most of French Equatorial Africa to his cause, and there were frequent reports of a sharp swing-over in both the western and northern parts of French Africa to the side of honour and independence. Moreover, developments at Dakar, key to Senegal and gateway to the South Atlantic routes, had for a long time caused anxiety on both sides of the ocean. The presence there of German technicians and strategists seemed a threat both to the surviving freedom of the French colonies and, more remotely, to the American republics fronting African shores. It would always have been possible for Britain, by the full use of air and naval power, to seize control of French bases in West Africa. But the brutal use of force, on the Axis plan, against a non-belligerent and lately allied country, has never been Britain's wish, and the one reservation in General de Gaulle's association with the Allies has been his natural disinclination to bring his free Frenchmen into conflict with other Frenchmen whose allegiance is to Vichy. It was believed that the hopelessness of France's future under the Vichy policy and the bright chance of her reinstatement as the result of continuing the struggle from the colonies at the side of Britain was becoming sufficiently apparent to the authorities and inhabitants of French West Africa for persuasion alone to succeed; and it was on this basis that the expedition to Dakar set out. It was apparently a mission rather than an invading force, and it was understood that the balance of French opinion at Dakar was favourable. Unfortunately, this did not prove to be the case. The Vichy Government had forestalled the Allied manœuvre by sending men of docility to the key posts in Dakar, and many adherents of free France had been arrested. Some of these Vichy men had even been carried to Dakar on French warships which the British authorities had tolerantly permitted to pass through the Straits of Gibraltar—presumably believing that in the ocean outside they would be free from Axis control.

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As it happened, General de Gaulle's emissaries were fired upon. British warships in attendance were shelled by shore batteries and French naval units, and were constrained to return their fire. An attempted landing by free Frenchmen was beaten off, and the action was terminated to avoid a full-scale battle. At Vichy the puppets of Germany did not choose to take the incident as a *casus belli* and declare war. Their stomachs are still too tender for fighting. But their faith in France's ability to fight has apparently revived—provided they can be reasonably sure that the objects of their shells and bombs will be too scrupulous to fight back. It was they who ordered the guns and ships at Dakar to open fire, and it was they who commanded the heavy bombing of Gibraltar, on at least two occasions, by way of reprisal. The honourable desire of Britain and General de Gaulle not to fight France remains. It was this which rendered the offensive against Dakar—a move which was immediately welcomed everywhere in the world where freedom is preferred to Nazism—a damaging fiasco. It is indeed hard to see why the British authorities once again allowed gravely faulty intelligence to lead them to embark their battered prestige—together with the untried reputation of free France—in a forlorn venture which was bound to fail, unless it was pressed home by force of arms. Dakar is Norway all over again; and the effect of yet another withdrawal must be very damaging in the rest of French Africa. The oldest of all maxims in the conduct of war-like operations is that he who wills the end must will the means to that end; and it is starkly plain now that, if Britain and free France wish to save the colonial remnants of the dishonoured French Republic from the fate decreed for them by Hitler, Mussolini and shabby, turncoat politicians, their leaders must base their attitude to the rump of France upon more than sentiment. They must squarely recognise that, of necessity, the voice of Vichy in Africa is the voice of the enemy.

Spanish Predicament

Señor Serrano Suñer has continued his talks in Berlin this week, but the future of Spain's policy is still as obscure as before. Last week-end, the German Press and wireless were toning down their previous insistence on the importance of the Spanish mission and the imminence of Spain's entry into the war on the side of the Axis, although in Italy a much more jubilant note was sounded. Spain's choice must undoubtedly be influenced by the immediate course of the war—whether, as seems possible now, the invasion of Britain is shelved in favour of a Mediterranean winter. The importance *of* Spain in a North African war is no less great than its importance *to* Spain, for Spanish aspirations can only be fulfilled by the victor. For this reason, the Dakar fiasco is a bear point for us in Spanish eyes. If Morocco and French West Africa were to declare themselves for General de Gaulle, our chances of success in North Africa would be much more obvious than they are at present. As it is, we have no promises to make to Spain which can rival the Axis promises of Gibraltar and a large part of Morocco, and the only real reason to deter General Franco, who in any case is likely to be ultimately guided by Serrano Suñer, is the obvious unwillingness of the majority of the Spanish people to fight—an insufficient deterrent in the case of Italy—and the unreadiness of a war-torn economy to be riven again. Moreover, even if Germany is unable to persuade Spain on to her side, Hitler still has the weapon of intrigue—and, in the last resort, direct coercion. The thousands of Gestapo agents in Spain could easily stir up civil trouble against General Franco if it were necessary. His people may be united against going to war, but they are far from united under their leaders. Intervention in another civil war would give Hitler complete control of Spain.

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Italy's War

The Italian advance into Egypt appears to have stopped a few miles south of Sollum, which was occupied on Friday of last week. Otherwise, apart from the bombardment of Sidi Barrani by the British Navy and mutual bombing attacks by the Italian and British air forces, the invasion of Egypt seems for the time being to be at a standstill. It is possible that the delay in the Italian advance is due to the reluctance of the Italian martial spirit to continue a march of 150 miles across profitless desert, at the end of which it will encounter strong opposition—for the first time—from the British advanced position at Mersa Matruh. More likely, the time is being occupied in organising the water supplies and communications which are an essential preparation to desert warfare on a large scale. The Italians have lost none of their engineering skill since the time of the Romans, who were faced with and solved similar problems of water supplies in North Africa; and it would be false optimism to count [illegible] this or any other technical difficulty to check the Italian [illegible] vance if it is seriously intended. In Egypt itself, Ita[illegible] intentions are a cause of disagreement in the Govern[illegible] Last week-end, the four representatives of the Saadist [illegible] resigned from the Cabinet on the ground that the Go[illegible] ment had failed to fulfil its undertaking to declare w[illegible] or Italy if she invaded Egypt. The Prime Minister's view [illegible] the occupation of 60 miles of desert does not consti[illegible] an vasion, and he prefers to wait and see whether Italy's per- tions are serious before making the declaration—[illegible]should has taken the precaution of increasing the Egyptia[illegible] assets. 5,000 men. It is easy to understand Egypt's hesit[illegible]han the she cannot yet be convinced of our final victory [illegible] claration of war on the Axis Powers will wreck an[illegible] would otherwise have of coming to terms with th[illegible] growing anger in the Moslem world with the "[illegible] Islam," who has invaded a Moslem country an[illegible] bombed holy places in Palestine, will make it very difficult for the Egyptian Government to stay technically neutral in a Near-Eastern war.

King and People

On Monday His Majesty broadcast another message of encouragement and confidence to his people. He had last spoken to them on Empire Day, when all eyes were fixed on the Western Front through which the enemy was already pouring towards the Channel Ports. Now, we are "a nation on guard and in the line," and the courage of the fighting forces is being matched by the courage of the civil defenders, the police, the factory workers and, indeed, "all those who night after night uncomplainingly endure discomfort, hardship and peril in their homes and shelters." His Majesty very fittingly announced that he had created two new distinctions, the George Cross, which will reward the performance of deeds of valour by civilians—with a small Military Division for members of the Fighting Services—and will rank with and immediately after the Victoria Cross, and the George Medal, which will have a wider distribution. But it is not by awards for individual valour that the courage of the bombed people can best be recognised. Their determination must be matched by the determination of His Majesty's Government to translate the unity of the people into concrete things—which alone will win the war.

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New Shelter Policy ?

"It is essential to take action in accordance with the behaviour of the people of London in air raid conditions." This, simply, in the words of the Ministry of Home Security, explains the latest shift in the Government's shelter policy. Hitherto, the sole principle has been dispersal: evacuation into "safe" areas or the setting up of a separate shelter at every home or workplace. It was this principle which defeated all proposals for deep communal shelters, and it was argued that to go to ground in crowds would be not only dangerous in that it would multiply the risk of casualties and of spreading disease, but also detrimental to the maintenance of the community's life and livelihood. In the country at large, and even over the greater part of London, dispersal has by no means been discredited. The vast majority of people do look for safety in air raids to their own houses and private shelters. But in the heavily bombed areas this has not proved to be the case. A sense of insecurity has spread among an appreciable minority in these areas, which is more detrimental to ordinary life and livelihood than the dangers of overcrowding. People have flocked into large communal shelters, often well away from their homes, and they have thronged the deep Underground stations. For these people the Government's plans have been changed. The use of Underground stations as shelters has been recognised and regulated; one is to be used solely for this purpose. Basements in flats and unoccupied houses are to be taken over and equipped. More large brick and concrete shelters are being built. Sanitary equipment and water supplies are to be provided, and bunks for sleeping are to be installed. The old shelter policy has not, of course, been set aside, and special steps to make Anderson household shelters weatherproof are being taken. But in the case of the comparatively small areas that have been heavily hit, where the noise and peril of night are most horrible and the houses flimsiest, the rejected argument for deep, communal shelters has now, in effect, been accepted. Inevitably, there is a shortage of such shelters; most of those that are to be used are not deep; and the danger to health of their use has been surveyed by Lord Horder and other experts. Bombing may go on for a long time yet, and it would seem common sense to examine the quickest means of providing a limited number of them to meet the obvious needs of those people who feel safe nowhere else.

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Evacuation from London

After the breakdown of the Government's first evacuation scheme a year ago, no attempt was made to provide for the evacuation of mothers with children under school age. The second evacuation scheme, with its appendix, the "trickle" evacuation, applied to schoolchildren only. In the weeks just before the bombs began to fall, trickle evacuation—the moving of parties of children as they registered—was proceeding at the rate of about 150 children a week; but at [illegible]ame time the flow back to London of children, whose [illegible] were unhappily deceived by London's comparative [illegible] from raids in July and the first half of August, [illegible]at as, if not greater than, the movement to safety. [illegible]s of bombing have presumably stopped the inflow. The outflow has averaged over 1,000 a day, but there still remain more than 400,000 schoolchildren in Greater London, Thames-side and Medway towns. This, it should be emphasised, is the fault of the parents alone, and not of the Government, which took every step short of compulsion to move the children to safety before raiding began and is still moving them without delay in spite of transport difficulties. It was in the initial failure to work out plans for housing evacuees except uneasily in private billets that official policy was to blame. It is different with the mothers and young children. Unless they knew of billets in reception areas which would take them, in which case the Government would provide free transport, they came under no scheme at all, and the sight of babies in the queues for public shelters and lining the platforms of tube stations is heartrending. On Tuesday, however, it was announced that plans have been made for the evacuation of mothers with children of any age from some of London's hardest-hit areas. The distinction between schoolchildren and younger children, which was made for educational convenience, has gone by the board, and mothers in the areas concerned can register with all their children and will be moved as soon as possible. The scheme is limited to specified areas at first, so that the Government can obtain some idea of the number who will avail themselves of the opportunity to move, but it is to be hoped that the demarcation line of the hard-pressed areas will not be too rigidly fixed. The danger of epidemics and of the spread of disease while people are herding together at night in underground shelters is so obvious that every effort should be made to move the unessential population to safety and to house and feed the homeless who have to remain. Neither for the Government nor for the threatened households has it proved any solution of the social difficulties of evacuation simply to allow the whole project to go by default in the quiet months. All that has happened is that evacuation and rehousing, not only of mothers and children, but of people rendered homeless and others brought away from coastal areas, now promise to present the greatest social—and political—problem since the mass unemployment of the depression years a decade ago. To give these people not charity but homes, work and reasonable safety is a war aim in itself.

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Work in the Blitzkrieg

On the wireless the other day Mr Keynes was reassuring, and rightly so, about the economic loss caused by air-raid damage. About the loss caused by work stopped during air raids he might have been less optimistic, had he referred to it; and about the loss to the national income and to the war effort—quite apart from air raids—arising from unemployment and misemployment he might have been almost gloomy. Every effort is now being made to keep work going in raids. Lord Beaverbrook has pleaded urgently with aircraft workers not to take shelter until danger is imminent. Post offices are to stay open on the alert, and banks and eating places, all essential to the carrying on of work and business, are to be similarly organised. The difficulties in most cases are merely technical. Some workplaces are uncomfortably vulnerable, while others lack temporary cover if danger comes suddenly. In some, the shelters are too far away to be reached swiftly. None of these problems should defy quick solution, now the principle of working on after the alarm has been established. The problem of misapplied labour resources is more obdurate, and it has been thrown into relief by the recent air raids. Big stores in London have been crippled and put out of action; stocks of valuable household equipment, which might incidentally have been more safely disposed from the national point of view than concentrated in those huge London shops, have been lost or damaged; and large staffs are out of work with no apparent prospect of employment. The mechanism of transferring these men and women, and all the other men and women who have lost their livelihood through evacuation or enemy action, is almost entirely lacking; last week on the wireless one speaker pleaded for country people to find jobs for townsfolk temporarily lodged with them. The duty of the State, indeed its urgent need, to transfer hundreds of thousands of workers from non-essential employment to war work is still not recognised, even though the events of the present emergency have given that need new force. The most desirable form of compensation for able-bodied air-raid sufferers is employment, and work on war production is what the community requires most. At the least there is work to be done on new and safer shelters. At the most—and best—there is work to be done on building up a massive output to win the war.

* * *

The Uneasy Balkans

The dismemberment of Roumania has not completed the Balkan plans of the Axis. Roumania itself is giving daily evidence of its new status as an unincorporated protectorate of the Reich. Germans are in control of all important activities of the country, and the Reichswehr has been invited by General Antonescu to reorganise the Army, which, so we are told, has now recovered its morale and fighting spirit and is not in the least afraid of the anonymous, but easily identifiable, enemy against whom the Axis guarantee was given. Soviet Russia has no doubts at all who is meant; but Russian diplomacy is at a disadvantage in the next stage of the game, which is evidently to win the support of Bulgaria by enabling her to recover the corridor to the Aegean which was lost in 1919, for while Germany and Italy *may* be able to deliver this portion of Greek territory (but only if they can frighten the Greeks sufficiently) Russia has hardly any pressure she can put on Athens. Ambition may prove a stronger influence on Bulgarian policy than traditional pan-Slavism. In any case, Greece is apparently selected as the next victim and Bulgaria as the next beneficiary of Axis generosity—a fate only a degree or two more pleasant. And if Greece goes, Jugoslavia will be entirely encircled by states which, either by Axis favour or Axis surgery, have been deprived of their independence. But the combination of Greece, Turkey and the British Mediterranean fleet—provided it remains a combination—is something more than Hitler has yet had to meet in this part of Europe. And Russia may not be willing for ever to play the rôle of an unconsulted accomplice to actions from which she draws no benefit and considerable chagrin.

* * *

The War in America

News of the Battle of Britain, and of its various implications for American security, is almost swamping the Presidential campaign, with a corresponding advantage to Mr Roosevelt, since Mr Willkie must either parade his support for the President in every speech or else keep silent on the one supremely interesting topic. Ever since the political success of the exchange of destroyers for bases, there has been a stiffening in the policy of support for Britain. Events are extending the scope of Anglo-American co-operation. American diplomacy is seriously exercised over the Japanese threat to Indo-China, and a public announcement has been made that the Secretary of State has conferred with the British Ambassador and the Australian Minister on problems of Pacific defence, with specific reference, no doubt, to the availability of Singapore for American use. American eyes are opening; the latest polls of public opinion show, for the first time, a majority ready deliberately to run the risk of entanglement in war in order to send aid to Great Britain, and there is a new note of confidence in the appeals of those who want to develop that policy more rapidly and who realise what painful departures from accepted slogans it will involve. For example, the opinion is beginning to be expressed that a policy of "giving" Britain material aid will have a restricted meaning until it is made possible for the British Government at least to raise dollar credits. The official policy—of both Governments—has obviously been to say nothing about the need for borrowing, which will have to be met eventually and probably before long. But it is increasingly doubtful whether such an attitude is even politically wise. The trend of opinion is so strong that it would not be reversed by a frank avowal of Britain's financial needs, provided only that neither candidate were enabled to capitalise the very real repugnance to repeat the history of the War Debts; while to spring the question on American public opinion immediately after the election is to risk accusations of deliberate artfulness unbecoming in a prospective borrower.

* * *

Eking Out Supplies

The reduction in the butter ration and the increase (by value) in the meat ration are discussed on page 409. Britain is facing the Blitzkrieg with ample stocks of food and materials, and so far these reserves have been very little affected by bombing. It would be a mistake, however, to presume on this good fortune, and there are some grounds for considering ways and means to conserve supplies still more. To extend or tighten up rationing, or to take other similar steps, would not be an admission of shortage. The aim would be to prevent shortage, and there are wider economic reasons for contemplating such action. At present one small signal of danger in the situation is the slight but perceptible tendency of people to buy up goods for hoarding in fear of shortage or sharp rises in price. This is an understandable accompaniment of any serious crisis like the present air raids, and there is some tendency on the part of the authorities to welcome it, up to a point, as a means o scattering supplies and so lessening the risk of loss fron enemy action. Unfortunately, it cannot be written off lik this. For one thing, it means that an increasing amount o current income is passing, not into savings or accumulations for tax payments, where it is most wanted, but into consumption, where it is least wanted. For another, it means that some households and individuals with more ready money are benefiting by contrast with other citizens; and thirdly, it means that pressure is being exerted to push prices up still further.

*

There are physical reasons, too, for caution now. The bulk of our supplies are seaborne, and although we have more tonnage than we had a year ago, despite the loss of 8 per cent. of our pre-war merchant fleet by enemy action, the strain on our shipping resources is greater than ever before. The loss of shipping time due to the substitution of distant supplies for European products and to the slow progress of ships in convoy; the growing number of vessels taken away for Admiralty service; the sharply increased importation of war materials and munitions; and the elaborate and ingenious devices of unloading and trans-shipment required to defeat the enemy's air attacks upon docks and shipping—all these factors tend to restrict the space available for importing food and materials. Again, continued air attacks put some stocks in jeopardy and make desirable still further redistribution of stored supplies. Finally, in spite of storage difficulties, a time like this of attack and uncertainty is a time for storing more supplies than hitherto, not less. There is always to-morrow to be taken into account. On every count, therefore, on grounds of finance, social equity, and shipping and storage, there is a case for further rationing to cushion the community against fresh blows during the months. Some existing rations might be curtailed in important, more goods (materials as well as articles of consumption) might be rationed. The State's twofold duty to the community and the individual is simple: to see that no one consumes more than he needs; and, secondly, to guarantee that bare sufficiency to everyone, not only now but in the future, whatever happens.

* * *

Mr Menzies Remains in Office

The Australian elections have been held; and it is a triumph for Mr Menzies that he has secured a mandate from a country which in peacetime would almost certainly have returned a Labour Government to power. The returns are not yet complete, but it seems likely that the United Australia Party will again have 25 seats in the House of Representatives, the Country Party 14 against 17 before, and the Labour Opposition 34 against 32. After providing a Speaker, therefore, the Ministerial Parties will again have a small majority over Labour. In the Senate their majority is reduced, after providing a President, who, however, has a deliberative casting vote, to 1, against 3 before the election. The most satisfactory feature of the results is the refusal of the great mass of the electorate to be weaned away from the real issue by the host of Independent (which in Australia means sectional) and unofficial Labour candidates who encumbered the hustings. Indeed, official Labour has strengthened itself by winning two seats from the Lang Labour group in New South Wales, while the isolationist Labour faction there commanded no support at all. Mr Menzies, who scored a big personal triumph in his own constituency, has declared himself willing, as a result of the poll, to renew his offer to Labour to join a National Government. The closing of Labour's ranks may now make this possible, but unfortunately Mr Curtin, the leader of the Labour Party, was defeated for the very reason that hitherto he has not been able to accept Mr Menzies' offer. Since the Prime Minister has repeatedly praised the encouragement he has received from Mr Curtin, though in Opposition, it would be a pity if he were deprived of his help now that a Coalition is in the offing, and there is already a move to find Mr Curtin another seat. If the election does produce a National Government, which will subordinate everything to winning the war, it will not have been, as at first seemed likely, an unfortunate waste of time.

* * *

The Simla Talks

This week the constitutional crisis in India reaches a new stage. The President of the Moslem League has visited the Viceroy to discuss his proposals for Indian participation on the Viceroy's Executive Council and the newly-formed Advisory War Council; and Mr Gandhi has also visited Lord Linlithgow to discuss the position of Congress, which wishes to retain full freedom to criticise a war into which India was led without Indian consent, while at the same time not desiring to "embarrass" the British war effort against Nazism. The position of Congress remains contradictory. They oppose the war, not because they do not believe it should be fought, but because they did not themselves freely choose to fight it. Mr Gandhi is always ingenious when dealing with points of procedure like this, and there is no doubt that his intention is to make the best of both worlds, that is, to keep the Congress point of view in the forefront, while at the same time making certain that the war against Germany is not actually held up by Indian resistance. This is to play with fire. While Congress remains in a world of phrases and constitutional irrelevancies, the war goes on without its indispensable assistance; and in India the way is left open, by its non-co-operation, for an exacerbation of communal differences. The Moslem League, for instance, has made no decision about participation in the two Councils, not because it does not welcome the offer, but because it is anxious, before accepting, to make certain that League members will occupy important positions on these executive bodies. This has alarmed non-Congress Hindus, represented by the Mahasabha, who in turn are making exaggerated demands for representation on the Councils. Short of Mr Gandhi succeeding in squaring the circle yet again, which in the case of Mr Gandhi is never impossible, there seems no obvious way out.

*

Yet the situation would give grounds for encouragement if it not for this jockeying for position and prestige. Congress is anti-Nazi. Mr Gandhi wishes the war effort to run unchecked. The Moslem League is ready to fight Germany. The Mahasabha is ready to accept the Viceroy's offer of a new Indian-constructed constitution after the war, provided Dominion status is granted within a year after the cessation of hostilities. Thus, even among the politicians, there is a basis of agreement about the war, and among Indians at large this agreement is even more evident. Yet, for the moment, any explicit arrangement seems unlikely. It is true that the Moslem League wishes free India to be partitioned. It is true, too, that Congress is calling for a completely independent India at once. But to the friendly English observer there is no difference at the present time which could not, for the duration of the war at least, be resolved by men honestly seeking an agreement which would help India to ensure for the future the freedom which the present disputations, ostensibly contrived in the cause of that freedom, seem likely to put in peril for political and controversial reasons.

* * *

Hitler's Victims

To those who can remember the world before 1914, one of the most remarkable and the saddest features of to-day's world is the degree of public indifference to the destruction of human life. Indeed, when sudden death is with us all every night, a shell of callousness, real or assumed, is a necessary protection of the nerves. But every now and then some new refinement of fiendishness gets through to the heart. The torpedoing in mid-ocean of a passenger liner carrying children to safety in North America is one of these. Out of 406 persons on board, 294 were drowned, and only 7 out of 90 children have been rescued. The U-boat commander did not, of course, know that there were children on board. But he knew that it was a passenger liner sailing westwards. He knew that if he sank it he was taking human life for no significant military purpose. This horrible act—ordered by a man who parades his love of children—is a sample of the sort of thing that happens when creatures like Hitler try to achieve their ambitions by overriding international law and human decency. On both sides of the Atlantic—indeed, in every country where men and women are still free—the effect is to provide one more proof that life will not be sweet again until the Nazi horde has been swept away.

* * *

Population of the United States

The first results of the census of population taken in the United States in the spring have now been released. The total population of the continental United States (i.e., the 48 States and the District of Columbia, but not overseas territories and possessions) is 131,409,881. This is an increase of 8,634,835 in the decade—a very large figure compared with the growth of the population of the United Kingdom in the comparable period, but considerably smaller than in past decades, as the following figures show:—

POPULATION OF THE CONTINENTAL UNITED STATES

Census year	Total population	Increase in decade	Increase in decade as %
1890 ...	... 62,947,714	12,791,931	*25.4*
1900 ...	... 75,994,575	13,046,861	*20.7*
1910 ...	... 91,972,266	15,977,691	*21.1*
1920 ...	... 105,710,620	13,738,354	*14.9*
1930 ...	... 122,775,046	17,064,426	*16.2*
1940 ...	... 131,409,881	8,634,835	*7.0*

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The drop in the rate of increase in unmistakable. It is the product of that fall in the birth rate which is observable in every Western country and the virtual cessation of immigration. Unless there is a spectacular revival of immigration, which there is no warrant for expecting, stability for the population of the United States is in sight—though it is perhaps too soon yet to speak of an inevitable decline. A century ago, the population of Great Britain (18,534,332 in 1841) still kept a slight lead over that of the United States (17,069,453 in 1840); to-day, the American population is very nearly three times that of Great Britain, which was estimated at 46,008,000 in the middle of 1937.

* * *

Parliament on the Air ?

The Prime Minister's periodic statements to the Commons are the only reliable guiding lights in the present fog of war, and there is now a demand that they should be broadcast direct to the world. On one occasion Mr Churchill gave his speech again over the air, and the repetition sounded wearisome to him. On other occasions his words and phrases, but not his tone, have been embodied in the broadcast news. The suggestion is that neither of these ways of distribution is satisfactory, especially in the Dominions and the United States of America, where his every sentence is eagerly awaited. One answer to this argument is that Mr Churchill's statements are not addressed to the Dominions or the United States, or even specifically to the people of this country. They are progress reports for Parliament, and it would be well to find out, before the plea for broadcasting is pressed further, whether the Prime Minister himself wishes in future to address the world instead of simply his fellow Members. If he does, then the technical arrangements can be readily made. But there is more than tradition in Parliament's unwillingness to be broadcast. Its power in the fight for freedom lies in its own liberties, in its control over its own procedure and the absence of constraint in its proceedings. If Hitler addresses the Reichstag, nothing is altered if microphones and loud-speakers carry his speech to loyalists and sceptics alike outside. But Parliament is not a rostrum and its Members are not painters' dummies. There probably is no convincing case at all against broadcasting speeches from Westminster. But there is certainly no real proof that it would be desirable and, in any case, it is for the Prime Minister, the Commons and their Speaker to decide.

* * *

Shorter Notes

The air raids have produced some more new war words. The modified warning policy has led us to use the noun an "alert" in its French sense. Anti-aircraft fire, we are told, is known as Flak (from the German *Flieger Abwehr Kanone*), and finding pieces of Flak in the streets may become the Londoner's counterpart to finding white heather and four-leaf clover. Similarly, "as the bomb flies" may replace the crow as a measure of the distance from air-raid damage to one's own home. But a quite inexplicable new word is the "*sireen*," which has widely ousted the siren. Its slight resemblance to Eileen and Doreen suggests that it may have arisen from a desire to give the noise a feminine personality. In that case surely Mona — with her sister Clara — is preferable?

*

In a recent claim brought by a trade union, the National Arbitration Tribunal has laid down the principle that, in respect of time lost up to 2 hours on any shift and not exceeding 8 hours in any week, compensation is to be paid to time workers at the full time rate and at half-rate for any additional time. But the worker must, if required, make up the time lost up to 2 hours before or after the ordinary shift, with a maximum of 8 hours in a week, either in the same week or the week immediately following, provided that this does not infringe the Factories Act. Otherwise, he may lose his right to compensation.

*

The new rationing regulations, which came into force in France this week, provide for only 100 grammes (about 3½ ounces) of fats and 50 grammes of cheese a week. Soap is rationed to the extent of 125 grammes (about 4⅜ ounces) a month. In Italy there are now four meatless days a week, and the wheat content of flour is reduced from 95 per cent. to 85 per cent. In both France and Italy there will be a shortage of coal; private Italian households are to be allowed only 20 per cent. of the quantity bought last winter.

THE WORLD OVERSEAS

Chinese Government Finance

(From Our Shanghai Correspondent)

THE Chinese National Government still aim at maintaining order in their finances, and at carrying on with a view to financial reorganisation and consolidation after the war. Their regular revenues, of course, dwindle continuously, and seem to have fallen below £10 millions annually. China's former chief State revenues—Customs duties, salt gabelle, consolidated taxes and opium levies—now yield but little to Chungking. Proceeds from tax increases as well as new taxes (income, inheritance, war profit taxes and inter-port duty) amount to far less than the decline in the revenue from pre-war taxation. Recent efforts to enforce these new taxes upon Chinese business in the foreign-administered areas of Shanghai produced but small results.

Chungking State expenditure, including all war expenditure, at present is almost £60 millions annually. This approximates the Chinese National Government's pre-war expenditure on all China, including the service of the Chinese foreign loans. Yet the last Chinese pre-war budget was very nearly balanced, while present expenditure more than five times surpasses ordinary revenues. Chungking is compelled to borrow the money required to cover the deficit of almost £50 millions, and is doing so through the issue of new loans of two types.

Most important of current Chungking loan issues are new Chinese Government Gold Bonds, which are to be placed this calendar year to the extent of £10 millions and United States $50 millions. These bonds are to be redeemed within 25 years and bear 5 per cent. interest, payable every six months as from 1942. They are placed with Chinese individuals and financial institutions in Free China, Shanghai, and among the Chinese overseas, in the United States and countries of South-East Asia. Bondholders in China are entitled to interest payment and amortisation in Chinese currency at the official Chungking exchange rate, which on August 1, 1940, was decreased from 7d. to 4½d. so that it rates only about a halfpenny above the Shanghai open market rate. Foreign bondholders abroad are promised payment in foreign currencies. A considerable portion of these Gold Bond issues continues to be voluntarily subscribed by Chinese citizens of, or residents in, foreign countries.

Higher Note Issue

Moreover, the Chinese National Government issue new domestic loans in Chinese National currency; subscriptions, however, are confined almost exclusively to the Government banks and other governmental institutions of Free China. The Chinese Government banks finance these subscriptions chiefly through increases in the circulation of paper currency. Their total note issue during the first half of the year increased by another Ch.$1,000 millions to almost Ch.$4,000 millions, according to official Chungking statements, but in large Shanghai circles it is supposed to be in the neighbourhood of Ch.$5,000 millions. This sum, in terms of sterling, corresponds almost exactly to the note issue in China, which approximated £80 million

tion of the note issue has thus kept close pace with the depreciation of currency in China.

The Chinese National Government still continue the service of all their domestic loans, as well as of a few of their more recent smaller foreign loans. Payment of salaries to officials, of general administrative expenses, and of other domestic obligations all over Free China appears to have been reasonably well kept up throughout the Sino-Japanese war with only occasional delay. The one major financial default of China is the discontinuing of the servicing of the big older foreign loans secured upon Customs, salt and railway revenues, the bulk of which has been collected, for a long time, under Japanese auspices.

August 18th.

Parish Councils in Eire ?

[FROM OUR DUBLIN CORRESPONDENT]

CONSIDERABLE public interest has been aroused by the proposal to form parish councils throughout the country. For some years a body calling itself "The People of the Land" has been organising such councils, but, during the summer, the movement has acquired momentum by the formation of committees to deal with the emergency that might arise in the event of invasion. As is not uncommon in Ireland, the two movements have crossed each other's paths, and already orthodoxies and heterodoxies are beginning to develop. From the economic standpoint, the chief importance of these local organisations, on whatever lines they are formed, lies in the possibility of their being the units of agricultural co-operation. Everybody admits that Irish agriculture could derive great advantages from co-operative organisation, but the progress of the co-operative movement in the past has been disappointing. Possibly the parish councils will develop into co-operative cells, and will thus perform an extremely useful economic function.

Dividing the Land

The Report of the Land Commission for the year ended March 31, 1939, indicates that the process of compulsory acquisition of land for division was slowed down. During the year 44,971 acres were acquired, compared with 87,288 acres in the previous year. The area divided was 41,745 acres, and the number of allottees 3,374, compared with 60,907 acres and 4,959 allottees in the previous year. The extreme costliness of the schemes of migration from the congested districts in the west is illustrated by the figures which are given for the provision of 99 holdings in County Meath. The result of this scheme was that 2,286 acres of good pasture land were broken up into small holdings, and that 660 people were provided with new homes. The cost of the transaction was £124,696, only a fraction of which will be recovered from the annuities paid by the settlers. While it may be admitted that the standard of living of the migrants has been improved, the cost has been quite disproportionate. The agricultural productivity of the land has been reduced, and the deadweight public debt seriously increased. The whole policy of migration is in need of radical revision.

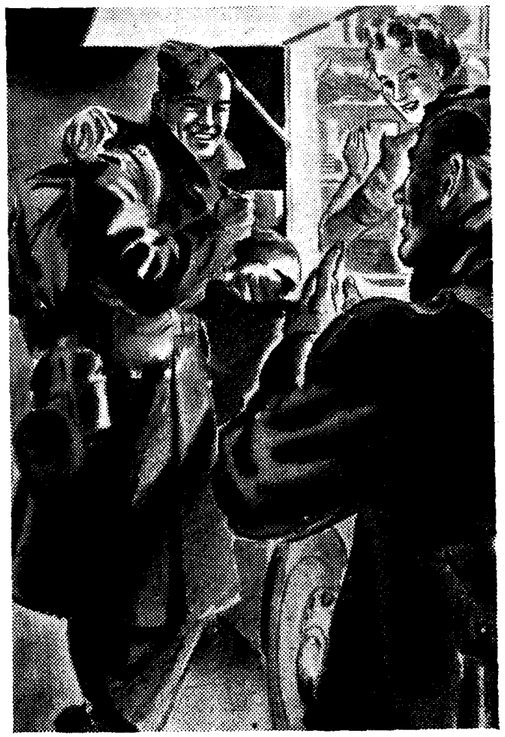
The Minister for Finance has made an Order prohibiting the importation of British and Northern Ireland banknotes except directly from Great Britain, Northern Ireland or the Isle of Man. The British prohibition of the importation of banknotes does not apply to Eire. The existing arrangements whereby banknotes travel freely between Eire and Great Britain are therefore not interrupted, while the possibility of the British order being evaded by importation of notes from abroad through Eire is prevented.

In spite of the greatly increased expenditure on military and civil defence, the financial position has not grown worse. The following figures show the revenue and expenditure for the first five months of the financial year which began on April 1st, compared with the same period of last year:—

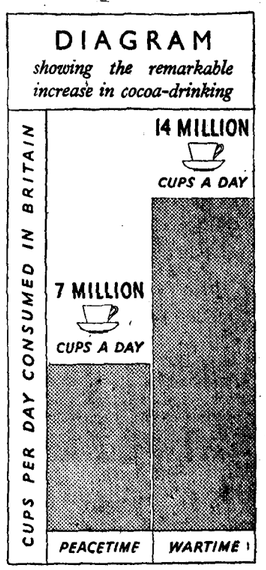
	Revenue	Expenditure	Deficit
	£	£	£
1939	11,986,344	13,424,063	1,437,719
1940	14,082,445	14,236,819	154,374

The increase in revenue was the result of an increase in Customs of £1,400,000 and in income tax of £600,000. The balance in the Exchequer on August 31st was £3,292,243, compared with £3,622,659 on April 1st. The financial position is, therefore, quite comfortable, and no additional supply appears to be necessary in the immediate future.

September 11th.



WARTIME statistics are vital social documents, chronicling the changes in a people's habits. These particular figures show the sudden, overwhelming increase in the demand for the homely hot drink of Cocoa. The reason? Firstly, cocoa has been of help to the country because in the midst of rising prices cocoa actually costs *less* than before the war. Secondly, *cocoa is a food*, and the public recognize that, penny for penny, cocoa gives most food value and most staying power.



COCOA
is helping to feed the country

Divergent Trends in America's Economy

[FROM OUR NEW YORK CORRESPONDENT]

SOME of the strikingly diverse trends which prevailed in the American economy during the troublous years of the 1930's continues in evidence in a war environment. These trends include the mounting productivity of labour; some apparent tendency of incomes to lag behind the value of output; production without the customary type of private financing; a diminishing proportion of bank deposits accounted for by loans; a low level of construction relative to the volume of industrial output; the diversion of traffic from the railways; diminishing retail trade in relation to income; and a lethargic price level.

The longer trend of these relationships can be seen by comparing these factors during periods containing approximately similar volumes of production. Such periods were the first half of 1929, the first half of 1937 and the first half of 1940. The contrast between peace and a war environment can be seen by comparing the first half of 1939 with the first half of 1940. The following table makes both comparisons. The first four columns show the first half of 1937, 1939 and 1940 in relation to the first half of 1929; the last column shows the first half of 1940 in relation to the first half of 1939. The measurement of industrial production here used is the revised Federal Reserve index, which shows a more marked uptrend over the last two decades than the unrevised index.

The rising productivity of labour in manufacturing is at least partly associated with ability to choose from a large number of potential workers, and ability to retain only the more efficient workmen, as well as technological improvements. Whether this trend can be maintained, or whether all the gains can be held, if production reaches substantially higher levels is doubtful. The same question of whether trends will be maintained clearly exists with regard to commodity prices, construction and private financing. To a degree, of course, the 1929 inter-relationships of these series were perhaps abnormal, and the divergence of later years may thus be accounted for; but such an explanation hardly seems sufficient for the very marked disparities in some instances. Deficit financing doubtless serves in lieu of private financing and, together with the gold inflow, accounts for the disparity between loans and deposits. The decline of construction from 1939 to 1940 resulted from a tapering off of the public works programme.

September 6th.

INDICES OF FIRST SIX MONTHS OF EACH YEAR
(Averages of Monthly Figures not seasonally adjusted)

	1929	1937	1939	1940	1939=100 1940
Quantities					
Industrial production, volume	100	107	89	104	116
Factory employment, number	100	102	88	95	108
Dollars					
Value of industrial production*	100	96	74	87	118
Total income payments†	100	89	84	88	105
Factory payrolls	100	94	77	87	113
Domestic non-refunding capital issues.....	100	26	27	12	46
Total loans, all banks, end of June	100	54	51	53	104‡
Total deposits, excl. interbank, all banks end of June	100	99	104	110	105‡
Total construction	100	48	57	56	97
Gross railway income	100	68	59	65	111
Department store sales	100	84	79	81	103
Wholesale prices	100	91	80	81	101

* Volume of industrial production adjusted by finished goods prices. † Including Government payments. ‡ March.

Letter to the Editor

The Russian Revolution

TO THE EDITOR OF THE ECONOMIST

SIR,—The editorial, "The Last Marxist," in your issue of August 31st provokes comment.

To begin with, the heading is misleading. Marxism is known as an economic and sociological doctrine. Surely, it could not be intended to maintain that there are no adherents of this doctrine left. If the term "Last Marxist" was to be understood as "professional" or "international revolutionary," then it was not used in the acknowledged sense.

Yet, the main objection is against lack of historical perspective in the description of the Bolsheviks' advent in 1917. It appears from the article that in pre-Soviet Russia there was no revolutionary industrial proletariat and no Marxist, no Labour movement at all. It is even maintained that "industry did not exist." All this is in contradiction with the facts.

Great masses—millions—of workers, concentrated in big industrial combines and enterprises in St. Petersburg, the Moscow district, in the South, in the Urals and all over Russia, formed the social basis of a revolutionary proletarian movement and a political labour organisation.

After the great strike of 1886 in Central Russia, in which tens of thousands of textile workers were involved, there were numerous strikes in all the above regions. Because strikes were severely punished in Tsarist Russia and usually met armed repression, they were, objectively, of a revolutionary character. But they were revolutionary subjectively as well, because, apart from economic demands, there was always the slogan "Down with autocracy!"

In the early 'nineties of last century, secret social-democratic revolutionary "circles" were formed in most of the industrial centres. Gradually, a net of conspiratory social-democratic revolutionary organisations was developed and spread all over Russia. These "illegal" organisations counted hundreds of workers in towns and many a thousand in bigger cities. As a member admitted to the illegal organisation had to be checked and re-checked from the point of view of revolutionary integrity and moral reliability, it can be said that the actual political influence of the organisations upon the proletarian masses was far greater than if it were judged by the numbers of the members. The organisations and their activities were permeated with the spirit of Marxist ideas and thoughts as developed by the founders of Russian social-democracy in 1883, with George Plechanov at the head of them, from the standpoint of specific Russian economic, social and political conditions. Towards the end of last and the beginning of this century, all these organisations were virtually, if not yet nominally, united in a strongly centralised political movement under the banner and recognised title of "The Russian Social-Democratic Working Party." What is more, this movement was far from being isolated socially and politically. On the contrary, it was actively supported materially and in many other ways by the liberal bourgeoisie.

The movement culminated in an all-Russian political and revolutionary mass strike and in the first Russian revolution of October, 1905, which was overcome by the Tsarist Government but left behind a constitution and a parliament of sorts—the so-called State Douma. After years of reaction there came the second revolution in March, 1917, which, until the third, the Bolshevist Revolution, was led by the two Socialist parties, the "Russian Social-Democratic Working Party" (the Mensheviks) and the "Socialist Revolutionary Party" (predominantly representing the peasantry).

As can be seen from this, the Bolsheviks, who from April, 1917, at Lenin's suggestion, called themselves Communists, did not appear in Russia from the clear sky as "international revolutionaries imposing a proletarian revolution on a non-revolutionary proletariat," but were a product, and rather a domestic one at that, of a very long period of historical development.

As for Trotsky's revolutionary career, his struggle with Stalin and developments in Soviet Russia, it would require another letter to put it in its true light.

Yours, etc.,

London.

THE BUSINESS WORLD

The Trade of the Americas

THE United States is showing a growing preoccupation with the trade of the Latin American countries. The elimination of Continental Europe both as a market and as a source of supply dams a very large part of the stream of the trade of these Republics. It closes the channel through which nearly half their exports used to flow; and upon the course taken by this diverted trade much more than mere material prosperity may depend, as the United States very well realises.

The cessation of imports into Latin America from European countries leaves open a large and inviting market for which competition between exporters of Great Britain, Japan and the United States should be keen. That Great Britain is awake to this is shown by the extension of the activities of the United Kingdom Commercial Corporation to Latin America and by the dispatch of a mission under Lord Willingdon to promote our trade with the republics. Before the war about 19 per cent. of United States exports went to Latin America. Motor cars, machinery, iron and steel products, chemicals and textiles were all exported to these countries in large quantities, and the Department of Commerce gives every evidence of being keenly alive to the possibilities of increasing these sales now. The table below shows the exports of United States merchandise during the first six months of the war compared with the corresponding periods of the two preceding years:—

DISTRIBUTION OF UNITED STATES EXPORTS

	Millions of dollars			Per cent. distribution		
	Six Months ended February					
	1938	1939	1940	1938	1939	1940
Europe	838·6	649·3	825·1	46·6	44·5	42·3
United Kingdom	*363·4*	*273·7*	*316·3*	*20·2*	*18·7*	*16·2*
U.S.S.R.	*26·6*	*25·6*	*42·8*	*1·5*	*1·8*	*2·2*
Northern N. America...	230·7	193·4	283·6	12·8	13·2	14·5
Southern N. America ...	157·8	128·8	177·3	8·8	8·8	9·1
South America	175·2	136·5	215·0	9·7	9·3	11·0
Asia	268·5	254·3	338·0	14·9	17·4	17·3
Oceania	50·4	40·3	48·6	2·8	2·8	2·5
Africa	77·0	57·7	61·6	4·3	4·0	3·2
Total	1,798·3	1,460·3	1,949·3	100	100	100

American exports to Europe rose in the first six months of the war, since the almost complete cessation of exports to Germany and the countries she had already occupied was offset by a very great increase in French imports, and a considerable increase in the imports of countries which at that time still hoped to maintain neutrality. But the exports of the United States to other American countries were already increasing. There was a substantial rise in her exports to Canada and an increase of similar magnitude in exports to South America. The latter covered an extremely wide range of products, including iron and steel, chemicals, motor cars, machinery, coal, food and textiles.

The United States Department of Commerce has published from time to time in its "Commerce Reports" articles analysing the market in Latin America for certain of the more important exports of the United States. In one of these dealing with machinery, it is pointed out that in 1939 the United States sent 22 per cent. of her exports of industrial machinery to Latin America. Twelve of these countries each took over $1,000,000 worth and the total was $64.6 millions. An inviting market has been left open by the cessation of exports from Germany, who in 1938 sent $35 millions of industrial equipment to Latin America. In the first six months of the war the United States' shipments of all kinds of machinery to this area were $114½ millions, compared with just under $90 millions in the corresponding period of 1938-39. Similarly, nearly half the Latin American Supply of $90-$100 millions of chemicals had until very recently been coming from the United States, with increasingly severe competition from Germany, and substantial competition also from Great Britain and France. The war has more than brought this trade back to the United States and in the first six months they exported $27½ millions of chemicals to Latin America.

The possibility of supplying the Latin American republics with the goods they formerly obtained from Europe is, however, limited for the United States as it is for her rivals by the amount of foreign exchange those republics can command. If they are to buy increasingly from the United States they must be helped to acquire dollars, and the most direct and certain way of helping them to do this is for the United States to buy from them. To this is added the fact that the Latin American countries are more important to the United States as suppliers than as customers. Whereas about 19 per cent. of United States exports have of recent years been going to this group of countries, some 24 per cent. of her imports have come from the same area. About half her imports of foodstuffs come from Latin America and about 19 per cent. of her imports of raw materials.

Thus on purely economic grounds the American Government has good reasons for wishing to maintain the prosperity of the Latin American countries. It is now awakening to the fact that the political motive is even more urgent. If Britain were to fall under Nazi occupation, nothing but distance would protect her from the menace of Hitlerism. If Germany could once secure an adequate air base in the Western Hemisphere, the splendid isolation of the United States would be a thing of the past; and the best weapon in Hitler's hands for the purpose of penetration into Latin America would be economic distress resulting from the inability to dispose of exportable surpluses of primary products. The principle that the only way for a belligerent country to avoid the disagreeable political consequences of her acts of economic warfare may be to underwrite other people's losses has already been accepted by the British Government. We have done it with Egyptian cotton, and with Australian, New Zealand and South African wool. It is to be hoped that we shall be able to do it to some extent with the main export products of Latin America, but it is manifestly beyond our means to do nearly enough. This is fully realised by the United States, which has recognised that its defence problem involves both securing that as great as possible a proportion of its imports comes from the Western Hemisphere and the disposal of the exportable surpluses of its Latin American neighbours.

Washington is aware that to achieve this object a comprehensive programme is necessary, but its formulation is by no means easy. The variety of climate on the continent of Central and South America makes the group as a whole to a great extent competitive with the United States. Thus, many of the Latin American republics' most important exports are unacceptable to the United States, because she is herself self-sufficient or an exporter of those commodities. Whereas she takes a large proportion of Latin American exports of coffee, sugar, bananas, oils and oilseeds, hides, cocoa, nitrates and certain metals, she takes very little of their meat, wool, cotton, copper and tin, and no maize or wheat. In many cases, where the United States' imports from these countries are large, they represent almost her entire imports, so that no rapid increase in her purchases from them is practicable. The following table illustrates this:—

LATIN AMERICAN SHARE OF U.S. IMPORTS IN 1939

Commodity	Per cent. from Latin America
Coffee	98
Sugar	96
Bananas	99
Cocoa beans	46
Canned beef	100

It is evident, therefore, that United States intervention, to be effective, must be exercised along two lines: first, a

long-term policy of fostering the production in Latin America of commodities for which the United States can guarantee a market, especially those raw materials of which she needs to ensure her own supplies for war purposes. Among these are antimony, chromium, coconut shell char, manganese, mercury, mica, nickel, quartz crystal and tin. In time rubber, quebracho and quinine could be added to these, but they yield much slower returns. Secondly, and this is the more urgent, a market must be guaranteed for Brazilian cotton and Argentine wheat and maize. It has been suggested in Washington that an inter-American cartel, financed in the United States, might be formed to buy up the entire Brazilian cotton crop and Argentine's export surpluses of wheat and maize. These would then be offered, first, to buyers in the Western Hemisphere, and when that demand was met, the remainder would be sold to the outside world.

Some such measure as this is imperatively called for, if the major republics of South America are to be persuaded to turn a deaf ear to Nazi threats and cajolings alike. There has been a decrease lately in anti-Nazi feeling in Argentina, Brazil and Uruguay, and it is well known that the Fifth Column is active in these countries. The way to cut the ground from under its feet is to remove the economic grievance which the Nazis represent as being due to British action, and to convince these countries that close economic alliance with the United States will give them more than Germany can ever offer. At the same time, recollections of the fiasco of the Federal Farm Board will probably keep the United States alive to the danger that the proposal might develop into a colossal price-maintenance scheme. In order to eliminate this danger, any arrangement for the buying-up of surpluses would have to be linked with an effective control of production, and would therefore be dependent for its success upon very active co-operation from the Latin-American countries.

Tin Shares and War Demand

THOSE about to invest in tin mining companies should be warned in advance that they need stout nerves if they are not to be disturbed by the violent fluctuations to which the value of their properties is likely to be exposed. The reason for this lack of stability is possibly to be found in the fact that annual world consumption of tin during the past decade has varied by over 30 per cent. about the mean figure. This has occurred during a period marked by a restriction scheme whose avowed purpose is to stabilise the price of the commodity by adjusting supply to demand. The degree of success achieved may be gauged by the fact that fluctuations in the average annual price of the metal have been rather larger than those in world consumption. This applies, however, only to sterling prices. In terms of gold, the restriction scheme has come much nearer success, for the percentage variation is only about half as great, or some 17 per cent. It need hardly be said that the range of daily prices was much larger than that of the averages. It was in the order of 50 per cent., and although neither figure is a measure of the disturbance to the consumer, nor to mining profits, they give some indication of one factor in the situation. The variation in consumption is not essentially different from that in output, and, as a decline in production may normally be expected to raise costs per unit of output, it is not surprising to find that share quotations have moved extremely widely. Over the past decade, 1930-39, a bunch of companies operating in Malaya showed, in the aggregate, minimum prices only a trifle more than one-sixth of the maximum. Obviously, there are chances of large capital profits—and losses—and it is only natural that a very high return is expected. At the present time, shares are being recommended by dealers of standing and experience which look like giving immediate yields of anything up to 20 per cent. The task of the investor is to assess whether this figure can be achieved and how far it can be maintained.

The short-run consideration that justifies optimism is the fact that the United States intends to accumulate a substantial wartime reserve of tin and the probability that, either itself or through the machinery of the market, our own Government will see that stocks in this country are restored to a level which leaves a margin of safety against a possible and temporary restriction of space available for shipping the metal. This is held to warrant exports at the rate of 130 per cent. of quotas until the middle of next year, a figure which means that, outside Malaya, and for most mines within that area, anything produced may be sold. It is, of course, open to the International Tin Committee to alter this percentage at any time, but the market seems confident that no change will be made until well into next year. The figures so far available do not suggest that the companies are straining their resources of plant and labour to increase output, and the inference is that costs will not rise appreciably on this account, even if they do not fall, as they well may, in those cases where higher production is sought by transfer to richer ground. Costs will, however, certainly have been increased by the general rise in prices that has affected all commodities for which there is an international market. All these factors will be taken into account by the management of individual companies, and it is their reaction in the direction of their mining policy which makes the assessment of tin mining profits for any company in any one year a difficult matter. Over a period of years it is, however, fluctuation in demand which is the most disturbing factor. Whether this could not be reduced by freeing production it is idle to speculate, for restriction has created interests which it will be difficult to dislodge.

The immediate outlook, then, is determined by the accumulation of special stocks by the United States and possibly by this country. It seems highly probable that the latter will call for official action, and if it does it is very difficult to believe that there will be any long delay in taking it. The more immediate consideration of the authorities appears, however, to be to obtain as much dollar exchange as possible, and to force up the London price to a parity with that ruling in New York so that shipment of ore to this country shall be encouraged. It is with this object in view that the

(*Continued on page* 404)

Company (and Denomination of Share)	Year Ends	Ore Won	Cost* per ton	Total Income	Earned for Ordinary: Amount	Earned for Ordinary: Per Cent.	Dividend	Ordinary Shares: Price	Ordinary Shares: Yield
		Tons	£	£	£		Per Cent.		Per Cent.
Consolidated Tin Mines (Burma) (5/-)									
1937	15 months Years to Sept. 30	1,326	111½	208,131	53,268	7·1	3¾	4 4½	11·1
1938		969	123	180,207	54,223	6·9	5		
1939		1,087	116¾	177,603	25,974	8·1	10		
Bisichi Tin (Nigeria) (10/-)									
1937	Dec. 31	417¼	55	34,609	15,951	4·7	5		
1938		247	55	14,752	*Dr. 1,685*	Nil	Nil	5 -	20 0
1939		407½	47	46,051	27,277	9·3	10		
Kamunting Tin (5/-)									
1937	June 30	2,544	...	344,720	137,684	27·5	22½		
1938		2,746	...	324,288	91,654	18·9	16	7 3	3 4
1939		1,691	...	167,815	6,814	1·6	5		
Southern Kinta Consol. (5/-)									
1938	Mar. 31	3,737	37	269,926	180,993	27·9	25		
1939		2,957	54	85,901	67,908	10·0	10†	10 -	12 5
1940		3,945	45	281,358	167,764	27·0	25		
Pahang Consolidated (5/-)									
1937	July 31	2,793	83	455,656	175,082	46·7	50		
1938		3,118	79	361,782	85,886	24·0	20	13 9	
1939		1,541	...	252,010	46,165	12·8	10		

* "All-in" cost except for Bisichi, where "free on rail."

† Final dividend paid on increased capital.

THE ECONOMIST

TRADE SUPPLEMENT

SEPTEMBER 28, 1940

The Trend of Business

THERE has been very little change in the number of unemployed in the past month; the total number on the registers of employment exchanges declined from 827,000 on July 15th to 779,000 on August 12th. The stability of total unemployment, however, conceals a further increase in employment in the munition industries, accompanied by a reduction in other branches of activity. The output of munitions, indeed, showed a further increase in August, though since the end of that month progress has been impeded by the intensification of air raids and by the consequent loss of working time.

Industry, however, is rapidly adjusting itself to the new conditions by the adoption of the watcher system and, where essential, by the provision of sleeping accommodation on manufacturers' premises. But the intensification of air raids has made the expansion of the munition industry all the more urgent. Unfortunately, the training of labour is still on much too small a scale, especially in private industry. If production is to show a further rapid expansion in spite of air raids, the training of labour must be speeded up appreciably.

Thanks to the stocks available and to the recovery in imports last month, supplies of the majority of essential raw materials are fairly plentiful. Supplies of iron and steel, for example, are now coming in in increasing quantities from the United States, which is capable of producing almost twice as much as the countries now under Nazi control. Shipping losses, it is true, have increased since July, but they are still much smaller than in 1917 and have not seriously affected our capacity to import. The allocation of raw materials, however, is still unsatisfactory in certain respects. In the first place, steel is still being used for purposes that can scarcely be called vital to the war effort; secondly, the distribution of scarce raw materials—and of machinery and labour—between the three Services, the export trade and civil purposes is still far from perfectly balanced.

The decline in exports, caused by the extension of the Nazi hegemony on the Continent, was arrested in August, when they showed an increase of £1.4 millions over those of July. Small though it was, the recovery is encouraging, for it is by no means easy to secure alternative outlets at short notice.

The coal trade has suffered severely from the stoppage of trade with the Continent, for it cannot possibly secure alternative overseas markets for all the fuel hitherto sent to Europe. In spite of the rise in prices the value of cargo shipments of coal fell from £3.0 millions in August, 1939, to £1.2 millions in the past month. The brunt of the burden has fallen upon South Wales and Durham, and though the accumulation of stocks by the Government has relieved the situation, the coal-mining industry is faced with difficult problems of adjustment. In the case of other industries, the problem is one of adaptation to the requirements of the markets outside Europe hitherto supplied by the Nazi-controlled countries. Efforts are being made to develop these markets. Thus the United Kingdom Commercial Corporation has now extended its activities to Latin America, and a mission has been sent to the republics with the object of promoting trade. It is therefore possible to hope that the recovery in exports will continue.

The curtailment of the resources employed in ministering to the civil population is still proceeding rather slowly. The extent of the physical limitation of these resources has hitherto been very small; and, as no adequate steps have been taken to curtail purchasing power to a level compatible with the maintenance of the health and efficiency of the people, consumption continues to be maintained above what we can afford at this stage.

In fact, after one year of war, we are still a long way from having completed the transition from a peace to a war economy. The process must be speeded up very considerably if we are to develop our military *potential* to the full by next spring.

British Industrial Developments

COAL

The home demand for coal has been well maintained by the high level of consumption and the accumulation of stocks by the Government and private consumers. The Durham and South Wales districts have suffered most from the slump in exports; other exporting centres that do not normally ship abroad such a large proportion of their output have found it less difficult to make good a substantial part of their export trade by supplying bigger quantities to the home market. With the co-operation of the Government, north-eastern collieries are delivering coals of all grades to various parts of the country, chiefly for stocking purposes. Had these outlets not been found many more collieries to the north-west of Durham, a district which has always relied largely on exports, would have had to close down. Northumberland steam collieries have managed to work fairly regularly, for their coals are more suitable than those of Durham for domestic use. North-eastern coal is still shipped to South America, Portugal and Egypt, but not in very large quantities. In South Wales it is feared that the position of anthracite will become worse with the closing of the Canadian import season, unless arrangements are made to ship the coal through ice-free ports in America.

IRON AND STEEL

The flow of raw materials to the iron and steel industry remains fairly satisfactory, for the decline in the volume of imports from Nazi-controlled sources of supply has been largely made good by increased home production and imports from other sources. The output of domestic ore has been increased, and scrap deliveries have also shown a substantial expansion. Moreover, the Ministry of Supply has announced that a comprehensive survey of old and unused structures is to be made to ensure a sufficiency of domestic scrap in the future. Imports of iron and steel from America have shown a marked increase; the total intake rose from £3,174,000 in July to £5,365,000 in August, against £2,124,000 in the same month last year. It is reported that in August more than one-quarter of the orders received by the vast United States Steel Corporation were for export; a substantial proportion of these orders was probably placed by this country. But while current supplies are substantial, there are still instances of steel being used for purposes that are not essential. It is understood, however, that the allocation machinery is to be improved in the near future.

ENGINEERING

The output of the engineering industry has been fairly well maintained, though the intensification of air raids has tended to impede further expansion in certain directions. Between 80 and 90 per cent. of the industry is now engaged on Government work. Nevertheless, the export trade has not been neglected. Shipments of machinery rose from £2,497,000 in July to £3,333,000 in August, against £3,963,000 in the same month last year. Imports also rose from £2,290,000 in July to £2,673,000 in August, compared with £2,279,000 in August, 1939. The training of labour for the industry, however, is still rather inadequate; the progress made by private industry, in particular, remains too slow. Relations between the trade unions and the employers remain satisfactory.

CHEMICALS

There have been few important changes since last month. There has been a fair inquiry for export orders, but the supply position has made it difficult to fulfil them in some cases. Demand for all wood distillation products has been much quieter than during the previous months; stocks of lump charcoal are available. Trade in industrial chemicals has been moderatively active, with the supply

position showing distinct signs of improvement. The pharmaceutical and fine chemicals market has been quiet, with a fair volume of routine inquiry. There have been numerous export inquiries for tar products, although actual trade in this section has generally remained quiet.

FOOTWEAR

There has been an improvement recently in the footwear industry. Civilian orders have been more plentiful, as many retailers have been buying in anticipation of the Purchase Tax. Women's wool-lined bootees have formed an important proportion of the trade. Heavy workmen's and service boots also continue to keep many factories busy. Buyers are offering low prices for some grades, but manufacturers who have been short of work are willing to accept them.

COTTON

During the past month further efforts have been made to expand the export trade. British Overseas Cottons, Limited, has begun to place orders chiefly in the Dominions—especially Canada—but a fair amount of business has also been done with Java, Singapore, South America and South Africa. Purchases for home consumption have been restricted, partly owing to the uncertainty of the effect of the limitation of sales after October 1st to 37½ per cent. of those of a year ago. Trade has been affected by the intensification of the air war, though production has not suffered. Spinning activity during the month was at 90 per cent. of productive capacity, the same as in the previous month, compared with 75 per cent. a year ago. There has been an active demand for coarse American counts, but little for Egyptian yarns. Wages for all cotton operatives are to be increased on October 1st by a further 2½ per cent. on pre-war rates, making a 25 per cent. increase since September, 1939.

LINEN

Initial transactions in new crop home flax are expected to take place next week. Reports on quality and prospective yield are satisfactory. The increase granted on the original prices guaranteed by the Government for the 1940 crop has met with the approval of all sections of the industry. Most of the 1939 flax crop of Northern Ireland has been sold to the Government, but there are some farmers who have refrained from scutching their straw or have held back the fibre. A new Order relating to the Control of Flax requires holders of flax straw grown in 1939 or earlier to scutch it by November 31, 1940, or sell it to the Minister for £6 per ton. Holders of flax fibre produced from seed sown before January 1, 1940, must sell it to the Minister at the 1939 prices, and the sale to anyone except the Minister of fibre from later sowings is prohibited. Some concessions have been granted by the Ministry of Supply, which may improve oversea prospects in some classes of linen fabrics, but the export of yarns is prohibited and no permits can be issued for home trading. Outside Government requirements, therefore, the outlet for business is very limited.

WOOL

The wool industry is still in process of adapting itself to the loss of European markets and the latest expedient reported is that Australian wool is to be stored in American warehouses. No details of the scheme are yet available, but it was at first assumed that as the wool was stored on behalf of the British Government it would be under seal, though there were later reports that the wool would form a pool on which both European and American producers could draw. Until more details are known there will be some anxiety in the United States concerning the future course of wool prices. The Wool Control has announced an increase in the prices of wool tops and noils on account of increased marine transport and insurance rates and other charges. These increases—about 4 to 6 per cent.—will not come into operation immediately, but only when the periods for which current rates were fixed expire. Employment in the manufacturing sections is tending to decline.

RAYON

The price increase which came into force on September 1st is to be followed by a further increase of 2d. per lb. on yarns delivered after October 1st. This offsets the increase in costs which has recently taken place. Home trade is difficult, but exports are being developed steadily in those markets available and special and successful efforts are being directed to South America. Staple fibre has not been increased in price and many new and successful lines are being developed.

JUTE

Prices of raw jute have declined during the past month, the full group of Daisee-2/3 being sold down to £21 15s. for October-November shipment, with Tossa-2/3 quoted at £24 15s. Spinners have had little incentive to purchase owing to the dull state of the yarn market, where prices have also fallen. In spite of Dundee's urgent need of business to prevent the spreading of short time and stopping of machinery, the British Government placed orders with the Indian Jute Mills for 58,317,000 sandbags for delivery during October/December. Calcutta goods, which had been declining, have recently recovered to some extent, now being quoted at 27s. for 10 oz. 40 in., and 21s. for 8 oz., November/December, after having been down to 23s. 7d. and 18s. 1d. respectively. Orders have just been placed with Dundee manufacturers for 3,000 cuts (300,000 yards) of cloth for bread bags for the Government.

Business Developments Overseas

UNITED STATES

The lull in business activity in July gave way to a fresh expansion in August, which has since continued. On the basis of the index of industrial production calculated by the Federal Reserve Board, the level of activity in August was 10 per cent. higher than in July, while the figure for September is likely to show an equally marked improvement over that for August. The magnitude of the expansion in activity is reflected in the high level of steel production; in recent weeks more than 90 per cent. of the industry's crude steel producing capacity has been in operation. In spite of the high level of output, orders, which are running at 10 per cent. above those placed in August, are steadily accumulating. While Britain's war orders have been partly responsible for the initial expansion in industrial production, the flow of domestic contracts for war materials is now steadily increasing. The indications point to a further appreciable expansion in activity in coming months. According to a cable from the Guaranty Trust of New York, the first half of September witnessed a further expansion in business. The production of crude steel rose to 92.9 per cent. of the industry's capacity, that of motor vehicles in the second week was 63,240 units, against 39,665 units in the previous week, while engineering construction contracts for the week ended September 12th were 36 per cent. higher than a year ago, and retail sales were 5 to 10 per cent. above last year's level.

BRITISH EMPIRE

CANADA.—The effect of the war upon Canadian economy is becoming increasingly evident. The difficulties which Canadian agriculture is experiencing at present would normally have a depressing effect upon business but, in fact, industrial production is reaching new peak levels. The expansion is mainly in the heavy industries—the result of defence expenditure—but conditions in the pulp, paper, lumber, textile and manufactured food industries also improved. The size of the wheat crop and the restricted market open to it are still causing anxiety, and storage problems are becoming increasingly acute. The yields of canning crops, fruit and tobacco are now known to be considerably smaller than in recent years.

AUSTRALIA.—The shortage of rain has had a bad effect upon crops, and the prospects for all types of cereals are poor. The prospects for pastoral and dairy products are also uncertain, but good rains now would improve them. The wool clip is of good quality, though the quantity is smaller than last year. Secondary industries continue to expand in volume and range, and building activity is maintained. Increased defence expenditure is stimulating retail trade, but in the country districts it is declining. The election campaign has not disturbed business to any marked degree.

SOUTH AFRICA.—General business at the larger centres of the Union remains steady. Conditions in the secondary industries are unchanged, and reports indicate that raw materials are coming forward satisfactorily. No improvement is evident in the building industry. The value of building plans passed by the larger centres of the Union in August was about £480,000 compared with £1,324,000 in August, 1939. Farming conditions are unchanged, but general prospects are more favourable owing to an improvement in the outlook for wool farmers as a result of the renewal of the agreement covering the sale of the wool clip to the United Kingdom. The Transvaal gold output in August reached the record level of 1,199,699 fine ounces (valued at £10,077,472), compared with 1,101,573 fine ounces (valued at £8,151,640) in August, 1939.

LATIN AMERICA

ARGENTINA.—Argentina's main problem continues to be the disposal of the large maize crop, and farmers have even stopped shelling the cobs due to the low price. The export problem will be further complicated when the crops of wheat and linseed come on the market towards the end of the year. Argentina's favourable trade balance for the first seven months of 1940 was only 60 million pesos, compared with 200 million pesos in the same period of 1939. Therefore, it is expected that gold may have to be shipped to redress the balance of payments, although this would still leave the Central Bank with a very strong reserve position. Goods of United States origin represented 28 per cent. of total Argentine imports for the first seven months of 1940, compared with 15.5 per cent. in the corresponding period of 1939, while imports from Britain represented 20.4 per cent., against 21.3 per cent.

OTHER SOUTH AMERICAN COUNTRIES. — Brazil, Colombia and the Central American "coffee" countries are anxiously awaiting an agreement as to coffee import quotas into the United States (practically the only market now left open), although there are growing fears that the negotiations will break down. In Brazil, particularly, the coffee position is increasingly uncertain because of the loss of European markets, and both export and local prices are falling. Sterling Clearing agreements were concluded with both Uruguay and Peru in September. These agreements are on similar lines to those with Argentina and Brazil, eliminating free sterling and canalising payments in official sterling by means of special accounts opened with authorised banks in this country. The agreements tend towards trade reciprocity; that is to say, they ensure exchange cover at agreed rates to pay for imports of British goods to the extent that Britain purchases products from the country which is the other party to the agreement.

UNITED KINGDOM AND UNITED STATES

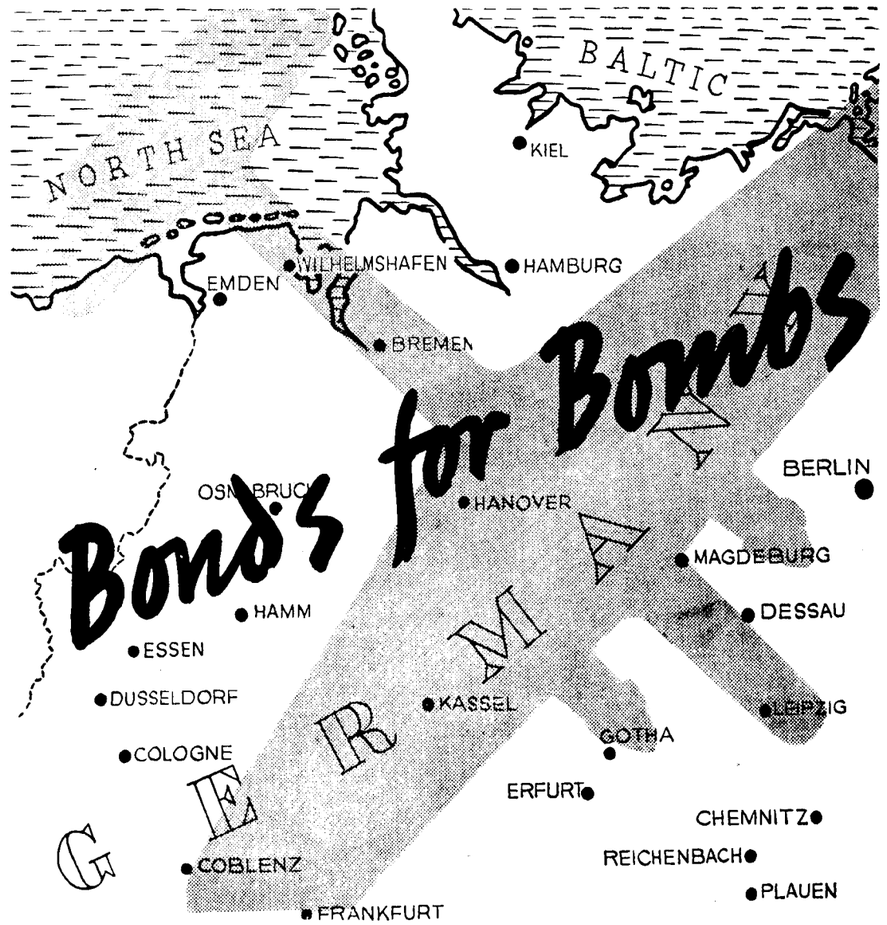
	Unit of Measurement	Monthly Average 1929	1932	1936	1937	1938	1939	1939 June	July	Aug.	1940 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
UNITED KINGDOM (Population mid 1938, 47,485,000; Area: 95,030 sq. miles; 244,000 sq. kms)																		
1. Cotton delivered to mills, G.B.	Mill. lb. daily av.	5·27	4·47	5·17	5·43	4·18	5·18	5·03	4·65	4·21	5·59	6·52	6·49	6·72	5·74	7·72	6·09	...
2. Postal traffic receipts, daily (r)	Thous. £'s	133	133	147	154	155	150	149·7	149·1	143·9	136·7	133·1	137·6	145·9	177·6	167·5	179·6	...
3. Retail trade, Gt. Brit.: Food	Avg. daily sales	...	78	92	100	104	108	105	106	103	104	107	115	114	118	110	118	...
Other merchandise	in 1937 = 100	...	83	95	100	100	102	100	107	83	100	83	100	106	113	99	106	...
4. " Total	"	...	81	93	100	102	105	103	107	94	102	95	108	111	115	105	113	...
5. "	Thous. £'s	42,444	29,810	30,921	34,099	34,923	31,550	35,187	31,917	33,779	42,799	37,070	42,755	40,984	38,933	34,934	29,856	34,772
6. Retained imports, value: Food	"	23,774	11,740	17,934	23,203	18,112	18,079	19,911	19,499	19,463	29,730	32,027	32,640	32,656	34,101	28,138	27,197	28,254
7. " Raw materials	"	25,467	12,168	16,452	20,878	17,958	18,997	22,266	22,636	22,758	26,008	23,637	29,040	31,336	28,814	25,364	27,920	30,272
8. " Manufactures	"	92,589	54,221	65,710	79,492	71,569	70,002	77,867	74,555	76,609	101304	93,206	104945	105551	102339	88,775	85,189	93,628
9. " Total	"	4,555	2,625	2,966	3,232	2,993	2,976	3,381	2,998	3,269	3,850	2,920	2,932	3,833	3,492	2,790	2,615	2,726
10. Domestic exports, value: Food	Thous. £'s	6,575	3,634	4,278	5,388	4,744	4,533	5,182	5,261	4,442	4,647	4,262	4,142	4,555	4,626	3,800	2,491	1,687
11. " Raw materials	"	47,899	23,031	28,410	33,737	30,448	28,121	30,466	30,997	28,544	31,751	29,704	33,473	38,988	36,668	28,976	25,553	27,605
12. " Manufactures	"	60,779	30,419	36,727	43,466	39,240	36,567	39,895	40,355	37,077	41,074	37,402	41,456	48,300	45,500	36,211	31,189	32,555
13. " Total	"																	
14. Registered unemployed G.B.	Thousands	1,212	2,756	1,684	1,413	1,791	1,514	1,350	1,256	1,232	1,519	1,504	1,121	973	881	767	827	799
15. Per cent. unemployed "	%	10·3	21·9	13·0	10·6	12·8	10·3	9·5	8·7	8·6	9·9	10·0	7·4	6·5	5·9	5·0	5·4	...
16. Registered at Exchanges, all ages (l)	Thousands	1,276	2,813	1,822	1,586	1,881	1,690	1,417	1,326	1,295	1,603	1,586	1,193	1,040	948	843	899	...
17. " London	"	118	306	179	171	226	239	186	175	162	309	282	239	210	194	183	209	...
18. " E. and S. England (m)	"	50	142	79	70	96	93	67	63	60	179	202	122	102	86	76	77	...
19. " S.W. England (p)	"	69	157	94	83	84	76	54	48	48	54	46	35	32	28	22	21	...
20. " Midlands & N. Midlands (m)	"	165	371	178	144	210	153	146	142	160	171	188	106	81	69	56	63	...
21. " N.E. England (m)	"	280	602	304	165	208	151	150	132	128	125	126	83	72	69	60	59	...
22. " N.W. England	"	285	562	374	304	398	309	301	277	267	260	247	185	159	154	122	128	...
23. " Northern (a)	"	...	...	179	156	158	139	131	123	119	121	129	97	87	78	67	76	...
24. " Scotland	"	156	378	277	246	253	217	199	191	187	185	184	155	138	123	111	114	...
25. " Wales	"	116	228	198	151	164	127	115	106	103	116	121	99	92	80	68	81	...
26. " Northern Ireland	"	36	68	67	71	91	76	68	70	63	84	82	72	68	67	67	71	...
27. Industr. disputes, No. days lost	"	676	541	154	285	110	107	130	134	118	108	168	165	82	91	14	33	...
28. Wage rates, Min. of Labour (b)	1929 = 100	100	96	99½	103	107½	108	107½					...			...		...
Wholesale Prices: *Economist*:																		
29. Cereals and meat	1929 = 100	100	70·4	79·4	93·5	82·4	76·2	71·2	68·0	69·0	96·7	90·0	89·0	88·8	87·9	92·8	87·4	96·4
30. Other foods	"	100	72·8	71·2	78·8	68·4	76·4	72·4	71·9	71·2	92·8	95·0	94·2	93·7	93·2	93·6	93·4	95·0
31. Textiles	"	100	53·4	67·0	73·7	58·6	63·8	58·2	57·2	58·9	83·6	83·0	94·4	95·5	96·9	96·1	92·8	94·8
32. Minerals	"	100	76·3	88·5	108·4	97·4	100·0	96·0	96·8	98·5	116·0	120·2	120·0	121·2	123·3	125·4	127·0	128·4
33. Total, incl. miscellaneous	"	100	67·8	79·8	89·3	77·8	80·3	75·6	75·0	75·8	99·5	99·5	101·0	101·4	103·5	105·7	103·9	106·4
Cost of Living: Min. of Labour																		
34. Food	1929 = 100	100	81·8	83·6	90·7	90·1	92·4	90·3	89·0	89·6	104·5	104·5	102·5	103·2	102·5	109·1	106·5	107·9
35. Total	"	100	87·8	89·7	94·5	95·2	96·4	95·1	94·6	94·6	108·0	109·0	108·5	109·8	110·5	114·0	112·8	114·0
36. Industrial securities, Fin. News	July 1, 1935 = 100	102·0	64·0	115·7	110·2	85·6	78·1	77·2	85·5	77·5	74·8	80·6	77·6	75·6	62·8	54·4	59·6	62·9
37. Fixed interest " "	1928 = 100	96·8	113·6	137·7	128·6	127·6	116·8	117·9	117·9	113·4	123·8	125·6	124·9	125·7	121·5	115·6	120·1	121·0
38. Govt. Revenue, cumulative (s)	Mill. £'s	815·0	827·0	896·8	948·7	1006·2	1132·2	163·8	236·0	317·8	802·4	981·7	1132·2	67·5	145·1	208·4	307·4	417·2
39. " expenditure, " (s)	"	829·5	859·3	902·2	919·9	1018·9	1408·2	315·6	377·5	551·3	1038·1	1148·7	1408·2	186·3	442·6	715·1	993·8	1349·4
40. Bank of Eng.: Notes in circ. (d)	"	362·3	258·5	431·4	479·6	487·4	509·9	496·7	508·0	518·5	528·3	531·0	538·2	539·1	547·0	584·7	608·6	611·9
41. " Bankers' deposits (d)	"	62·9	81·3	96·2	97·2	103·8	102·8	99·9	92·6	89·6	105·0	102·7	109·8	116·8	107·6	102·1	102·4	113·7
42. " Gov. sec. B'king Dept. (d)	"	55·9	64·0	88·8	98·4	103·2	107·0	114·2	107·7	110·4	125·9	124·5	135·4	133·7	140·8	146·8	158·5	154·7
Clearing Banks:																		
43. " Deposits	"	1,738	1,791	2,142	2,210	2,205	2,179	2,137	2,158	2,162	2,320	2,366	2,275	2,268	2,324	2,376	2,383	2,390
44. " Cash & bal. with B.E.	"	194	187	221	227	230	236	227	226	224	233	238	238	245	247	250	252	263
45. " Discounts	"	229	308	313	278	279	248	242	271	272	375	341	327	329	396	373	404	417
46. " Advances	"	991	844	839	924	940	959	957	951	954	964	966	971	951	932	929	900	889
47. " Investments	"	257	348	613	622	611	579	571	568	570	582	580	582	588	603	605	626	650
48. Interest Rates: Bank rate	Per cent.	5·498	3·008	2	2	2	2·24	2	2	2·25	2	2	2	2	2	2	2	2
49. " Three *months'* bank bills	"	5·28	1·87	0·60	0·58	0·62	1·18	0·72	0·77	1·01	1·09	1·03	1·03	1·03	1·03	1·03	1·03	1·03
50. " Day to day loans	"	4·47	1·61	0·50	0·50	0·50	0·87	0·50	0·50	1·46	0·81	0·75	0·75	0·75	0·75	0·75	0·75	0·75
51. " Yield on 2½% Consols	"	4·61	3·75	2·94	3·29	3·39	3·76	3·91	3·96	3·86	3·49	3·38	3·41	3·45	3·42	3·48	3·45	3·40
52. Cap. Issues (*Economist*) Total (excl. Brit. Govt.) New basis	Th's £	...	...	36,073	26,653	16,435	8,754	29,556	5,187	7,407	412	949	1,113	6,652	2,617	1,587	491	471
53. " " Old "		*18,319*	*7,184*	*16,299*	*12,752*	*8,634*	*4,504*	*23,131*	*1,018*	*3,630*	*108*	*129*	*514*	*295*	*0*	*22*	*300*	*0*
54. " " New "		...	...	3,787	5,876	4,991	2,305	9,290	682	195	55	0	142	111	241	0	0	222
55. " " Of which abroad Old "		*7,267*	*2,153*	*2,125*	*2,431*	*2,279*	*1,365*	*7,341*	*222*	*0*	*0*	*0*	*142*	*0*	*0*	*0*	*0*	*0*
56. Exchange Rates: New York	$ per £	4·857	3·504	4·971	4·95	4·89	4·46	4·68	4·68	4·61	4·03	4·03	4·03	4·03	4·03	4·03	4·03	4·03
57. " Paris	Frs. per £	124·02	89·20	82·97	124·45	170·66	176·64	176·73	176·72	176·35	176·60	176·63	176·63	176·63	176·63	176·63	...	...
58. " Amsterdam	Fl. per £	12·09	8·66	7·78	8·99	8·89	8·35	8·81	8·79	8·61	7·54	7·55	7·55	7·56	47·56	...	...	...
59. " Kobe	Pence per Yen	22·81	19·33	14·02	13·99	13·99	14·06	14·00	14·00	14·00	14·25	14·24	14·97	16·01	17·21	16·42	15·03	14·40
60. " Shanghai	Pence per $	28·85	20·83	14·47	14·43	10·65	6·36	6·93	5·65	3·79	4·78	4·32	4·19	4·19	3·81	3·94	3·91	3·74
UNITED STATES (Population 1938: 130,085,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.)																		
1. Industrial production, F.R.B. (j)(t)	1935-39 = 100	110	58	103	113	88	108	102	104	104	122	116	112	111	114	121	...	...
2. Minerals, F.R.B. (j) (t)	"	107	66	99	112	97	106	105	107	91	118	114	117	119	118	121	...	...
3. Manufactures, F.R.B. (j) (t)	"	110	57	104	113	87	108	102	104	107	123	116	112	110	114	121	...	...
4. Coal production	Million m. tons	46·0	27·2	37·5	37·4	29·3	33·3	28·5	29·1	34·8	45·9	38·8	35·7	33·4	35·7	38·6	...	...
5. Electricity generated	Million kw. hrs.	8,113	6,842	9,461	10,083	9,400	10,856	10,529	10,651	11,230	12,252	11,104	11,514	11,193	11,615	...	...	...
6. Steel production	Thous. m. tons	4,599	1,128	3,973	4,192	2,357	3,875	3,190	3,230	3,824	5,120	4,000	3,870	3,608	4,390	5,019	...	...
7. Index of new orders, N.I.C.B.	1936 = 100	134	41	100	100	79	105	86	90	96	108	98	98	...	...	117	131	...
Building contracts awarded:																		
8. Residential	Million $	159·6	23·3	66·8	75·5	82·2	111·2	111·9	109·3	127·2	77·4	74·9	121·7	135·4	145·9	...	...	...
9. Other	"	319·6	89·3	156·1	184·4	184·2	185·5	176·4	190·6	185·1	118·8	125·7	150·5	165·1	183·0	...	...	...
10. Output of Private cars	Thousands	382	89	306	326	167	239	247	151	61	363	338	353	362	326	286	...	...
11. " " Commercial vehicles	"	64	20	65	72	41	59	63	59	27	69	66	71	71	66	59	...	...
12. Cotton consumption	Thous. bales	587	418	592	619	492	614	578	521	628	730	663	628	624	636	557	...	...
13. Index of Rly. car loadings (j)	1929 = 100	100	52·8	87·9	74·7	59·2	66·6	63·2	65·1	66·0	73·6	68·8	65·1	66·0	68·0	70·6	...	...
14. Index of Dept. Store sales (j)	"	100	62·2	79·2	83·6	76·7	89·1	77·5	77·5	80·2	82·8	80·2	80·2	81·1	78·4	83·8	...	...
15. Retained imports	Million $	362	110	202	251	163	190	178·4	170·5	180·4	234·6	189·8	206·7	203·0	203·7	205·4	...	...
16. Domestic exports	"	430	131	202	275	255	260	236·1	226·7	248·1	359·1	338·6	344·6	316·5	318·1	...	...	...
17. Factory employment, F.R.B. (j)	1929 = 100	100	62·6	93·4	101·0	81·5	92·5	90·0	91·0	91·6	99·4	97·5	95·8	94·9	94·9	96·0	...	...
18. Pay rolls, Dept. of Lab.	"	100	42·6	78·4	93·5	78·5	83·3	79·2	77·4	82·2	90·0	89·6	90·0	88·3	88·4	89·7	...	...
19. Hourly earnings, N.I.C.B.	"	100	84	105	120	123	124	124·3	124·3	124·2	125·4	125·5	126·0	126·5	127·0	...	...	...
20. Av. hours of work, N.I.C.B.	Number	48·3	34·8	39·7	39·3	34·5	37·6	37·1	37·1	37·9	38·7	38·0	37·6	37·6	37·5	...	...	...
21. Applicants for work	Thousands	...	...	7,705	5,155	7,404	6,240	6,283	6,101	5,790	6,066	5,920	5,025	5,682	5·724	...	...	...
22. Cost of living, N.I.C.B.	1929 = 100	100	77·9	84·8	88·4	86·3	85·2	84·6	84·8	84·4	85·3	85·6	85·4	85·6	85·9	86·3	...	...
23. Wholesale Prices, D. of Lab.	"	100	68·0	84·8	90·6	82·5	80·9	79·3	79·1	78·8	83·3	82·6	82·2	82·5	82·2	81·3	...	...
24. " Raw materials	"	100	56·5	82·0	86·9	73·8	72·0	69·5	69·5	68·2	75·7	74·6	73·9	74·9	73·9	72·5	...	...
25. " Semi-manufactures	"	100	63·2	80·8	90·9	80·3	82·0	79·0	79·2	79·4	87·0	85·1	84·8	83·8	83·4	83·0	...	...
26. " Finished goods	"	100	74·4	86·8	92·2	87·0	85·2	84·2	83·8	83·7	86·5	86·2	85·8	86·0	86·0	85·2	...	...
27. " Farm products	"	100	45·9	77·2	82·5	65·3	63·4	59·5	60·0	58·2	65·9	64·7	64·8	66·2	64·3	63·2	...	...
28. 347 " Indus. securit's, Standard Statistics	"	100	24·4	57·3	69·0	52·6	55·5	53	54	53	57	57	57	58	50	...	...	...
29. Federal Expend. Total (h)	Million $	321	360	756	712	641	...	9,169	807	1,629	5,479	6,147	7,153	7,945	8,594	...	...	...
30. Federal Receipts (h)	"	336	173	343	441	520	...	5,667	308	727	3,060	3,504	4,498	4,742	5,142	...	...	...
31. Total Res. Bank credit	"	1,459	2,077	2,481	2,554	2,600	2,616	2,579	2,486	2,446	2,503	2,547	2,529	2,518	2,519	2,531	...	...
32. Gold stock	"	3,998	3,952	10,578	12,162	13,250	12,215	16,110	16,238	16,646	17,931	18,177	18,433	18,770	19,209	19,983	...	...
33. Money in circulation	"	4,476	5,328	6,101	6,475	6,510	7,171	7,047	7,049	7,171	7,376	7,455	7,511	7,559	7,710	7,848	...	...
34. Member Bank Res. Balances	"	2,358	2,114	5,989	6,830	7,935	10,466	10,018	10,507	10,918	12,150	12,328	12,423	12,919	13,237	13,781	...	...
35. " Excess Reserves	"	43	256	2,512	1,220	2,522	4,489	4,140	4,553	4,758	5,559	5,692	5,828	6,149	6,385	6,857	...	...
Member Banks in 101 towns:																		
36. Loans and investments	"	22,599	19,080	22,064	22,198	21,023	22,417	21,887	22,046	22,327	23,157	23,220	23,380	23,489	23,555	23,591	...	...
37. Deposits: Demand	"	...	...	14,619	15,067	15,039	17,931	17,220	16,462	18,096	18,946	19,210	19,344	19,515	19,971	20,524	...	...
38. " Time	"	6,788	5,866	4,999	5,202	5,202	5,234	5,237	5,243	5,247	5,276	5,283	5,344	5,353	5,332	5,333	...	...
39. Bank debits ex. N.Y. City	"	27,662	12,867	18,306	19,601	17,054	18,200	18,676	17,683	17,246	19,978	17,344	19,537	19,250	19,659	18,850	...	...
40. Call money	%	7·61	2·05	0·91	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0	1·0
41. Yield on Govt. bonds	%	3·60	3·66	2·65	2·68	2·56	2·36	2·13	2·16	2·21	2·30	2·32	2·25	2·25	2·38	2·30	...	...
42. Capital issues, C.F. Chronicle	Million $	595	99	164	175	198	191	274	318	112	94	104	71	118	122	82	...	...

(a) Figure for 1936 is average of August-December. (b) Indices shown in last month of quarter to which they relate. (d) Average of weekly figures. (e) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Annual indices, year beginning in July; quarterly indices year ended in quarter shown. (j) Adjusted for seasonal variations. (k) Annual figures are monthly averages of fiscal year; monthly figures are cumulative over fiscal year. Annual figures for 1929 and 1932 are not completely comparable. (l) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (m) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England (n) From January 1940 includes former Southern and South Eastern divisions. (p) Includes Southern division before January 1940. (q) Average May 1-9. (r) Revised series from January, 1939. (s) Average June 1-22. (t) New Series.

COUNTRIES OVERSEAS

	Unit of Measurement	Monthly Average 1929	1932	1936	1937	1938	1939	1939 June	July	Aug.	1940 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
I. BRITISH COUNTRIES																		
AUSTRALIA (Population 1936: 6,775,000; Area: 7,704,000 sq. kms.)																		
1. Retained imports	Million £ stg. (a)	10·69	4·26	7·17	8·36	8·78	8·00	8·35	8·86	9·21	11·52	13·90	9·64	12·21	...	...	...	...
2. Domestic exports	Million £A.	7·91	7·84	10·63	12·31	11·19	10·06	7·75	8·27	8·14	13·88	14·37	12·52	13·93	...	...	...	...
3. Unemployed Trade Unionists (e)	Thousands	47	120	54	42	41	47	46					39			...	...	...
4. Wholesale prices (Melbourne)	1929 = 100	100·0	78·3	85·6	91·9	92·2	92	89	89	89	92	91	93	...	...	...	...	...
5. Cost of living (e)	,,	100·0	80·7	82·7	84·9	87·2	89	89					90			...	...	...
CANADA (Population 1936: 11,028,000; Area: 9,542,000 sq. kms.)																		
6. Business activity (c)	1929 = 100	100	58	90	99	90	99	98	97	100	114	107	100	125	115	...	...	...
7. Retained imports (g)	Million Can. $	108·2	37·7	52·9	67·4	56·5	62·6	63·7	58·0	62·7	71·1	71·0	76·7	86·0	100·5	90·7	...	...
8. Domestic exports (g)	,,	102·1	46·7	85·7	93·7	79·7	...	94·5	91·7	111·0	90·9	72·3	83·5	84·7	109·9	110·8	...	...
9. Applicants for work (j)	Thousands	15	75	90	88	105	104	104	100	93	112	120	122	...	...	...	...	...
10. Wholesale prices	1929 = 100	100·0	69·8	78·0	88·4	82·2	79	77	76	76	86	87	87	87	86	...	...	...
11. Cost of living	,,	100·0	81·5	80·9	83·2	84·1	84	83	83	83	85	85	86	86	86	...	...	...
12. Price of industrial securities	,,	100·0	23·7	74·3	77·4	64·4	62	59	60	58	61	60	60	58	47	...	...	...
13. Commercial bank deposits (j)	Million Can. $	2,163	1,844	2,230	2,282	2,394	2,594	2,382	2,391	2,407	2,598	2,425	2,411	2,504	2,460	...	...	...
EIRE (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	3·738	3·655	3·168	4·673	4·104	4·117	5·084	4·472	...	...	...
15. Domestic exports	,,	3·852	2·098	1·831	1·853	1·990	2·219	1·994	2·138	2·422	2·399	2·110	2·812	2·522	2·787	...	...	...
16. Applicants for work	Thousands	20·70	62·82	99·83	82·42	88·71	93	70	71	71	118	117	88	87	83	...	...	...
17. Cost of living (e)	1929 = 100	100·0	89·2	90·9	96·8	98·5	101	98					112			...	...	...
18. Notes in circulation	Million £	14·2	13·4	15·1	15·7	16·9	18·0	16·2	16·0	16·1	17·1	17·1	17·5	17·6	17·6	18·1	...	...
INDIA (Population 1935: 370,500,000; Area: 4,684,000 sq. kms.)																		
19. Retained imports } Sea-borne	Million rupees	208·6	110·7	101·9	132·9	125·2	129·1	145·6	130·5	135·9	155·8	...	...	...	...	...	...	...
20. Domestic exports } trade (b)	,,	268·8	112·6	150·5	168·8	135·2	151·0	148·6	163·0	159·0	236·6	...	...	...	...	...	...	...
21. Wholesale prices, Calcutta	1929 = 100	100·0	64·5	64·5	72·3	67·6	76	72	71	71	92	89	86	...	...	...	...	...
22. Cost of living, Bombay	1933–34 = 100	...	...	101	106	106	106	104	105	105	114	112	110	...	...	...	...	...
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	5·149	4·420	4·066	3·927	3·302	2·675	...	...	...	...	...
24. Domestic exports	,,	4·515	2·915	4·689	5·517	4·817	4·787	5·097	3·514	3·991	6·265	8·070	7·212	...	...	...	...	...
25. Wholesale prices	1929 = 100	100·0	89	96	103	105	108	107	108	110	113	114	117	...	...	...	...	...
26. Cost of living	,,	100·0	83·5	86·1	91·9	94·6	98	98	98	99	100	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	...	8·00	7·38	7·77	8·90	8·49	7·87	10·04	8·07	...	...	...
28. Domestic exports (k)	,,	3·91	1·58	2·40	3·05	2·46	...	11·58	9·73	3·08	4·14	3·09	3·23	4·24	3·23	...	...	...
29. Wholesale prices	1929 = 100	100·0	79·0	85·0	87·0	90·0	89	86			94	95	96	96	97	97	...	...
30. Cost of living	,,	100·0	89·9	88·5	90·5	93·8	94	94	93	93	95	96	96	97	97	97	...	...
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	97·0	118·6	124·4	161·5	137·0	127·1	157·5	124·3	...	...	...
32. Domestic exports	,,	180·6	107·3	138·0	192·6	116·7	131·1	157·8	128·1	110·5	187·4	166·4	154·6	156·3	141·8	119·0	102·5	...
33. Wholesale prices	1929 = 100	100·0	92·8	102·9	116·8	109·4	112	107	107	107	130	128	129	128	129	128	...	...
34. Cost of living	,,	100·0	77·7	90·5	92·8	92·0	93	94	94	93	98	96	...	...	...	...	...	...
BELGIUM (Population 1936: 8,331,000; Area: 30,000 sq. kms.)																		
35. Industrial production	1929 = 100	100	...	...	...	70	79	80	76	73	79	...	...	...	...	...	...	...
36. Retained imports	Mill. francs	2,961	1,347	1,775	2,291	1,891	1,624	1,769	1,546	1,720	1,330	1,476	1,450	...	...	...	...	...
37. Domestic exports	,,	2,649	1,234	1,627	2,101	1,791	1,811	2,035	1,870	2,006	1,750	1,941	2,309	...	...	...	...	...
38. Unemployment (j)	Thousands	...	211	154	126	174	195	175	174	176	241	214	164	...	...	...	...	...
39. Wholesale prices	1929 = 100	100·0	62·5	69·1	80·4	74·0	76	70	70	70	97	99	99	...	...	...	...	...
40. Cost of living (59 towns)	,,	100·0	83·6	84·7	91·8	93·8	93	91	91	91	99	101	101	...	...	...	...	...
CHINA (Population 1935: 450,000,000; Area: 11,103,000 sq. kms.)																		
41. Retained imps. (excl. Manch.) (d)	Mill. std. dollars	160·6	146·7	78·5	79·5	109·5	330·3	342·0	334·9	581·7	391·0	506·8	714·3	969·2	1258·3	935·0	...	...
42. Domestic exps. (excl. Manch.) (d)	,,	131·9	83·4	58·8	69·9	63·6	85·6	68·4	79·9	100·9	160·9	110·2	126·3	146·4	225·2	...	...	...
43. Wholesale prices, Shanghai	1929 = 100	100·0	107·6	103·8	123·5	146·0	232	191	196	253	375	432	447	464	519	...	...	...
44. Cost of living, Shanghai	,,	100·0	110·4	105·0	122·2	139·4	182	154	170	187	291	325	339	331	355	362	...	...
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	138·5	132·2	126·9	138·8	116·8	152·5	...	...	...	...	...
46. Domestic exports	,,	165·8	70·5	62·2	95·7	86·6	80·5	98·5	93·0	92·1	71·5	62·3	83·5	...	...	...	...	...
47. Unemployed registered (j)	Thousands	...	271	414	369	354	253	196	192	191	298	274	...	...	...	...	...	...
48. Wholesale prices	1929 = 100	100·0	64·8	64·0	76·4	72·1	74	70	70	71	86	88	88	88	...	...	...	...
49. Cost of living (Amsterdam)	,,	100·0	83·9	78·6	81·8	82·5	83	81	...	81	87	88	89	...	...	...	...	...
50. Price of industrial securities	,,	100·0	34·5	45·1	67·0	65·3	65	67	66	66	60	61	62	62	...	...	...	...
JAPAN (Population 1935: 69,500,000; Area: 382,314 sq. kms.)																		
51. Industrial production	1929 = 100	100	98	151	171	175	...	182	190	191	171	...	...	...	...	...	...	...
52. Retained imports (f)	Million yen	180·7	115·3	225·2	311·0	220·1	241·5	262·6	241·5	228·5	252·7	307·7	348·4	297·0	299·2	268·0	...	...
53. Domestic exports (f)	,,	175·1	113·5	219·3	260·4	222·3	296·4	294·2	302·4	342·9	216·6	294·9	341·6	352·0	404·5	345·0	...	...
54. Wholesale prices	1929 = 100	100	73·3	89·9	108·4	114·3	126	123	123	124	146	144	142	143	...	...	...	...
55. Cost of living, Tokio	,,	100	75·4	87·8	96·1	110·1	123	122	122	123	136	138	140	143	144	...	...	...
56. Price of industrial securities	,,	100·0	79·3	131·7	147·6	132·9	135	128	133	133	152	146	149	143	145	...	...	...
57. Commercial bank deposits (j)	Million yen	9,213	8,131	10,932	12,353	15,073	19,794	16,915	16,715	16,960	19,155	19,290	19,519	20,044	...	...	...	...
ROUMANIA (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	136	153	145	122	121	134	125	...	...	...	...
59. Oil production	Th. metric tons	403	612	714	596	550	520	500	529	539	515	489	521	502	519	499	...	...
60. Retained imports	Million leu	2,469	1,001	1,053	1,690	1,564	1,908	2,305	2,092	1,489	1,850	2,079	2,585	1,903	...	...	...	...
61. Domestic exports	,,	2,413	1,394	1,809	2,631	1,794	2,234	2,420	2,330	2,077	2,800	2,360	3,648	3,639	5,131	2,917	...	...
62. Registered unemployed	Thousands	...	38·89	13·55	10·85	7·27	6·0	4·0	4·5	4·4	9·3	6·5	...	...	...	...	...	...
63. Wholesale prices	1929 = 100	100·0	54·0	68·5	78·2	78·3	88	84	83	84	109	114	115	121	127	127	...	...
64. Cost of living (Bucarest)	1936 = 100	...	...	100	108	114	131	124	127	131	153	159	166	174	177	180	...	...
65. Notes in circulation (j)	Million leu	...	21,594	25,663	29,391	34,902	48,800	38,683	38,980	42,351	47,749	48,095	49,848	49,844	51,252	56,331	57,967	...
SWEDEN (Population 1937: 6,285,000; Area: 449,000 sq. kms.)																		
66. Industrial production (i)	1929 = 100	100	88	135	149	146	155	156	156	158	161	159	158	148	135	134	...	...
67. Retained imports	Million krone	148·6	96·2	136·1	177·0	173·5	207·4	201·8	203·7	216·7	258·0	167·1	149·5	238·0	197·4	136·4	139·9	...
68. Domestic exports	,,	151·0	79·0	126·2	166·7	153·6	156·6	177·9	160·0	184·8	168·6	115·1	140·1	104·4	80·4	86·2	91·9	...
69. Wholesale prices	1935 = 100	...	...	...	114	111	115	109	110	111	136	138	140	141	142	143	145	...
70. Cost of living (49 towns)	,,	100·0	92·4	92·9	95·3	97·8	101	99					109			114		...
71. Price of industrial securities	,,	100·0	37·3	67·3	78·8	75·3	73	79	81	76	54	56	66	56	58	61	...	...
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	160·3	155·9	149·5	177·9	199·7	236·0	248·8	201·0	130·5	79·2	...
73. Domestic exports	,,	174·8	66·8	73·5	107·2	109·7	108·1	111·9	118·6	119·5	99·4	110·4	121·0	131·1	89·7	86·3	81·2	...
74. Wholesale prices	1929 = 100	100·0	68·0	67·7	78·8	75·8	79	75	75	76	90	92	94	95	96	98	...	...
75. Cost of living (34 towns)	,,	100·0	85·7	80·7	84·9	85·1	86	85	85	85	90	90	90	91	92	93	94	...
76. Price of industrial securities	,,	100·0	52·6	81·0	105·6	130·4	127	124	126	120	126	129	130	125	...	...	...	...
TURKEY (Population 1935: 16,157,000; Area: 763,000 sq. kms.)																		
77. Retained imports	Million livres	21·36	87·17	7·79	9·53	12·49	9·85	12·86	13·13	12·61	5·01	5·53	7·42	6·74	9·10	6·80	...	...
78. Domestic exports	,,	12·94	8·44	9·81	11·50	12·08	10·62	7·66	8·05	8·04	10·81	11·43	16·47	10·04	12·14	...	...	...
79. Wholesale prices	1929 = 100	100	56·0	62·0	64·5	61·1	...	63	61	61	71	71	...	...	...	...	...	...
80. Notes in circulation (j)	Million livres	...	149	181	169	194	297	212	209	220	280	290	301	299	319	342	...	...

(a) Imports, 1929, £A. (b) In and from April, 1937, excluding Burma. (c) Monthly figures adjusted for seasonal variation. (d) From March, 1938, at open market rates; from 1933 figures exclude trade between Manchuria and rest of China. (e) Quarterly figures shown in last month of quarter to which they relate. (f) From February, 1940, including Korea and Formosa. (g) From 1931, imports from U.K. valued at £ at par; from September, 1939, exports exclude gold. (k) From August, 1939, excluding gold exports, valued at £68·7 millions in 1938. (i) Monthly figures partly adjusted for seasonal variation. (j) End of month and year



In Germany the targets included the docks at Kiel and Wilhelmshafen, the transformer station at Kelsterback, near Frankfurt, the Messerschmitt factory at Augsburg, oil tanks and supply depots at Mannheim, and secret aerodromes...In Italy the Fiat works at Turin and the Marelli Magneto factory at Sesto San Giovanni were again attacked...In enemy-occupied France oil tanks in the Gironde Estuary near Bordeaux, at Pauillac, near Brest and at Cherbourg were bombed.

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(*Continued from page* 402)

authorities have this week decided to grant export licences, as from November 1st, more freely than in the past. This development has served to consolidate the precedent recovery in the London price of the metal, which, at some £254 per ton for standard cash, is over £14 above the recent minimum. A year ago it was calculated that even with tin at £200—it was then around £230—all but the very highest cost mines were fully remunerative. The rise in costs can scarcely have been as great as 25 per cent., and there has been a material expansion in the output permitted. In these circumstances, the prospects are for a higher standard of earnings than has been achieved since 1937. This date is an important one, for, even if the existing rate of 100 per cent. E.P.T. remains unchanged for mining companies, almost all have a substantial margin before they reach the earnings of the base period. Thus, any decision to reduce the rate of E.P.T. for companies with wasting assets below 100 per cent. is more likely to influence their final break-up value than current yields. It is not the less important on that account, and the Malayan Chamber of Mines has presented to the Chancellor a well argued statement of the case for favourable treatment. This is based on the double grounds of the special rights of concerns working wasting assets and the restriction imposed on tin mining companies—and particularly those working in Malaya—by the international control. It had long been the fact that the Malayan quotas were out of touch with potential output. Even in 1937, when the average international release was 107½ per cent. of the quota, the domestic release permitted to Malayan mines was only 77.7 per cent. The corresponding figures for the two preceding years were 42.35 for 1935 and 67 for 1936. As E.P.T. is at present conceived, the whole revenue from the sale of tin in excess of the most favourable combination of these figures, apparently some 72 per cent., would go to the Treasury, and an appreciable proportion of the shareholders' capital would thus be transferred, quite apart from a curtailment of his actual profits.

It is not to be supposed that the owner of tin mines is entitled to escape completely the effects of capital consumption, which is inevitable if the fullest national effort is to be directed to war aims. He is, however, entitled to something rather better than this, and the argument applies with equal force to the smaller margin which will exist in the case of tin producers in other countries. It is, however, at present far from certain that the Chancellor is prepared to go more than a very short distance on the path opened up by this argument, and shareholders would be well advised not to base any large hopes on the expectation of a marked relaxation of E.P.T. in their favour. So far the official view appears to be that relaxation is only permissible when the actual profits earned in the base period were so low as to call for a compassionate allowance, such as is granted to other industries. Only when that condition is satisfied does the question of special consideration for wasting assets arise, and only then to the extent that it is above the average for industry as a whole. This last is a conception which is likely to keep those concerned in its evaluation occupied for some time, with a consequent delay in relief to those it is intended to benefit. Caution suggests that the prospects under this head are not worth more than a very few pence in the price of the 5s. share.

While this problem is, legitimately, occupying the attention of those concerned with tin shares, the more important question, on all but the shortest view, is what is to happen when the strategic stocks of this country and the United States have been accumulated and the industry has to work for current requirements only. Prior to the invasion of the Low Countries, at a time when the collapse of France was not thought of, there were many who considered that an export of 80 per cent. of the quota was not too low, and who looked for something not very much above that as an average for the near future. Now, virtually the whole of Europe is closed, and many other countries have suffered a fall in prosperity which it will tax the resources and ingenuity of the United States and the British Empire to counteract. In the decade 1930-39, the United States accounted for rather over 42 per cent. of apparent world consumption and this country about one-third as much. The rest of Europe, excluding the U.S.S.R., absorbed about 50 per cent. more than this country, and Russia was rapidly coming up to our figure of consumption. In these circumstances, is absorption likely to be much in excess of the figure of 150,000 tons, reached in 1938, which is only 75 per cent. of the standard quota? If output falls back to this figure, or something like it, will it be possible to maintain prices? The answer to both questions is probably to be found in the United States. Anything like a war boom there, and there are signs of it already, would have a decisive effect on the demand for the metal and also upon its price, since in terms of dollars it is by no means abnormally high. Such a development would probably mean something appreciably over 80 per cent. of production quotas, which, with current costs and anything like the present price for the metal, would justify most current share prices. It must, however, remain the fact that, unless the demand for tin becomes more stable, tin shares will always be a very speculative investment.

Finance and Banking

'Free" Sterling at a Premium

One of the curiosities of the exchange market in recent days has been the strengthening of the "free" sterling rate in New York to a premium over the official quotation. As against the official range of 4.02½ to 4.03½, the "free" rate has been quoted at 4.04 for the greater part of this week. This phenomenon arises from the fact that the authorities, in their interpretation of the regulations, have hitherto refused to sanction the transfer of sterling from a registered to a "free" account opened for a United States resident. This means that a sterling debt arising from a pre-July 18th transaction for which cover had not been arranged on that date (when the new mechanism of registered accounts came into operation) cannot be discharged by buying sterling from the authorities at the official rate. It can only be covered by finding a seller of "free" sterling. The supply of such sterling in United States hands is dwindling rapidly. On the other hand, it looks as though the short position in "free" sterling at the moment when the new arrangements came into force was rather larger than had generally been estimated. It is not surprising that this should have been so. In addition to some outright speculative positions, which were of course quickly covered, there were many commercial transactions involving an ultimate purchase of sterling in which the exchange operation had been delayed in the expectation that nothing would be lost and much might be gained by waiting. It is these semi-speculative operators which are now finding difficulties; the sterling must be covered, and in a very narrow market the price has moved rapidly against them. There is nothing at present to prevent the "free" sterling rate from rising considerably above the official quotation, though it may be assumed that if the disparity became abnormal the authorities would make some arrangement for satisfying the demand for "free" sterling. By doing so they would gain dollars and one must suppose that the Treasury has not exhausted its needs for this currency. It is understandable that the foreigner who had allowed himself to be short of sterling should be made to pay for his mistake. But there is no reason why this retribution should reward another foreigner who was wise enough to be long of sterling on July 18th. The Exchange Equalisation Account would be a far more deserving recipient of the fine, and of the dollars which the operation would bring in.

* * *

End-of-Year Bills

The Treasury bills to be taken up next week will include the December 31st maturities, but this fact is unlikely to influence the tender in any way, except perhaps in swelling the volume of applications. The Treasury bill rate has now settled down firmly at the rate represented by an application price of £99 14s. 10d. per cent., and it will need more than the incidence of the end-of-year maturity to disturb this figure. Paper other than Treasury bills does not, however, appear to be so completely dominated by the tradition of this price, and the £750,000 of Glasgow Corporation bills which the tenderers had the option to take for repayment on December 31st went at the very fine rate of 1 per cent. The banks have again been well supplied with funds this week, despite the call of £30,000,000 made on them by way of Treasury deposits. The Bank return shows that £10,010,000 of the Government's receipts was used to repay Ways and Means advances from the Bank. The shock of the

consequent encroachment on the credit basis has been taken entirely by bankers' deposits, which are £12,813,000 down on the week. Even so, however, they are still at the comparatively high level of £115,979,000. Public deposits have risen by £2,648,000 over the week, but their latest total of £13,526,000 is still low enough to suggest further immediate recourse to borrowing on Treasury deposits. There is still little indication of a substantial return of Bank notes from foreign hoards, the past week's reflux amounting to £1,246,000, bringing the net return since the re-import ban was announced to little more than £5,000,000. Transport delays are partly responsible, while it must not be forgotten that the trend in the domestic demand for currency is still upward and will tend to absorb the notes returning from abroad.

* * *

Forward Buying of Bills

An aspect of discount market operations which has acquired exceptional importance during the past few weeks is the forward selling of Treasury bills to the clearing banks. For some years past there had been a tacit agreement among banks not to buy bills for forward delivery. The agreement dated from the time when the banks undertook their self-imposed abstinence from direct tendering for Treasury bills and from purchases of full-dated or "hot" Treasury bills from the market. The intention of the latter ban was to discourage speculative tendering for bills by firms on the fringe of the discount market who were at the time in the habit of "stagging" the weekly issue, relying on their ability to sell the bills to the banks at a small profit before they actually had to take them up. With the banks' ban on purchases of "hot" bills, there naturally went a corresponding ban on forward purchases of the "tepid" bills. In the course of 1939, however, the undertaking not to buy bills forward fell somewhat in abeyance on the part of certain of the clearing banks. The inordinate scarcity of bills which developed in the spring of 1939 led to a competition for bills too keen to be altogether restrained by a voluntary ban which had at the time lost much of its *raison d'être*, since discount rates had fallen to a level at which the "punter" was no longer attracted. It is only during the past few weeks, however, that the ban has fallen into virtually complete neglect. The reason for this is neither an increased keenness in the demand for bills by the banks nor a clearer realisation of the fact that the justification for the ban has disappeared. It is to be found solely in the convenience both of the market and of the banks in the present conditions of emergency. Owing to the inevitable restriction in effective banking hours, it suits houses in the market to know in advance how many bills they have sold on each day of the week and where they have to be delivered. In these days the sale and delivery of securities—including bills—is a somewhat more laborious process than it was formerly, because all securities are inscribed as a precaution against the disorganisation that might result from the destruction of bearer securities through air raid damage. Even Treasury bills are now made payable to the original tenderer and must therefore be endorsed on resale.

* * *

Simplifying Procedure

In order to simplify matters even further, houses in the discount market tend to concentrate their sales of bills on any particular day to one or two banks. This procedure is, of course, made possible by the almost exclusive concern of the market with Treasury bills. Now that more than nine-tenths of the supply of bills is represented by Government paper and the market knows each Friday exactly how many bills it will be taking up on each day of the following week, the whole of the ensuing week's programme of sales could be arranged in a few minutes on Friday afternoon. On the buyers' side the same argument of convenience applies. The cash basis on which the banks are now working and the volume of other liquid assets they command are so ample that the banks can have little hesitation in committing themselves to forward purchases of bills without having an exact knowledge of their cash position on the day for which the purchases have been made. It should be stressed that the functioning of the discount market has not been simplified to the point of arranging each Friday, on the basis of the week's allotment of Treasury bills, where and how many Treasury bills are to be sold over the ensuing week. But we are moving in that direction, and it is a movement which has about it more than a faint trace of the *reductio ad absurdum*. Unless the discount market takes great care it will simplify itself out of existence.

Banks in Air Raids

The banks have now settled their doubts on the question whether or not to keep their doors open for the transaction of business during the period of an air-raid warning. By a decision of the Committee of London Clearing Bankers, banking offices will remain open during warning periods within the advertised banking hours "for the transaction of urgent business." The adjective "urgent" in this context must obviously receive the most elastic interpretation. Business, which may seem utterly trivial when bombs are falling, will no doubt be transacted in the quieter intervals of "alert." The previous attitude of the banks towards the siren warnings has perhaps been unfairly dubbed as savouring of excessive timidity. It must not be forgotten that one of the essential requisites of a bank in discharging its functions is the possession of its records showing the current position of its customers' current, deposit and securities accounts. Admittedly, ingenious precautions have been taken to safeguard these records by duplicating them and placing the originals and the copies safe distances apart. But duplicates of the day's business cannot be in existence at the moment of a warning. This fact largely explains the rapidity with which banks have closed their doors on the sounding of the siren while the staff take to the shelters with the precious records. That descent of the records will still have to take place. Recent experience has shown all too clearly how completely the records of a small branch office can be annihilated as a result of air bombing. The safeguarding of the current records must, therefore, still take precedence over other concerns of bank staffs, but the understandable and necessary precaution will no longer be allowed to interrupt banking services to the public during air raids. Most banking offices, moreover, have made emergency arrangements for carrying on the routine work of the bank in the shelters. From now on air-raid warnings should cause very little slackening in the tempo of banking business.

* * *

Argentine Credit for the United Kingdom

According to reports from Buenos Aires, good progress is being made in the negotiations for securing credit facilities for the United Kingdom in the Argentine. The need for such an arrangement is self-evident. For the duration of the war we must expect the balance of payments between the Argentine and the sterling area to be strongly in favour of the former. The payments between the two are now regulated by an agreement which operates on the basis of Special Sterling Accounts. It is more than probable that under existing circumstances there is a persistent tendency for sterling to accumulate in such accounts opened here on behalf of the Argentine. There are no doubt unpublished clauses in the Anglo-Argentine agreement providing for the conversion of such clearing balances into gold after they reach a certain point. But if the accumulation of such balances can be taken care of by the grant of credit facilities, both our interests and those of the Argentine should be served. To begin with, it would eke out our gold for making purchases from the United States, which continues to insist upon cash. From the point of view of the Argentine, such an agreement would no doubt help to expand our imports of foodstuffs and other materials from that country and thus alleviate the glut to which the hostilities in Europe have given rise. The amount of the credit now under discussion is reported to be 500,000,000 pesos, equivalent at current rates to about £30,000,000. There is, of course, ample security for such a credit in our long-term investments in Argentina, which may be estimated at about ten times that figure. A precedent for this operation was created in the last war, an agreement being concluded in January, 1918, for a credit of £40,000,000 from the Argentine to Great Britain and France. It was used in the main to finance the purchase of cereals and was gradually repaid by offsetting against it the accruing payments of interest and amortisation on Argentine loans held in the Allied countries.

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Investment

The Investor Carries On

Although for the man on the spot it is difficult to detect much change in the intensity of the attacks on London, the country as a whole is becoming accustomed to them and, as a result, there has been some recovery in the volume of business. It is still pitifully small, but the fact that on a day when the Exchange was closed for well over half the session over 1,000 bargains were marked, is an indication that conditions are improving. Apart from the greater willingness of the investor to operate, the credit for this improvement must go to the individual firm on the Stock Exchange and to those who have been responsible for securing an acceleration of the postal and telegraph services. It is a matter of regret that the Committee of the Stock Exchange has remained silent, and the charitable explanation that they are engaged upon lengthy and delicate negotiations for an alternative trading space finds few supporters. In these circumstances, it is a real tribute to the *morale* of the investor, and to the force of accumulating savings, that the trend of prices has been consistently upward. It is also evidence of public confidence in the present administration that the Funds have given a lead throughout. The usual experience has been a daily rise of about the normal jobber's "turn" with a distinctly better rise following on Mr J. M. Keynes' broadcast in which, *inter alia,* he appeared anxious to lay the spectre of inflation he had been so largely instrumental in raising. The fillip provided by Mr Keynes appears to have been exhausted within twenty-four hours, but it is symptomatic that Lord Stamp's statement, that inflation was only just round the corner, failed to arrest the rise. It must not, however, be supposed that Government securities were the only section to benefit from the modest increase in business, for a considerable number of industrial equities have advanced and the list is no longer restricted to shares which are likely to benefit directly from the repair of air-raid damage.

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High Level for War Loan

It is a matter for satisfaction that, in the course of the week's rise, 3½ per cent. War Loan touched the level of 101⅛, the best quoted since the Munich crisis. This stock is the leader of the market, not only on account of its huge amount, but because it is of the type which appeals to that large section of the public which seeks first of all current yield and thinks little of possible capital depreciation. The buying of the past fortnight has included a good proportion of investment demand from the general public, but a rise in War Loan must be followed by an adjustment of all other quotations. It is perhaps too early yet to talk of a new basis for the Funds. It is only in the past few days that the large mass of corporation issues have begun to thaw out, and while they appeal to a rather special type of investor, it would seem to be inevitable that a further marked advance in the Funds must wait upon a fall in yields on such second-line investments as these. It is to be noted that some of the Dominion stocks are already virtually unobtainable except at what are considered fancy prices. It begins to look as though the time when a new issue of Government stock on terms acceptable to the Treasury might be possible to supplement, if not to replace, 2½ per cent. War Bonds, which are proving less and less popular. With a general rise in quotations they would, however, presumably come into their own with the larger houses, and an increase in the week's sale may reflect the beginnings of such a movement.

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Restricted Securities Release

After a period of more than three months, during which it has been impossible to effect a sale in any circumstances, holders of the securities which the Government forcibly shipped to Canada are to be allowed to effect sales abroad on and after October 1st. Sales will be subject to permission, which must be obtained from the Bank of England; but it is understood that, provided the security has been located at the United Kingdom Security Deposit at Montreal, there will be no undue delay in granting permits. This is a step in the right direction; but the principal market for many of these securities is in London, and all that the Treasury has to say on this point is that a method of resuming dealings between residents is in course of preparation; this after more than three months of delays. As has already been explained, these securities should, and in most cases have been, registered at the Bank of England. No formality need at any time have stood in the way of the issue of deposit receipts against these registrations, which were themselves evidence that the securities existed and were held in the names mentioned. That the issue of such receipts was withheld has caused great inconvenience to stockholders, who have throughout been treated with a complete lack of consideration, as though they had done the country a dis-service by investing overseas, whereas the reverse is the case. It is to be hoped that a term is quickly to be put to this imposition. That, however, fails to exhaust the duties which rest upon the authorities. What is now the position of holders of these securities who had not confided them to the safe keeping of their bankers and who still retain them? Presumably they will now be allowed to sell them to other residents, but there is no confirmation, official or other, of this view, and the fact that the recommencement of dealings is still a matter for planning suggests that there may still be substantial delays before holders can realise to advantage.

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Jugoslavia Maintains Payment

It is gratifying that, despite the announcement of the Jugoslav Government to the Council of Foreign Bondholders in October last that the service on State guaranteed loans, with the exception of Funding Loans, would be suspended, the Government now announces the payment of 45 per cent. of the nominal value of coupons for the year ending October 13, 1940, on the Montenegro 5 per cent. Government Loan and the Serbian 4 per cent. Unified Bonds. This offer, acceptance of which admits full discharge of the debt, continues the agreement of December, 1937, by which 45 per cent. of the service on the loans in question was accepted in full satisfaction for 1938 and 1939. The sums involved are not large. The amount outstanding of the Montenegrin Loans was only £142,960 in November, 1939, and the original issue of the Serbian Unified Bonds in 1897 totalled only £1,000,000. The significance of the offer, which the Council of Foreign Bondholders strongly recommends for acceptance, is the fact that neither the economic nor the political strangehold, which the Axis powers are striving to complete in south-eastern Europe, has succeeded in prohibiting the sterling payment.

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The Great Boulder Transfer

While shareholders of the Commonwealth Mining group of companies are hopefully awaiting further information as to the results of the Board of Trade inspection, there have been important developments in the case of Great Boulder Proprietary. The scheme for the transfer of the company's domicile to Australia, to avoid dual taxation, has been directly challenged by the Chancellor of the Exchequer. Despite this, Mr C. de Bernales has proceeded with the scheme and carried it by a substantial majority. He now proposes to continue with the liquidation of the company and to consult with Sir Kingsley Wood prior to the actual sale to the Australian company. He would have had a stronger case if, having won on a show of hands, he had demanded a poll and had been able to prove that a majority of independent shareholders were in favour of the transfer. It may well be that they are, for—if his accountants are not in error—Australian domicile means a fair return and the *status quo* little or nothing in the way of dividends.

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It cannot be to the advantage either of the country or of the Exchequer to raise taxation to a point at which it is more advantageous to the shareholders of such a company to

close down than to continue operating, and it is an open question how near that point it is desirable to go. Apart from the burning question of E.P.T. on wasting assets, there is a great deal that needs doing with regard to dual taxation. If, however, the Government decides to impose taxation which is felt to be penal, it should enforce its decision by legal sanction rather than depend on persuasion to prevent evasion of the tax. Mr de Bernales can scarcely be blamed for trying to get the best bargain for his shareholders, but there are other points which are raised by the closing down of the London company. A summary of Sir William McLintock's report on the company, as Board of Trade inspector, revealed that what really mattered was the conduct of the associated companies. Shareholders are entitled to receive an explanation from the board after these reports have been presented. If the scheme goes through, this duty will not be fulfilled. On this point, and on the very generous compensation for loss of office, which the board has secured, it is impossible to expect the support of public opinion. On the larger issue it is to be hoped that Sir Kingsley Wood will not hesitate to obtain the necessary powers.

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Colliery Earnings

Recent colliery results show that rising taxation has taken a heavy toll of the general increase in gross income for 1939-40. Thus, companies which show total profits less tax have failed to record a rise on the 1938-39 level of earnings. *Sheepbridge* total profits are down from £286,199 to £271,016, and the total income of *Cannock Associated Collieries* has dropped more steeply from £209,046 to £139,657. Before taxation, the trend of profits for the year to June 30th last has been highly favourable. *Manvers Main Collieries* have nearly doubled total income at £257,626, but the incidence of taxation is indicated by a rise in tax provision from £5,643 to £113,194. *Staveley,* with total earnings of £1,030,280, against £806,089, has allocated £364,663 for taxation, more than three times the amount required in 1938-39. The accompanying table, which compares profits, share prices and yields of four coal companies, whose reports have been issued recently, shows that in no case has higher gross income prevented a decline in equity earnings. *Manvers Main Collieries,* whose distributable surplus has

Company (Years to June 30)	Total Profits	Earned for Ord. Amount	Earned for Ord. Rate	Div.	Present Price‡	Present Yield
	£	£	%	%		£ s. d.
Staveley Coal and Iron—						
1938	723,725*	385,568	11·4†	11†	38/9	4 2 7†
1939	806,089	441,291	13·0†	10†		
1940	1,030,280	407,519	12·0†	8†		
Sheepbridge Cl. & Iron: §						
1938	308,634*	254,779	19·0†	12½†	37/6	5 6 8†
1939	286,199*	239,405	17·9†	12½†		
1940	271,016*	222,167	15·1†	10†		
Manvers Main Collieries:						
1938	117,547	62,810	8·7	5½	16/10½	8 2 9
1939	132,335	74,436	10·6	6		
1940	257,626	66,686	9·3	7		
Cannock Associated:						
1938	170,480*	134,299	11·1	10	21/3xd	8 9 5
1939	209,046*	172,647	14·4	9		
1940	139,657*	108,850	11·1	9		

* Shown after taxation. † Tax free. ‡ £1 ordinary shares. *xd* Ex dividend. § Earned amount is total sum earned for dividends. 10 per cent. tax free dividend paid on old ordinary capital; 8⅓ per cent. paid on new ordinary capital.

dropped only from £74,436 to £66,686, representing a rate of 9.3 against 10.6 per cent., is actually raising the ordinary dividend from 6 to 7 per cent. The reductions in the tax free dividends of *Staveley* and *Sheepbridge* from 10 to 8 per cent. and from 12½ to 10 per cent., respectively, are necessitated by the higher cost of the gross payments rather than by the prospects of the industry, and *Cannock Associated,* which has suffered the most severe drop in ordinary earnings from £172,647 to £108,799, has maintained the previous year's 9 per cent. payment. It remains to be seen whether this heroic dividend policy will be justified by the future course of net earnings, but in any case it is understandable that directors should be anxious to treat shareholders generously when revenue shows signs of reviving after the lean years. For the future, the industry is assured of a high level of demand in the home market, but has to contend with the general loss of continental markets, and in particular with that of France. In the long run, there will be the problem of regaining these markets, and of displacing present sources of supply. The prospect is clearly fraught with danger, and present yields on coal shares carry a warning that their ownership implies a generous measure of risk. Thus the tax free yields of *Staveley* and *Sheepbridge* range approximately from four to five guineas per cent.; the yields of *Manvers Main* and *Cannock Associated* fall between £8 and £8 10s. per cent. subject to tax.

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Montague Burton Profits

Montague Burton profits for the year to March 31, 1940, show a satisfactory rise from £894,852 to £1,089,819, and, despite a fall in subsidiary sources of income, total earnings are £189,767 higher at £1,096,572. Provision for income tax and N.D.C. has risen steeply from £190,551 to £320,059; depreciation has been increased by £6,304 to £209,400 and £50,000 has been paid into the staff pension fund against nil in 1938-39. With equity earnings at £182,040, against £150,621, representing 14.2 per cent., the highest rate since 1935-36, the reduction in the ordinary dividend from 7 to 5 per cent. is dictated by prudence rather than by necessity. The company has, however, been obliged to meet some £36,000 of new issue expenses, and the reduction has enabled £50,000 to be placed to general reserve, as in the previous year, and the carry-forward to be raised from £214,534 to £241,692. With the probability of heavier taxation in the future, the reduction is undoubtedly wise. The accompanying table sets out the company's profit record over the past three years:—

	Years ended March 31, 1938	1939	1940
	£	£	£
Total profit	947,449	906,805	1,096,572
Depreciation	178,199	203,096	209,400
Taxation	202,207	190,551	320,059
Staff funds, etc.	28,339	3,704	53,730
Deb. & other interest	174,000	213,833	201,343
Preference divs.	150,000	145,000	130,000
Ordinary shares—			
Earned	*214,704*	*150,621*	*182,040*
Paid	111,729	113,130	64,088
Earned %	*13·5*	*9·3*	*14·2*
Paid %	7*	7	5
General reserve	100,000	50,000	50,000
Carry forward	227,043	214,534	241,692†

* Also 3 per cent. capital bonus.
† After deduction of £5,000 sinking fund provision and £35,794 for new issue expenses.

The most striking change in the balance sheet position is the rise in creditors from £587,851 to £1,082,483, nearly double the figure of the previous year. By this means, the company has financed a considerable proportion of last year's expansion in business. Debtors, which at £302,742 have more than doubled, remain at a relatively low level. Stock, at £1,435,731 against £1,578,708, shows an insignificant decline, while the company's cash holdings have strengthened from £393,728 to £738,203. The position, as the directors state, appears to be satisfactory. For the future, the tailoring trade must prove particularly vulnerable to rising costs, restriction of raw materials and the purchase tax. But within the tailoring trade, Montague Burton stands to profit at the expense of Saville Row. The 10s. ordinary shares at 7s. 6d., ex dividend, offer the satisfactory yield of £6 13s. 4d. per cent.

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Second Alliance Trust

In present circumstances, it is not surprising that the total income of Second Alliance Trust for the year to July 31, 1940, should have declined from £230,161 to £226,983. This setback, which is the first to break the steady rise in the trust's revenue since 1933-34, is fully explained by the lower return on investments in a year including eleven months of war. An increase in the exchange yield from dollar sources of income is responsible for limiting the fall to only £3,178, but the directors state frankly that a further drop must be expected in the current year. The trust has met a higher tax charge of £64,300, against £47,645, but interest on borrowed money amounted to only £44,728, against £55,967. The 21 per cent. dividend paid in the two previous years has been maintained. The available surplus declined from £90,685 to £86,074, but the rate of earnings was 4 per cent. higher at 34.9 per cent. After placing

30,000 to contingencies reserve as in 1938-39, the carry-forward is raised from £13,457 to £17,847. The absence of Stock Exchange quotations for a number of the trust's investments has decided the directors against any attempt at arriving at a market valuation during the war. Valued at cost, investments stand in the balance sheet at £3,909,942, against £3,913,989 at July 31, 1939. That a measure of depreciation has taken place during the past year is inevitable, but it is unlikely that this will have been of an order not covered by the trust's reserves. The general reserve, as in the previous year, is shown at £555,000. The most notable balance sheet change is the appearance among assets of sundry debtors to the value of £7,636 against nil. Creditors show a similar increase from £15,854 to £23,932. Obligations for secured loans and bank advances have been reduced by £31,877 to £104,189. Thus, Second Alliance has emerged satisfactorily from the first year of war and thanks to self-denial in the past it appears to be in a strong position to face any further depreciation of its holdings which war conditions may produce.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

ALTHOUGH business has remained on a small scale as a result of the continuation of air raids on London, sentiment has become increasingly firm and prices tended upward under the lead of gilt-edged. Traders derived encouragement from Mr Keynes's speech, and the recovery extended to a number of leading equities. Home rails remained dull and the foreign bond market saw little activity.

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The most striking feature in this week's recovery in *gilt-edged* prices has been the mid-week quotation of 3½ per cent. War Loan at 101 11/16, the highest level since 1938. At the beginning of the week, United stocks were mainly in demand, and per cent. Consols and 4 per cent. Funding put on ¼. A similar rise was enjoyed on Wednesday by 3½ per cent. and 5 per cent. Conversion. Local Loans were in demand, and Bank Stock made good certain losses of the previous week. Business was slack in the *foreign bond* market. Japanese issues moved uncertainly. Losses on Tuesday in the 4 per cents. of 1899 and 6 per cents. of 1924 were partially recovered in mid-week. At the beginning of the week Egyptian Unified was sold. Nord Railway 5 per cents. surprisingly gained ½ point on Wednesday. *Dominion and Colonial* issues attracted attention, and shortage of stock forced prices up.

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Home rail issues were quiet, but on the whole steady. Business was very restricted and prices rarely tested, though there were some fractional losses. L.M.S. Ordinary fell ¼ on Tuesday and a number of the senior issues were offered. In the *foreign rail* market, last week's demand for Argentine securities was maintained, though on a smaller scale.

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The *industrial* market has shown considerable firmness. Market leaders in demand included I.C.I., Boots, Lever and Unilever, and Turner and Newall. In the early days of the week, attention was directed to building shares, and Associated Portland Cement, London Brick and British Plaster Board continued last week's rise. The iron and steel section was quiet, but interest revived in mid-week, when Stewarts and Lloyds deferred and Babcock and Wilcox improved. Among aircraft companies, Handley Page was sought, and Triplex rallied on Wednesday after further losses. Breweries remained dull, but among tobacco shares A.T., Gallaher and Carreras were all marked higher.

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Mining markets showed a cheerful front, though business was still on a small scale. Among *Kaffirs*, Grootvlei remained a market favourite, and Crown Mines moved upward. *Tin* shares were slow to respond to the improvement in the price of the commodity, but a small demand developed on Wednesday, with gains for Malaya and London Tin. In the *oil* market, attention was again concentrated on Trinidad issues. Following the announcement of the Burmah Oil interim at last year's figure the quotation improved, while other prices were mainly firm, though Anglo-Iranian weakened slightly and Mexican Eagles again lost ground. No revival from the stagnation of past weeks was experienced in the *rubber market*, but a firm demand for *tea* shares raised the price of certain issues, including Jorehaut and Ceylon Tea Plantations.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices: 30 Ord. shares*	Security Indices: 20 Fixed Int.†
Sept. 20 ...	1,209	2,045	63·3	120·6
„ 23 ...	1,649	2,705	63·3	120·6
„ 24 ...	1,259	2,295	63·7	120·6
„ 25 ...	1,169(c)	2,470	63·8	120·5
„ 26 ...	1,517(c)	2,000	63·7	120·5

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80·6 (Feb. 29); lowest, 49·4 (June 26), 20 Fixed Int., 1940: highest, 126·5 (May 9); lowest, 114·9 (June 26). (c) Excluding stop press bargains.

New York

WALL STREET enjoyed a firm opening on Monday. Steel issues went ahead and gains were general. Copper shares were bought on the rise in the price of the metal and active trading continued until the upward movement was broken by profit-taking on Tuesday afternoon. In mid-week, turnover slowed down and a cautious sentiment developed pending the clarification of the position in Indo-China and Dakar. It is forecast that the output of motor-cars in September will reach the highest level since 1929.

New York Prices

Total share dealings:—Sept. 18, 480,000; Sept. 19, 470,000; Sept. 20, 380,000; Sept. 21, 260,000; Sept. 23, 980,000; Sept. 24, 710,000; Sept. 25, 600,000.

	Close Sept. 17, 1940	Close Sept. 24, 1940		Close Sept. 17, 1940	Close Sept. 24, 1940
1. Railroads			Celanese of A.	28⅝	29¼
Balt. & Ohio..	4⅛	4¼	Chrysler	76¾	79¾
Gt. Nthn. Pf..	26¼	27⅝	Curt. Wr."A"	26¼	27¼
Illinois Cent.	7⅞	8	Eastman Kdk.	131½	135¼
N.Y. Cent.....	14⅜	14⅝	Gen. Elec. ...	33¾	35⅝
Northern Pac.	7⅛	7¼	Gen. Motors..	47⅞	49¾
Pennsyl. Rl....	21½	22½	Inland Steel .	81½	86
Southern	12½	13¼	Int. Harvest .	44¼	48¾
2. Utilities, etc.			Int. Nickel ...	27¼	28
Amer. Tel.....	162½	164½	Liggett Myers	98	102
Amer. W'wks.	8¾	8⅝	Nat. Dairy ...	13	13⅝
Pac. Light.....	39¼	40⅛	Nat. Distillers	20¾	21¾
Pub. Sv. N.J.	35	35	Nat. Steel	63	66½
Sthn. Cal. Ed.	26⅞	27⅛	Proct. Gamble	64	63
United Gas ..	11¾	11½	Sears Roebck.	81¼	83¼
3. Commercial and Industrial			Shell Union...	8½	9¼
Amer. Metal..	16	17	Socony Vac. .	8⅞	8⅞
Am. Roll. Ml.	11⅝	12¼	Stan. Oil N.J.	34⅞	34¾
Am. Smelting	39¼	42⅝	20th Cen. Fox	6	6⅛
Anaconda	21¾	23¼	U.S. Steel	55⅝	58½
Briggs	22	21¾	West'hse El...	106½	107¾
			Woolworth....	32⅞	33⅜
			Yngstn. Sheet	32½	34

DAILY AVERAGE 50 COMMON STOCKS

Sept. 12	Sept. 13	Sept. 14	Sept. 16	Sept. 17	Sept. 18
98·7	98·9	99·6	100·4	100·12	100·21

1940 High, 123·7 Jan. 3. Low, 86·7 June 10.

STANDARD STATISTICS INDICES
(1926 = 100)
WEEKLY AVERAGES

	1940 Low June 5	1940 High Jan. 3	Sept. 4, 1940	Sept. 11, 1940	Sept. 18, 1940
347 Ind'ls ...	80·9	111·4	93·8	91·9	93·4
32 Rails	20 7a	30·7	27 5	26 2	26·9
40 Utilities ..	71·2a	89·4	81·6	80·8	80·7
419 Stocks ...	69·9	94·8	81·2	79·6	80·7
Av. yield* ...	6·61% High	4·30% Low	5·90%	6·07%	5·97%

* 50 Common Stocks. a May 22nd.

Capital Issues

Week ending September 28, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	...	Nil
To Shareholders	50,000	...	55,000
By S.E. Introduction...	Nil	...	Nil
By Permission to Deal	Nil	...	Nil
Nat. Savings Certs.† ...	3,193,516	...	3,193,516
3% Defence Bonds† ...	1,548,245	...	1,548,245
2½% Nat. War Bonds‡	8,206,840	...	8,206,840

† Week to September 17, 1940. ‡ Week to September 24th, making total since June 25th, £217,894,975.

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)...	1,135,865,245	782,910,112
1939 (New Basis) ...	*108,088,669*	*85,562,727*
1940 (Old Basis) ...	1,120,419,741	767,664,608
1939 (Old Basis) ...	*71,673,052*	*50,242,973*

Destination (Conversions Excluded)

Year to date	U.K. £	Brit. Emp. ex U.K. £	Foreign Countries £
1940 (New Basis)	781,925,440	984,672	Nil
1939 (New Basis)	*58,042,847*	*25,274,148*	*2,245,732*
1940 (Old Basis)	767,522,152	142,456	Nil
1939 (Old Basis)	*34,082,882*	*15,840,091*	*320,000*

Nature of Borrowing (Conv. Excld.)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	767,259,797	1,513,755	14,166,560
1939 (New Basis)	*44,812,640*	*8,119,649*	*32,630,438*
1940 (Old Basis)	766,322,976	132,500	1,209,132
1939 (Old Basis)	*37,458,921*	*2,688,459*	*10,919,413*

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

ISSUE TO SHAREHOLDERS ONLY

Sunbeam Wolsey.—This company is offering a new issue of 50,000 six per cent. participating preference shares at 22s. per share in the proportion of one new share for every three held, to finance the establishment of a new wool combing mill. The new shares will rank *pari passu* with the existing 50,000 £1 six per cent. non-cumulative participating preference. Ordinary capital consists of 100,000 £1 shares.

CONVERSIONS AND REPAYMENTS

Forestal Land, Timber and Railways.—The whole of company's outstanding £198,300 4½ per cent. notes will be redeemed at 102 per cent. on December 1, 1940.

Industry and Trade

Recovery in Overseas Trade

The collapse of France and the consequent dislocation of trade with the Continent brought a sharp fall in the volume and value of imports and exports in May, June and July. The value of imports fell from £110.0 millions in April to £87.0 millions in July, while that of domestic exports declined from £48.3 millions to £31.2 millions. In August, however, both imports and exports showed a recovery. The improvement was substantial in the case of imports, which rose to £95.0 millions last month. The intake of cereals and meat, of wood and timber, and of iron and steel in August was appreciably bigger than in July. Imports of wood and timber rose from £3,699,000 to £5,101,000,

U.K. IMPORTS AND EXPORTS

	1938	1939	1940	Change between 1939 and 1940	
	£'000	£'000	£'000	£'000	%
August					
Total imports	74,113	81,073	95,020	+ 13,947	+17·2
British exports	36,331	37,077	32,555	− 4,522	−12·2
Re-exports	5,044	4,488	1,392	− 3,096	−69·0
Total exports	41,376	41,565	33,947	− 7,618	−18·3
Excess imports over exports	32,737	39,508	61,073	+ 21,565	+54·6
Transhipments under bond	2,749	2,977	850	− 2,127	−71·4
Eight Months ending August					
Total imports	616,539	605,949	792,928	+186979	+30·8
British exports	306,904	313,637	312,631	− 1,006	− 0·3
Re-exports	42,351	36,304	22,586	− 13,718	−37·7
Total exports	349,255	349,941	335,217	− 14,724	− 4·2
Excess imports over exports	267,284	256,008	457,711	+201703	+78·5
Transhipments under bond	20,946	21,607	1,734	− 19,873	−91·9

and those of iron and steel from £3,174,000 to £5,365,000. The recovery in exports, from £31.2 millions to £32.6 millions, was less marked, but is nevertheless encouraging in view of the difficulties in the way of securing alternative markets at short notice. Exports of coal showed a further decline, but those of iron and steel, non-ferrous metals, electrical goods and apparatus, machinery, and cotton and wool textiles registered a welcome improvement. The excess of imports (valued c.i.f.) over exports (valued f.o.b.), at £61.1 millions was £21.6 millions bigger than a year ago. And as the import surplus since the beginning of the war already amounts to £227 millions, no effort should be spared in raising the value of our exports.

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Ration Changes

Few grumbles are likely to be heard over the reduction to two ounces of the amount of the fat ration that can be taken out in butter. Margarine, now a much more palatable and nourishing food than during the last war, can be had instead, since the total fat ration of eight ounces is not to be reduced. Lord Woolton has explained that the reduction in the butter ration is due to our dependence on the Southern Hemisphere for butter, production of which is at its lowest there from now till November. There seems, therefore, to be a possibility that the reduction may only be temporary. At the same time, we are to have another four pennyworth of meat per week for the time being. As this is due to increased killings of stock in preparation for the winter, it is not likely to last long. It is also doubtful whether, if the margin between the prices of home and imported meat remains the same, it will really allow the consumption of more meat. For people who have hitherto bought mainly imported meat, which is unlikely to be available in the same quantities during the period of increased home killings, the extra fourpence may do no more than cover the higher price of English meat, unless the Food Ministry is very successful in carrying out its expressed intention of making available large supplies of second-grade English meat.

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Dispersal of Stocks

With the intensification of air raids it has become more than ever desirable that stocks of goods should be as widely scattered as possible and not held in large quantities at any one distributing centre. The Government has repeatedly said that it regards the retail shop as the best storing place, but in the case of goods which are subject to official restrictions on the quantity to be sold, the quantity of goods which could be bought was often much smaller than that for which storage space was available. Some of the trade organisations have drawn the attention of the Board of Trade to this, and the Board has decided that wholesalers whose quotas are exhausted may place stocks of controlled goods on retailers' premises. It must be made clear by an exchange of letters or a contract in writing that the goods are only stored on the retailer's premises and that the retailer acquires no interest in them, even though he has placed an order with the wholesaler for similar goods. If at any time the wholesaler appropriates any of the goods to an order placed with him by the retailer, the goods will be considered to be supplied at the time of the appropriation. In addition to dispersing stocks, this concession should make the work of the warehouses easier. When they have exhausted their current quota, they will not now be obliged to hold stocks until the beginning of the next quota period and have to deal with many orders at once. They can send out goods for storage as the orders are received and then appropriate them to their customers later.

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America's Alloy Steel

If the war is of long duration, the supply of essential minerals obtained primarily from foreign sources will be a matter of serious concern to the mammoth American iron and steel industry. The United States is wholly, or largely, dependent on foreign producers for seven out of the twelve most important metals used in making steel or steel alloys or in providing corrosion resistant coats to steel. The United States has practically no tin, nickel and cobalt, and is deficient in manganese, chromium, tungsten and vanadium. The co-operation of Canada and the twenty Latin American Republics would only partially cover the deficiency. Canada is in a position to meet America's nickel needs, but wolfram and tin from Bolivia and the Argentine, vanadium from Peru, manganese from Brazil and Chile, and chromite from Brazil would only partially satisfy America's alloy steel industry. Some of the most spectacular price advances in the last war took place in these products, when the difficulties of importing them into the country increased. The following table shows the recent rise in the price of certain strategic materials, and the proportion of home production to consumption:—

SUPPLIES AND PRICES OF STEEL ALLOY METALS

	Domestic Supply %	Unit	Average Price, 1938 $	Approximate Price, June, 1940 $
Manganese.....	5·5	Long ton unit of Mn.	0·36	0·50
Chromium	1·0	Long ton 48% ore.	24·00	26·00
Nickel.....	0·5	Lb.	0·35	0·35
Tungsten	50·0	Short ton unit of WO_3	16·80	23·00
Tin	0·2	Lb.	0·42	0·56

To ensure supplies of these key commodities in wartime the American Government purchased 449 tons of wolfram, 64,500 tons of chromite, 86,500 tons of manganese ore and 6,124 tons of tin in the fiscal year ended last June. Provision has been made for the purchase of 75,000 tons of tin and of substantial quantities of other ferro-alloy minerals during

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

the current financial year, and production of relatively low-grade manganese and chrome ores from nearby Cuba is subsidised for strategic reasons.

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It is estimated that the American defence programme may eventually call for up to 12 million tons of steel a year. While war or preparation for war creates heavy demands for some steel products, it does not necessarily do so for all of them. If the demand for all products were to show the same trend as that for forging billets, bars and alloy steels during the early part of this year the American steel industry would have to conserve its ingot capacity, as it did during the last war, for products vital to munitions and defence purposes. Electrical furnace steel-making capacity, the keystone of the arch in the defence programme, is undergoing considerable expansion to provide armour-plate for tanks, stainless steel for naval purposes, special steels for aircraft parts, for the automobile industry and for machine tool manufacturers. The trend of steel output during the past eleven years is shown below:—

America's Steel Production
(Short tons)

	Steel ingots and Castings	Alloy Steel	Electric Steel	Electric Alloy Steel
1929	63,205,490	4,432,072	1,065,603	571,234
1937	56,636,945	3,396,541	947,002	672,616
1938	31,751,990	1,653,510	565,627	373,372
1939	52,798,714	3,211,955	1,029,067	749,384

In addition to whatever new capacity may be installed at the Naval Ordnance plant at Charleston, W., at least three American steel companies are erecting large electrical furnaces for making alloy steels. By autumn the electric furnace capacity of the country will have been enlarged by about 450,000 tons annually, and the United States steel industry will be in a position to satisfy domestic and Allied needs for all kinds of steel products.

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More Pay for Miners

By an agreement dated March 20th last between the Mining Association and the Mineworkers' Federation, variations in the cost of living have been included among the factors determining wages in the coal-mining industry. Wage rates above the minimum are still regulated by fluctuations in the proceeds of the industry, but the value of the minimum rates as safeguards against the lowering of the standard of living has been destroyed by the rise in retail prices, and it has now in effect been superseded by an arrangement which secures for the miner an allowance of 0.7d. per shift for every point rise in the Ministry of Labour's cost of living index. Since September, 1939, the index has advanced from 155 (July, 1914 = 100) to 187, and from October 1st the war wage increase will be 1s. 10d. per shift for adults and 11d. per shift for boys, or 5d. and 2½d., respectively, above the allowance which has been in force since April 1st last. On the average earnings of the June quarter of 1939 this war wage of 1s. 10d. represents an increase of 16 per cent. compared with the rise of 20 per cent. in the level of retail prices since last September, but owing to the much more regular employment—except in the exporting districts since May—during the war period the increase in earnings has been considerably greater than that in wage rates. An inquiry by the National Institute of Economic and Social Research shows that during the first seven months of the war average earnings in the mining industry increased by 17.3 per cent., as against a rise of 10.2 per cent. in wage rates. On an annual basis the war wage advance now represents between £15 and £16 millions. In the exporting districts the burden of the rise in labour costs is very severe; many undertakings are now reported to be operating at a loss; and applications have already been made to the Mines Department for authority to raise pithead prices.

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Cotton Operatives' Wages

The latest rise in the cost-of-living index brings, automatically, to cotton operatives an increase of a further 2½ per cent. over pre-war wages. Under the agreement between employers and trade unions in the industry wages are adjusted quarterly, with a change of 2½ per cent. of the pre-war level for every four points change in the cost of living, and this last change brings the rates to 25 per cent. above those of September, 1939. It has been estimated that every rise of 2½ per cent. increases the wage-bill for the industry by £20,000 a week, and as the overhead charges of spinners have also risen, it seems possible that the Controller may again have to revise the prescribed margins for yarn. This does not provide a very satisfactory foundation for the cotton industry's export drive. To make matters worse, the operatives have been asking for reimbursement of earnings lost while taking shelter. The employers can hardly be expected to agree to this, and they are at present discussing the possibility of reducing stoppages to a minimum by installing "roof-spotters." They also contemplate asking their employees to work on after hours to make up for time lost. In areas where shelters are not provided, employees have been allowed to go home when air-raid warnings have been in operation, and this further complicates the position. It is expected that some agreement for uniform action in these matters will be proposed to the trade unions.

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Dearer Oil Products

Owing to higher operating costs—including tanker freights and distributing charges—the Petroleum Board advanced the prices of all petroleum products, with the exception of lubricating oils, from the beginning of business on Tuesday. The increase amounted to 1d. a gallon in the case of petrol and diesel oil for road vehicles, to ½d. a gallon for white spirit, kerosene, gas oil and ordinary diesel oil, and to ¼d. a gallon for fuel oil. Representative wholesale prices in the London area, inclusive of tax, are now as follows:—

Wholesale Prices
(Shillings and pence per gallon)

Petrol	1s. 9d.
White spirit	1s. 9d.
Kerosene—Burning oil	11d.
Vaporising oil	11¼d.
Diesel oil for road vehicles	1s. 6½d.
Gas oil	9¼d.
Diesel oil	8⅝d.
Fuel oil	7½d.

In the case of most products, this week's advances, which were made with the approval of the Government, are the fourth since the war began. The price of petrol, however, has been raised five times in all, the retail price of "Pool" spirit having been marked up from 1s. 6d. a gallon, when rationing was first introduced last September, to a present level of 2s. 0½d. in England, Wales and South Scotland. At this figure it is not far short of the maximum of 2s. 2d. reached during the last war. In view of the great importance of oil products in the country's economic life it is to be hoped that every effort will be made by the Petroleum Board—which represents the distributing companies—to limit the upward trend of prices.

COMMODITY AND INDUSTRY NEWS

The Minister of Supply has issued the Control of Plastics (No. 1) Order requiring the purchase, sale or use of plastics containing certain specified raw materials to be licensed. The Order comes into force on October 1st. In view of the limitation upon marketings of fat cattle and their heavy offerings, the Government have decided to maintain current prices until October 7th. They will gradually be reduced at fortnightly intervals until the published prices come into force on November 4th. There have been few price changes in this country, but the general trend in America has been upwards.

Cotton (Manchester). — Raw cotton prices, which are almost entirely dependent on the supply situation and news as to future imports, have tended to harden. Merchants are waiting for some announcement of the freight space available for October. In the American yarn section the coarse counts position remains strong, but orders for medium and fine numbers are scarce. The future position of Egyptian spinners is causing some anxiety, and many firms are hampered by increasing stocks. There has been a fair inquiry for cloth, but much of it has been at prices which manufacturers are unwilling to accept. The demand for India is slightly

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended Sept. 13, 1940	Week ended Sept. 20, 1940	From Aug. 1 to Sept. 22, 1939	From Aug. 1 to Sept. 20, 1940
American	21·8	21·3	127	182
Brazilian	8·9	6·2	69	51
Peruvian, etc....	3·8	3·4	33	26
Egyptian	5·3	3·7	44	33
Sudan Sakel ...	0·6	0·5	31	6
East Indian.....	3·2	1·5	49	31
Other countries	4·8		30	25
Total	48·4	41·7	383	354

Source: *Liverpool Cotton Association's Weekly Circular.*

(*Continued on page* 412)

COMPANY MEETINGS

GREAT BOULDER PROPRIETARY GOLD MINES LIMITED

BURDEN OF DOUBLE TAXATION

TRANSFER OF DOMICILE TO AUSTRALIA APPROVED

MR C. DE BERNALES' SPEECH

An extraordinary general meeting of the members of the Great Boulder Proprietary Gold Mines, Limited, was held, on Friday, the 20th instant, at 20 Aldermanbury, London, E.C., to consider and if thought fit pass resolutions approving the board's proposals for the transfer of the domicile of the company to Australia and carrying same into effect.

Mr Claude A. de Bernales (chairman and managing director) presided.

Prior to addressing the meeting, the chairman read two letters received from the Right Hon. Sir Kingsley Wood, M.P., Chancellor of the Exchequer, and the reply he, as chairman of the company, had sent to the first letter. In the chairman's reply to the Chancellor's first letter he stated that he was disquieted to learn that it was possible for a copy of a letter written by one of His Majesty's Ministers, namely, the Chancellor of the Exchequer, to reach the hands of Mr C. L. Nordon, the solicitor acting on behalf of a committee of shareholders whose efforts to create trouble for the company had been so clearly defeated by the other shareholders at the last two annual general meetings of the company. It was probable that the copy reached Mr Nordon prior to the original being received by him and he suggested that the Chancellor would view the leakage as having considerable bearing on any opinion he might care to express. In conclusion, the chairman expressed the view that it was quite wrong that the Chancellor should make a decision on the matter on representations from some shareholder or other person without giving the board an opportunity to discuss the matter with him.

The fullest knowledge of the position which had arisen was therefore fully before the shareholders prior to any action being decided upon by them on the resolutions submitted.

The chairman then moved the adoption of the resolutions as set out in the notice convening the meeting.

A shareholder moved that the meeting be adjourned. The motion was submitted by the chairman to the meeting and defeated by 43 votes to 12.

CHAIRMAN'S VIEWS

Owing to the ruling conditions, the chairman advised that the address which he had proposed delivering to the meeting would be circulated. The speech contained the following information:—

This special meeting has been called to consider and, it is hoped, approve of a recommendation submitted by the board under which the company would be able to relieve itself from dual taxation, which in turn, represents a levy on the shareholders' capital, and by so doing permit of the distribution of reasonable dividends being continued. As long as the company remains registered in Great Britain and operates a mine in Australia, the company will be subjected to dual taxation, a result never intended to apply by either the Governments of Great Britain or of Australia.

On the advice of our solicitors and following the precedent already set up by other mining companies, the board decided to recommend the transfer of the company to Australia. The manner in which this transfer is to be carried out will be by the registration of a new company in Australia and the sale of the assets of Great Boulder Proprietary Gold Mines, Limited, as a going concern for fully-paid shares in the Australian company. The Australian company will be known as Great Boulder Gold Mines, Limited, and will have a capital of £A312,500 divided into 2,500,000 shares of 2s. 6d. each. This will permit each of the shareholders in Great Boulder Proprietary Gold Mines, Limited, receiving one fully-paid share of 2s. 6d. Australian currency in the Australian company for each 2s. sterling share held by him or her in the present company.

DIRECTORATE OF PROPOSED AUSTRALIAN COMPANY

The control and administration of the company will be transferred to Australia, and the board believe that the shareholders will be equally satisfied as they are themselves that the board of directors of the proposed Australian company is to consist of men who are not only admirably suited for the work required, but who also possess a full knowledge of Western Australian mining and hold such high reputations for integrity and administrative ability. Such men cannot fail to further fortify the high reputation built up by the company over so many years, and protect the shareholders' interests in every direction.

The chairmanship has been accepted by the Hon. Sir Hal Colebatch, C.M.G., the late Agent-General for the State of Western Australia in London. Nobody could be better qualified for the responsible position of chairman. As to the other directors, Mr Richard Hamilton was first the general manager and subsequently advising local director to our company since 1896, so has been directly associated with the mine and its development for nearly forty-five years. Mr M. J. Calanchini only retired in 1936 from the position of Permanent Under-Secretary to the Mines Department of the Government of Western Australia. Nobody could possess a more profound knowledge of Western Australian mining. Mr T. S. Wilson is a well-known and highly respected chartered accountant and acts as Registrar in Australia for many leading London companies. Mr Ennemond Faye is the managing director of Australian Mines Management and Secretariate, Limited, who act as general managers for the company, and the great success achieved by the Great Boulder Proprietary Company since 1932 is in no small measure due to the administrative ability of Mr Faye. Such a board of directors as I have just mentioned cannot fail to create a feeling of complete confidence in the minds of members in respect of the future of our company in Australia.

I would, however, just like to refer to the figures which represent the estimated yearly contribution the Australian company will make to the Commonwealth Government in the form of taxation and the amount which it has been anticipated would be available for distribution as dividends. Calculated in Australian currency and on an estimated yearly profit from all sources of £460,000, the annual sum payable as taxation to the Commonwealth Government would be £158,450. In the event of the directors' recommendations not being accepted, the estimated total sum available for distribution as annual dividends, based on the figures already mentioned, would be £60,186.

The non-transfer of the company to Australia would also have a very bad effect on the development of the mine at depth, as insufficient money would be available to continue the sinking of the main shafts and the putting in of the required new main haulage levels without so encroaching on the sums available for dividend as to render them, for all practical purposes, unworthy of distribution. When shareholders fully realise that a non-dividend paying stage could thus be reached, in spite of the company depleting its ore reserves at the rate of nearly 500,000 tons per year and making an annual profit of £460,000, I am sure in their own interests and in the interests of our national welfare the policy so strongly recommended by the board will receive unanimous support.

EVERY CHANNEL EXPLORED

Before the board decided on the recommendations which are being brought before you to-day, every channel to obtain equitable relief from an unfair and crushing burden of taxation was explored without success. In consequence, your board decided that there was but one course open to it, namely, to transfer the domicile of the company to Australia. If this were not done, the mine could not be operated and development work carried out as it should be, and in the opinion of the board the shareholders would not only receive no dividends but would eventually lose the major portion of their capital as well.

In the opinion of your board the action it has recommended will, through assuring the mine continuity of life and output, not only assist the Empire to more readily win a war which may be a prolonged one, but also will retain a national economic front which can materially help in the rehabilitation of the Empire after the war has been brought to a successful conclusion. This result could not possibly be achieved if the payment of double taxation were pursued and the mine thereby were prematurely forced to close down.

After discussion the resolutions were duly passed on a show of hands, and before concluding the meeting the chairman announced that Messrs Whinney, Smith and Whinney advised that on checking the proxies they found that proxies for 1,327,630 votes had been lodged in favour of the resolutions and they had been advised by cable that proxies for a further 254,970 votes in favour were en route from Australia, making a total of 1,582,600 votes in favour of the resolutions, and no proxies had been lodged against the resolutions.

SECOND ALLIANCE TRUST COMPANY, LIMITED

SATISFACTORY RESULTS

MR JAMES PRAIN'S ADDRESS

The annual ordinary general meeting of The Second Alliance Trust Company, Limited, was held in the company's office, Meadow House, 64 Reform Street, Dundee, on Friday, the 20th instant, at 12.30 p.m.

The chair was taken by Mr James Prain, and after formal evidence of the proper calling of the meeting had been submitted, the Secretary read the auditors' report to the shareholders.

The Chairman, in moving the adoption of the annual report, said: I have now to submit for your approval the directors' report and accounts for the year to July 31st last.

The accounts show that gross revenue for the year amounted to £227,000. Although this figure is less by some £3,000 than that of the previous year it remains sufficiently substantial to be regarded as a satisfactory result and one that in existing circumstances we shall be indeed fortunate if we see repeated next year.

Since we met a year ago income tax has been raised by rapid stages from 5s. 6d. in the £ to 8s. 6d., a fact which renders the remaining figures in the revenue account hardly comparable with those of the previous year. The larger sum charged for income tax has the appearance of reducing net revenue, but as the subsequent disbursements by way of interest and dividends are also lower by reason of the higher rate of tax deducted therefrom, the matter evens itself out and we are left actually with a somewhat larger surplus than before. That it should be so is due to the incidence of the tax which benefits the company in years when the rate is raised, but of course will have the opposite effect when there is a reduction, a contingency which does not appear imminent.

DIVIDEND MAINTAINED

The outcome then is that we are able to recommend a dividend of 21 per cent. on the ordinary stock which is at the same rate as in the past two years. This will absorb £51,700 and there remains out of the year's revenue £34,400, of which £30,000 is carried to contingent reserve fund and the balance is added to the amount to be carried forward.

VALUATION OF INVESTMENTS

You will have observed in the report that your directors have decided, rightly I think, to dispense with official valuations of the investments during the war period. I might amplify their statement with the remark that the volume of business on the Stock Exchange is now so much reduced that many securities have not been reliably quoted for some time. As a result, evidence of market value in the form of day-to-day transactions between willing buyers and sellers is lacking in many cases. Any valuation, therefore, to-day must savour rather of an estimate—a guess hazarded by those who compile it rather than a reflection of actual business done in an active market—and as such would serve no useful purpose.

We must not blind ourselves, however, to the fact that values are very much in the melting pot to-day and who knows how they may emerge? Some industries hastily expanded to meet a state of emergency are working at pressure far beyond any peacetime demand, others whose supplies or markets are cut off, either for reasons or supposed reasons of national policy in the case of home trade, or by the more obvious physical barriers overseas, are experiencing or are about to enter a period of restriction, which may prejudice their powers to recover lost trade, and will certainly be unprofitable. We must expect, therefore, when the time comes to pick up the threads of normal trade, that some readjustments will have to be made to meet the changed conditions.

TRANSFER TO CONTINGENT RESERVE FUND

With this and many other uncertainties in mind, we propose to transfer £155,000 from general reserve fund to contingent reserve fund. The amount at the credit of the latter account is ample at present for any contingencies likely to arise in the ordinary course of business, but in the quite unprecedented conditions of the present day it is advisable to make an addition to that fund as a precautionary measure against the extraordinary hazards to which industry will certainly be exposed. The proposed transfer will be given effect to in our next annual statement of accounts, and thereafter the general reserve fund will stand at £400,000, a figure equal to the amount of our issued ordinary capital.

Before moving the adoption of the report and accounts I must acknowledge the valuable services of our staff during a year which has imposed many additional burdens upon them, and I am sure you will wish me to convey your good wishes to those members who are serving with the Forces. I now beg to move that the directors' report and accounts for the year ended July 31, 1940, be adopted and approved, and that the final dividends be declared at the rates therein recommended—on £800,000 preference stock at the preferential rate of 4½ per cent. per annum and on £400,000 ordinary stock at the rate of 12 per cent. actual, making 21 per cent. for the year, both subject to income tax.

The report and accounts were unanimously adopted.

(*Continued from page* 410)

better, and irregular buying has again taken place for Java, South America and the Dominions. Government requirements continue to be a source of strength for many firms, but the home trade section is unsettled.

Grains.—Further contracts for the sale of Canadian wheat and flour to the United Kingdom have been reported. Most interest was in shipments after the middle of next February, and this caused some decline in prices. Last week the Argentine Government removed the ban on fresh export business, but this has had little effect on the market, where prices are too high to attract much interest.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Sept. 14, 1940	Week ended Sept. 21, 1940	From Aug. 1 to Sept. 23, 1939	From Aug. 1 to Sept. 21, 1940
N. America	333	367	3,915	2,647
Argentine, Uruguay	245	293	3,370	1,974
Australia	*	*	‡612	*
Russia	...	...	56	...
Danube and district	33	18	828	166
Other countries	...	...	268	...
Total	611	678	†9,049	4,787

* Unobtainable. † 7 weeks. ‡ Incomplete.
Source: *The Corn Trade News*

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended Sept. 14, 1940	Week ended Sept. 21, 1940	From Apr. 1 to Sept. 23, 1939	From Apr. 1 to Sept. 21, 1940
Argentina	61	62	9,733	5,171
Atlantic America	73	48	506	1,346
Danube Region	...	...	1,084	678
S. & E. Africa	*	46	2,068	†926
Indo-China, etc.	...	...	809	91
Total	134	156	14,200	8,212

* Not received. † Incomplete since July 27th.
Source: *The Corn Trade News*

Oils and Oilseeds.—It is not expected that there will be many changes in the new schedule of controlled prices to be issued at the end of the week. Supplies of all kinds of oils and oilseeds are good. The disposal of Argentine old crop linseed is proceeding very slowly; last week's shipment was only 5,000 tons to non-European destinations. The preliminary estimate of the area sown this season shows a reduction of 12.9 per cent. on last year's acreage.

Cocoa.—The Colonial Office has announced that the United Kingdom Government will purchase the whole of the forthcoming cocoa crops of the Gold Coast and Nigeria. The general control scheme will continue with certain modifications, the main one being a reduction of 20 per cent. in the fixed price paid to growers. The British Government has also offered to purchase the 1940-41 crop of the French Cameroons at a price based on that of British West African cocoa. This is in conformity with the general promise to give equal treatment to producers in French Colonies supporting General de Gaulle.

Metals.—The event of the week was the announcement that export licences for tin will be granted more freely from November. The announcement was well received by the market, and it caused an immediate expansion in business and a recovery in prices. The reluctance to grant export licences more freely in the past was due to the need for building up an adequate reserve of the metal.

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

	Mar. 31, 1937 †	Aug. 30, 1939	Aug. 27, 1940	Sept. 3, 1940	Sept 17, 1940
The Economist Index (U.K.):—					
Cereals and meat	93·0	66·9	93·3	93·4	94·2
Other foods	70·4	61·1	81·5	81·5	83·0
Textiles	74·2	54·3	86·3	87·4	88·0
Minerals	113·2	95·4	121·0	120·9	120·4
Miscellaneous	87·0	77·6	109·6	109·0	108·9
Complete Index	87·2	70·3	98·3	98·4	99·9
1913 = 100	*119·9*	*96·8*	*135·4*	*135·5*	*137·5*
Irving-Fisher Index (U.S.A.)	100·4	93·4	86·4*	...	...

* This figure is the latest available; it relates to August 3rd.
† Highest level reached during the 1932–7 recovery.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to September 21, 1940, total ordinary revenue was £11,789,000, against ordinary expenditure of £60,574,000 and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,088,380,000, against £284,111,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1940–41	Apr. 1, 1939, to Sept. 23, 1939	Apr. 1, 1940, to Sept. 21, 1940	Week ended Sept. 23, 1939	Week ended Sept. 21, 1940
	Receipts into the Exchequer (£ thousands)				
Ordinary Revenue					
Income Tax	510,500	51,276	91,028	908	2,599
Sur-tax	83,000	8,830	11,410	100	310
Estate, etc., Duties	86,100	38,930	40,620	960	1,050
Stamps	19,000	8,580	6,890	680	490
N.D.C.	70000	11,700	10,390	380	300
E.P.T.		...	24,870	...	1,750
Other Inland Revenue	1,000	370	210	...	...
Total In. Rev.	769,600	119,686	185,418	3,028	6,499
Customs	309,350	125,346	139,137	6,837	6,326
Excise	213,550	59,292	71,603	7,542	1,701
Total Customs and Excise	522,900	184,638	210,740	14379	8,027
Motor Duties	35,000	8,511	9,493	...	...
P.O. (Net Receipt)	13,291	3,804	7,650	*D2850*	*D2900*
Crown Lands	1,150	620	540	...	...
Receipts from Sundry Loans	5,000	3,351	645	...	...
Mis. Receipts	13,250	3,787	12,526	28	163
Total Ordinary Revenue	1360191	324,397	427,012	14585	11789
Self-Bal.					
Post Office and Broadcasting	86,222	37,346	38,250	3,900	4,300
Total	1446413	361,743	465,262	18485	16089

Expenditure	Estimate, 1940–41	Apr. 1, 1939, to Sept. 23, 1939	Apr. 1, 1940, to Sept. 21, 1940	Week ended Sept. 23, 1939	Week ended Sept. 21, 1940
	Issues out of the Exchequer to meet payments (£ thousands)				
Ordinary Expenditure					
Int. & Man. of Nat. Debt	230,000	111,299	113,455	1,054	1,071
Payments to N. Ireland	9,400	3,275	3,319	...	...
Other Cons. Fund Serv.	7,600	3,382	3,385	54	54
Total	247,000	117,956	120,159	1,108	1,124
Supply Serv.	3219790	485,366	1390040	25853	59450
Total Ordinary Expenditure	3466790	603,322	1510199	26961	60574
Self-Bal.					
Post Office and Broadcasting	86,222	37,346	38,250	6,000	4,300
Total	3553012	640,668	1548499	32961	64874

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £581,520 to £2,700,942, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,621,000 to about £10,036 millions.

OTHER ISSUES (NET)

(£ thousands)

Anglo-Turkish Agreement Act	12
Overseas Trade Guarantees	30
P.O. and Teleg. Acts	250
	292

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to September 21, 1940, are:—

(£ thousands)

Ordinary Exp.	1,510,199	Ord. Revenue	427,012
Misc. Iss. (net)	6,926	Gross borr.	1,095,612
Inc. in balances	*306*	*Less—*	
		Sinking fds.	5,193
		Net borrowing	1,090,419
	1,517,431		1,517,431

FLOATING DEBT

(£ millions)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939						
Sept. 23	505·0	663·7	47·5	...	...	1216·2
1940						
June 15	740·0	842·4	53·9	...	...	1636·3
„ 22	755·0	861·1	42·3	...	...	1658·4
„ 29	770·0	856·0	36·6	...	...	1662·6
July 6	785·0	Not available				
„ 13	800·0		„	„		
„ 20	815·0		„	„		
„ 27	826·0	906·5	43·6	...	36·0	1806·2
Aug. 3	831·0	Not available				
„ 10	836·0		„	„		
„ 17	836·0		„	„		
„ 24	836·0		„	„		
„ 31	836·0	1042·6	60·7	...	30·0	1969·3
Sept. 7	836·0	Not available				
„ 14	836·0		„	„		
„ 21	836·0		„	„		

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
				s. d.	
1939					
Sept. 22	55·0	86·5	55·0	66 1·25	100
1940					
June 14	65·0	102·0	65·0	20 5·41	59
„ 21	65·0	97·6	65·0	20 4·97	60
„ 28	65·0	110·3	65·0	20 5·22	51
July 5	65·0	105·4	65·0	20 5·10	55
„ 12	65·0	112·3	65·0	20 4·97	48
„ 19	65·0	118·8	61·0	20 4·45	37
„ 26	65·0	125·8	60·0	20 4·44	31
Aug. 2	65·0	122·1	65·0	20 4·86	42
„ 9	65·0	122·5	65·0	20 4·62	41
„ 16	65·0	116·5	65·0	20 5·21	48
„ 23	65·0	109·7	65·0	20 5·63	56
„ 30	65·0	134·9	65·0	20 6·31	27
Sept. 6	65·0	125·8	65·0	20 7·01	38
„ 13	65·0	124·7	65·0	20 6·72	35
„ 20	65·0	123·5	65·0	20 7·06	37

On September 20th applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Friday and Saturday of following week were accepted as to about 37 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 Wednesday and at £99 14s. 10d. for bills to be paid for on Thursday were accepted in full. £65·0 millions of Treasury bills are being offered on September 27th. For the week ending September 28th the banks will be asked for Treasury deposits to the maximum amount of £30·0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
Sept. 10	2,811	1,869	11,111
„ 17	3,194	1,548	6,711
„ 24	...	...	8,207
Totals to date	150,235*	151,280*	217,895†

* 43 weeks. † 14 weeks.

Interest free loans received by the Treasury up to September 24th amounted to 8,784, of a total value of £18,509,609. From the beginning of the campaign up to August 31st, principal of Savings Certificates to the amount of £21,222,000 has been repaid.

BANK OF ENGLAND RETURNS

SEPTEMBER 25, 1940

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt	11,015,100
In Circultn.	604,763,984	Other Govt. Securities	616,135,906
In Banking Dept.	25,473,227	Other Secs	2,833,203
		Silver Coin	15,791
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	237,211
	630,237,211		630,237,211

BANKING DEPARTMENT

	£		£
Props. Capital	14,553,000	Govt. Secs.	147,812,838
Rest	3,562,724	Other Secs.:	
Public Deps.*	13,526,369	*Discts., etc.*	*3,535,884*
		Securities	*21,894,446*
Other Deps.:			*25,430,330*
Bankers	*115,979,680*		
Other Accts.	*51,896,399*	Notes	25,473,227
		Gold & Silver Coin	801,777
	167,876,079		
	199,518,172		199,518,172

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Sept. 25, 1940	Compared with Last Week	Compared with Last Year
Combined Liabilities			
Note circulation	604,764	− 1,246	+ 62,930
Deposits: Public	13,526	+ 2,648	− 6,315
Bankers'	115,980	− 12,813	+ 8,849
Others	51,896	− 268	+ 11,428
Total outside liabilities	786,166	− 11,679	+ 76,893
Capital and rest	18,116	+ 15	− 138
Combined Assets			
Govt. debt and securities†	774,964	− 10,063	+ 78,166
Discounts and advances	3,536	− 19½	+ 1,055
Other securities	24,728	− 1,313	− 2,489
Silver coin in issue dept.	16	+ 2	− 188
Gold coin and bullion	1,039	− 97	+ 211
Reserves			
Res. of notes and coin in banking department	26,275	+ 1,150	− 12,720
"Proportion" (reserve to outside liabilities in Bankg. dept.)	14·4%	+ 1·4%	8·8%

COMPARATIVE ANALYSIS*

(£ millions)

	1939 Sept. 27	1940 Sept. 4	1940 Sept. 11	1940 Sept. 18	1940 Sept. 25
Issue Dept.:					
Notes in circ.	541·8	610·0	608·6	606·0	604·8
Notes in banking dept.	38·3	20·2	21·6	24·2	25·5
Govt. debt and securities†	576·4	626·8	627·1	627·2	626·1
Other secs.	3·3	2·7	2·7	2·8	2·8
Silver coin	0·2	0·5	0·3	0·0	0·0
Gold, *valued at s. per f. oz.*	0·1	0·2	0·2	0·2	0·2
	168·00	*168·00*	*168·00*	*168·00*	*168·00*
Deposits:					
Public	19·8	10·9	13·2	10·9	13·5
Bankers'	107·1	116·3	107·7	128·8	116·0
Others	40·5	48·4	50·0	52·2	51·8
Total	167·4	175·6	170·9	191·9	181·3
Bkg. Dept. Secs.					
Government	120·3	146·0	139·5	157·8	147·8
Discounts, etc.	2·5	3·9	4·1	3·7	3·5
Other	23·9	22·9	23·0	23·3	21·9
Total	146·7	172·8	166·6	184·8	173·2
Banking dept. reserve	39·0	20·7	22·4	25·1	26·3
"Proportion"	23·2	% 11·8	% 13·1	% 13·0	% 14·4

* Government debt is £11,015,100; capital £14,553,000 † Fiduciary issue raised from £800 millions to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in *The Economist* of Dec. 9, 1939; Norway, of Apr. 13th; Denmark and Germany, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland and Turkey, of June 15th; Hungary, Java, Egypt, of June 22nd; Greece, Jugoslavia, and Lithuania, of June 29th; Estonia, Prague, Latvia, Roumania, India and New Zealand, of August 31st. Australian Commonwealth Bank, National Bank of Bulgaria, Banque Mellie Iran, South African *Reserve Bank*, and Bank of Sweden, of September 21st.

U.S. FEDERAL RESERVE BANKS

Million $'s

12 U.S.F.R. Banks	Sept. 21, 1939	Sept. 6, 1940	Sept. 12, 1940	Sept. 19, 1940
Resources				
Gold certifs. on hand and due from Treas.	14,622	18,631	18,671	18,756
Total reserves	14,964	18,966	19,024	19,112
Total cash reserves	334	323	341	344
Total U.S. Govt. secs.	2,826	2,434	2,434	2,434
Total bills and secs.	2,844	2,448	2,447	2,463
Total resources	18,660	22,201	22,307	22,527
Liabilities				
F.R. notes in circn.	4,678	5,391	5,394	3,396
Excess mr. bank res.	5,280	6,490	6,540	6,530
Mr. bank reserve dep.	11,549	13,525	13,596	13,624
Govt. deposits	619	791	762	790
Total deposits	12,949	15,825	15,877	15,964
Total liabilities	18,660	22,201	22,307	22,527
Reserve ratio	84·9%	89·4%	89·4%	89·5%
Banks and Treasury:				
Resources				
Monetary gold stock	16,902	20,944	20,981	21,093
Treas. & bk. currency	2,915	3,036	3,038	3,040
Liabilities				
Money in circulation	7,236	8,092	8,080	8,084
Treas. cash and dep.	2,891	3,083	3,049	3,101

BANK OF CANADA.—Million Can. $

Assets	Aug. 30, 1939	Aug. 14, 1940	Aug. 21, 1940	Aug. 28, 1940
†Reserve: Gold	208·2	...	...	...
Other	52·8	2·7	4·3	4·3
†Securities	163·1	541·1	543·2	550·1
Liabilities				
Note circulation	179·3	299·2	302·1	304·3
Deposits: Dom. Govt.	28·6	22·8	28·6	28·3
Chartered banks	202·1	205·0	202·5	208·5

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

BANK OF JAPAN.—Million yen

Assets	Aug. 5, 1939	July 20, 1940	July 27, 1940	Aug. 3, 1940
Coin & bullion: Gold	501·3	501·3	501·3	501·3
Other	40·9	26·6	26·8	27·2
Foreign exch. fund	300·0	300·0	300·0	300·0
Discounts and advances	517·8	660·0	703·1	870·7
Government bonds	1553·0	2406·0	2495·0	2527·0
Agencies' accounts	227·8	280·6	281·9	266·2
Liabilities				
Notes issued	2313·1	3168·8	3325·9	3331·5
Deposits: Government	540·1	656·2	651·2	792·9
Other	90·6	97·8	93·3	85·1

SOUTH AFRICAN RESERVE BANK

Million £'s

Assets	Aug. 25, 1939	Aug. 9, 1940	Aug. 16, 1940	Aug. 23, 1940
Gold coin and bullion	26·91	36·77	37·52	37·79
Bills discounted	6·44	1·44	1·26	0·74
Inves. & other assets	18·35	33·92	35·50	36·16
Liabilities				
Notes in circulation	16·71	22·46	21·58	21·08
Deposits: Government	2·50	1·70	2·20	2·31
Bankers'	22·87	40·61	39·61	39·68
Others	6·30	7·58	6·43	7·12
Reserve ratio	55·3%	50·6%	53·2%	53·4%

CENTRAL BANK OF ARGENTINA

Million paper pesos

Assets	July 31, 1939	June 30, 1940	July 15, 1940	July 31, 1940
Gold at home	1,224	1,224	1,224	1,224
Other gold & for. exch.	96	168	162	155
Non-int. Govt. bond	119	119	119	119
Treasury bonds	396	395	395	395
Liabilities				
Notes in circulation	1,118	1,220	1,216	1,218
Deposits: Government	221	159	162	157
Banks	375	401	417	415
Certs. of participation	121	155	148	152
Reserve ratio	76·9%	78·1%	77·1%	76·9%

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

Assets	July 31, 1939	May 31, 1940	June 30, 1940	July 31, 1940
Gold in bars	55·8	28·9	29·7	31·0
Cash	17·2	46·1	42·2	29·5
Sight funds	17·6	16·4	16·6	16·3
Commercial bills	143·8	113·3	112·7	111·4
Treasury bills	84·3	30·5	32·7	34·5
Time funds at interest	35·3	21·8	21·4	21·2
Sundry bills & invests.	220·8	211·3	211·1	209·2
Liabilities				
Deposits—Annuity	153·1	152·7	152·7	152·7
German	102·0	76·3	76·3	76·3
Central banks	116·7	34·5	32·3	21·4
Other	1·5	0·9	0·8	0·8
Gold	14·4	12·0	12·2	14·1

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between September 20th and September 26th. (Figures in brackets are par of exchange.)

U.S. $ (4·86⅔) 4·02½–03½; mail transfers, 4·02½–03¾. Can. $ (4·86⅔) 4·43–47; mail transfers, 4·43–47¼. Sw. fcs. (25·22½) 17·65–75. Sw. kr. (18·159) 16·85–95. Arg. pesos (11·45) 16·90–17·13; mail transfers, 16·90–17·15. Ned. E. Ind. Fl. (12·11) 7·58–62; mail transfers, 7·58–64. Ned. W. Ind. (Fl.) 7·58–62; mail transfers, 7·58–64. Bel. Congo Fr. 176½–¾. Portuguese Esc. (110), 99·80–100·20. Panama, $4·02–04; mail transfers 4·02–04¼. Philippine (peso), 8·09–12; mail transfers, 8·09–13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¾ cent. pm.-par. Canada, ½ cent pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 öre pm.-par. Batavia, 1½ cents pm.-par.

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days:—	Week ended Sept. 23, '39	Week ended Sept. 21, '40	Aggregate January 1 to Sept. 23, '39	Aggregate January 1 to Sept. 21, '40		Week ended Sept. 23, '39	Week ended Sept. 21, '40	Aggregate January 1 to Sept. 23, '39	Aggregate January 1 to Sept. 21, '40
Birmingham	1,475	1,567	87,866	83,810	Newcastle	1,181	803	56,410	49,029
Bradford	882	1,254	32,051	61,601	Nottingham	452	294	18,216	15,956
Bristol	1,699	1,856	48,694	66,085	Sheffield	525	473	38,980	24,819
Hull	677	499	29,647	28,050	10 Towns	21,357	21,213	880,865	995,535
Leicester	679	630	26,518	28,143					
Liverpool	4,956	4,726	186,660	214,412	Dublin	5,295	6,105	227,724	228,083
Manchester	8,931	9,111	355,823	424,630	Southampton†	...	45	...	1,859

† Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between September 20th and Sept. 26th:—Bank rate, 2% (changed from 3%, October 26, 1939). Discount rates: Bank Bills 60 days, 1$\frac{1}{32}$%; 3 months, 1$\frac{1}{32}$%; 4 months, 1$\frac{1}{16}$–1$\frac{1}{8}$%; 6 months, 1⅛–1¼%. Treasury bills: 2 months, 1–1$\frac{1}{32}$%; 3 months, 1$\frac{1}{32}$%. Day-to-day money, ¾–1¼%. Short loans, 1–1¼%. Bank deposit rates, ½%. *Discount deposits at* 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.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash d.	Two Months d.	Date	Cash d.	Two Months d.
Sept. 20	23 7/16	23 9/16	Sept. 25	23 7/16	23 9/16
„ 23	23½	23 7/16	„ 26	23 7/16	23 9/16
„ 24	23 7/16	23⅝			

NEW YORK EXCHANGE RATES

New York on	Sept. 19, 1940	Sept. 20, 1940	Sept. 21, 1940	Sept. 23, 1940	Sept. 24, 1940	Sept. 25, 1940
London:—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	40 3/4	404	404	404	404¼	405
Switzerland, Fr.	22·78½	22·78	22·78	22·78	22·84	22·84
Italy, Lire	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)	5·05(c)
Berlin, Mark	39·35	39·95	39·95	39·95	39·95	40·00
Stockholm, Kr.	23·85	23·85	23·85	23·82	23·81½	23·82
Montreal, Can. $	84·250	83·875	83·875	84·125	84·875	85·000
Japan, Yen	23·48	23·48	23·48	23·48	23·48	23·48
Shanghai, $	5·40	5·39	5·37	5·35	5·40	5·42
B. Aires, Peso. (mkt. rate)	23·50‡	23·50‡	23·55‡	23·25‡	23·85‡	23·20‡
Brazil, Milreis	5·05	5·05	5·05	5·05	5·05	5·05

‡ Official buying rate 29·78. (c) Nominal.

MARKET RATES

London on	Par of Exchange per £	Sept. 20, 1940	Sept. 21, 1940	Sept. 23, 1940	Sept. 24, 1940	Sept. 25, 1940	Sept. 26, 1940
Budapest, Pen.	27·82	19½*‡	19½*‡	19½*	19½*	19½*	19½*
Belgrade, Din.	276·32	155*	155*	155*	155*	155*	155*
		200§(g)	200§(g)	200§(g)	200§(g)	200(g)§	200(g)§
Sofia, Lev.	673·66	315*	315*	315*	315*	315*	315*
Helsingfors, Mk	193·23	175–205	175–205	175–205	175–205	175–205	175–205
Alexandria, Pst	97½	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝	97⅜–⅝
Madrid, Pt.	25·22½	37¼*	37¼*	37¼*	37¼*	37¼*	37¼*
		38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)	38·10(b)
		43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)	43·80(c)
Istanbul, £T	110	510*	510*	510*	510*	510*	510*
		520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813·8	800*	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16	17 15/16– 18 1/16
Kobe, Yen	†24·58d.	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝	13⅞–14⅝
Hongkong, $	† ...	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛	14⅞–15⅛
Rio, Mil.	†5·899d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	95‡	95‡	95‡	95‡	95‡	95‡
Lima, Sol. (e)	17·38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, $	† 51d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, $	† 28d.	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16	28 1/16–5/16
Shanghai, $	† ...	3⅛–3⅞	3⅛–3⅞	3⅛–3⅞	3⅛–3⅞	3⅛–⅞	3⅛–⅞
Bogota, Pes.	...	6‡	6‡	6‡	6‡	6‡	6‡

* Sellers. ‡ Nominal. † Pence per unit of local currency. § Mail transfers.
(b) Official rate for payment at the Bank of England for Clearing Offices.
(c) Voluntary rate for payment at the Bank of England. (d) Special account.
(e) 90 days. (g) Trade payments rate.

AMERICAN WHOLESALE PRICES

	Sept. 17, 1940 Cents	Sept. 24, 1940 Cents
GRAINS (per bushel)—		
Wheat, Chicago, Dec.	76⅞	79½
„ Winnipeg, Oct.	70	70
Maize, Chicago, Dec.	61¾	58
Oats, Chicago, Dec.	30⅝	30⅝
Rye, Chicago, Dec.	41⅛	44¼
Barley, Winnipeg, Oct.	35⅛	35⅞
METALS (per lb.)—		
Copper, Connecticut	11·50	12·00
Tin, N.Y., Straits, spot	50·05	50·10
Lead, N.Y., spot	4·90	5·00
METALS (per lb.)—*cont.*		
Spelter, East St. Louis, spot	6·85	7·25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Sept.	4·18	4·38
Coffee, N.Y., cash—		
Rio, No. 7	5¼	5¼
Santos, No. 4	7	7
Cotton, N.Y., Am. mid., spot	9·83	9·93
Cotton, Am. mid., Oct.	...	9·54
Cotton Oil, N.Y., Oct.	...	5·44
Lard, Chicago, Sept.	4·725	5·10
MISCELLANEOUS (per lb.)—*cont.*		
Petroleum, Mid.-cont. crude per barrel	102	102
Rubber, N.Y., smkd. sheet spot	...	19⅛
Do. do. Oct.-Dec.	19·05	19⅛
Sugar, N.Y., Cuban Cent., 96 deg., spot	2·71	2·71
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Dec.	0·695	0·72
Moody's Index of staple commodities, Dec. 31, 1931 = 100	157·1	158·1

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation: Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference to Carry Forward (+ or −)	Preceding Year: Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Dublin Distillers Co.	June 30	13,964	...	9,803	*Dr. 16,493*	...	...	...	...	+ 9,803	7,563	2,342	Nil
Longmorn-Glenlivet Dis.	July 31	12,796	...	6,296	25,393	750	6,000	40	...	− 454	8,131	8,131	35†
Tennant Brothers	June 30	97,939	...	42,463	61,602	4,991	30,192	12½	10,000	− 2,720	94,280	55,051	12½
Canals and Docks													
Mountstuart Dry Docks	Mar. 31	67,272	...	36,177	51,614	6,632	15,218	6	5,000	+ 9,327	41,063	28,247	6
Hotels, Restaurants, etc.													
"Ye Mecca," Ltd.	Mar. 31	21,229	3,845	9,070	12,312	7,250	...	...	...	+ 1,820	22,549	14,243	5
Iron, Coal and Steel													
Barrow Barnsley Main C.	June 30	43,789	25,000	5,531	18,318	12,669	5,412	2½	...	− 12,550	58,535	29,212	6†
Braithwaite & Co. (Eng.)	Mar. 31	98,896	10,500	25,493	53,863	7,312	6,590	5	9,966	+ 1,625	79,661	40,650	5
Cannock Assoc. Colls.	June 30	139,657	51	136,907	183,389	28,108	88,491	9	20,000	+ 308	209,443	207,008	9
New Monckton Colls.	June 30	52,199	10,000	23,045	32,027	(e) 4,399	6,842	4	10,000	+ 1,804	*Dr. 23,857*	*Dr. 27,823*	Nil
Sheepbridge Coal & Iron	June 30	271,016	35,224	177,166	290,465	16,736	128,270	10†	20,000	+ 12,160	286,199	194,405	12½†
Sheffield Forge, etc.	June 30	28,630	4,000	10,152	16,842	...	7,052	15	5,000	− 1,900	22,439	12,476	12½
Motor, Cycle & Aviation													
Perfecta Motor Equipmts.	June 30	31,928	2,892	9,075	16,701	...	6,037	17½	2,500	+ 538	25,207	14,402	17½
Rubber													
Beaufort Borneo	Apr. 30	21,217	760	5,405	10,163	...	4,500	2½	...	+ 905	6,470	1,195	Nil
Shops and Stores													
Jackson's Stores	Mar. 31	14,883	...	*Dr. 47,840*	*Dr. 35,724*	...	...	...	...	− 47,840	99,383	15,453	10
Montague Burton, Ltd.	Mar. 31	1,096,572	209,400	271,246	485,780	130,000	64,088	5	50,000	+ 27,158	906,804	295,621	7
Riding's Stores	June 29	53,704	...	24,094	53,424	4,923	10,278	25	...	+ 8,893	54,651	24,184	35
Tea													
Scottish Assam	Dec. 31	24,823	...	4,083	8,934	...	5,008	10	...	− 925	21,191	6,400	10
Textiles													
Derby & Midland Mills	June 30	25,726	5,000	18.768	31,595	6,000	11,250	15	...	+ 1,518	19,202	13,375	7½
Hepworth, J., & Son	July 31	69,113	...	59,027	91,204	23,575	11,212	3	...	+ 24,240	68,243	63,143	5
York St. Flax Spinning	June 30	161,659	12,500	37,719	54,904	9,188	12,862	5	...	+ 15,669	35,109	11,159	Nil
Trusts													
City and International	Aug. 31	78,671	...	26,106	65,495	17,250	6,900	3	...	+ 1,956	88,828	33,479	3
Cont. and Industrial	May 31	149,163	...	55,771	158,463	33,802	18,438	3	...	+ 3,531	162,696	76,615	4½
Other Companies													
Aeronautical, &c., Inst.	Mar. 31	59,423	7,500	21,102	23,117	...	9,487	11	10,000	+ 1,615	40,263	18,217	11
Allied Industrial Serv.	June 30	202,324	...	72,989	83,446	12,000	56,250	30	...	+ 4,739	205,609	164,695	50
Armstrong Shock Absrs.	June 30	3,000	...	2,043	4,339	...	1,062	2½	2,000	− 1,019	6,311	4,323	5
Horlicks, Ltd.	Mar. 31	225,424	...	96,583	116,832	...	91,250	30	5,000	+ 333	191,717	124,446	30
Inter. Bitumen Emuls.	Mar. 31	22,668	5,000	3,942	6,262	...	4,944	4	...	− 1,002	23,711	9,399	6
Leeds Fireclay	June 30	84,943	84,367	11,167	61,658	20,000	...	...	...	− 8,833	134,571	43,266	...
London Express News.	June 30	361,807	60,198	301,609	397,855	105,000	197,870(c)	5	...	− 1,261	249,679	187,381	20(d)
Vaughan Bros.	June 30	91,445	...	36,010	44,939	...	22,141	22½	10,000	+ 3,869	50,931	34,891	22½
Totals (£'000's):	*No. of Cos.*												
Week to Sept. 28, 1940	*30*	*3,612*	*416*	*1,491*	*2,412*	*451*	*828*	...	*159*	+ *53*	*3,497*	*1,706*	...
Jan. 1 to Sept. 28, 1940	*1,703*	*335,735*	*27,246*	*179,046*	*254,706*	*40,319*	*109,519*	...	*21,112*	+ *8,096*	*311,263*	*186,710*	...

(c) Includes £136,671 capitalised by issue of "A" ordinary shares. (d) Absorbed £81,600. (e) Eighteen months. † Free of income tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash per share. Rate for previous year is total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year
	%	%		%		%	%		%		%	%		%
BANKS					Tanjong Tin	5*	(e)15	Oct. 4	(e)10	Midland Counties Elec.	2½*	...	Oct. 18	2½*
Dominion Bank	2½	10	...	10	Transvaal Gold	2½*	...	Nov. 5	2½*	Midland Electric Corp.	3*	...	...	3*
INSURANCE					Tronoh Mines	12½*	...	Oct. 31	2½*	Moore's Stores	3*	...	Sept. 30	3*
Sea Insurance	1/9 ps*	...	Oct. 24	1/9 ps*	INDUSTRIALS					Murex, Ltd.	12½†	20	...	20
World Marine, etc.	4/- ps*	...	Oct. 8	‡4/-ps*	Access Investment	...	7½	...	7½	Newton Chambers	5*	...	Oct. 23	5*
TEA AND RUBBER					Aird and Coghill	...	5	...	5½	Nunnery Colliery	1½*	...	...	1½*
Banteng Rubber	...	3¾	Nov. 1	Nil	Aire Wool	...	20	...	9	Ocean Coal, etc.	3‡	(c) 5	...	1½
Chembong Rubber	2†	4	...	2½	Allsopp Brewery Inv.	30†	45	...	45	Paripan	5*	...	...	5*
Dimbula Valley Tea	2½*	...	...	2½*	Assoc. Fire Alarms	...	6	Oct. 23	6	Phillips (Godfrey)	2½*	...	Oct. 30	2½*
Karmen Rubber	...	3¾	Nov. 1	Nil	Blythe (William)	3*	...	...	3*	Rich (E.) & Co.	...	½	...	1¼
Kempas Rubber	12½†	20	Oct. 4	7½	Callender's Cable	5*	...	Nov. 2	5*	Sadler and Co.	...	5	...	Nil
Mengkibol Rubber	5*	...	Sept. 27	Nil*	Dickinson (John)	4*	...	...	4*	Smith's Potato Crisps	7½*	...	Oct. 12	7½*
Standard Tea (Ceylon)	5*	...	Oct. 30	5*	Hawthorn, Leslie & Co.	(d)9½†	(d)12½	Nov. 5	(d)12½	Southhook Potteries	6†	10	Oct. 31	12½
					Hepworth (J.)	...	3	...	5	S. African Clothing	...	10	Oct. 16	Nil
MINING					Hopkinsons	5*	...	...	5*	Spratts Patent (Amer.)	5*	...	Sept. 28	5*
Ayer Hitam Tin	7½*	...	Oct. 2	2½*	Hurst, Nelson & Co.	12½†	15	...	10	Taylor (C. F.)	4*	...	...	3½*
Kinta Tin	7½*	(e)20	Oct. 4	(e)15	Indestructible Paint	7½*	...	...	7½*	U.S. & S. Amer. Trust	2½*	...	Oct. 5	2½*
Pelepah Tin	2½*	...	Oct. 2	Nil*	International Paint	4*	...	...	4*	Vickers, Ltd.	4*	...	Oct. 24	4*
South Crofty Tin	5*	...	...	5*	King Line	5*	...	...	2½*	Waterworth Bros.	4*	...	Sept. 30	4*
Southern Tronoh Tin	7½*	...	Oct. 30	Nil*	Lancashire Dynamo	5*	...	...	5*	Watford Electric	5*	...	...	5*
Sungei Besi Mines	12½*	...	Oct. 4	2 1/12	Lancashire Electric	2½*	...	...	2½*	Wickman (A. C.)	5*	...	...	5*
					Marconi's Wireless	3½*	...	Nov. 15	3½*	Woking Electric	‡3*	...	...	‡3*
										York Street Flax	2½†	5	...	Nil

‡ Free of income tax. (c) Fifteen months. (d) Includes bonus 2½ per cent. tax free. (e) Total to date on account of 1940.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week 1940	+ or −	Aggregate Gross Receipts 1940	+ or −
B.A. and Pacific	11	Sept. 14	‡1,094,000	− 109,000	12,204,000	− 1,471,000
B.A. Gt. Southern	11	14	‡1,789,000	+ 15,000	20,927,000	− 33,000
B.A. Western	11	14	‡640,000	− 100,000	6,762,000	− 724,000
Canadian Pacific	38	14	$3,537,000	− 972,000	116,753,000	+ 17293000
Central Argentine	11	21	‡1,339,650	− 549,600	15,617,800	− 7,259,300

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	Sept. 25, 1940	Name	Sept. 25, 1940	Name	Sept. 25, 1940
Mid. & Sthn	11/6 bid	National D.	9/3–10/3	Key. Gold	7/9–9/3
Limited Inv.	10/9–12/3	Century	10/—11/9xd	Br. Ind. 4th	9/6–11/3
New British	6/9–7/9	Scottish	9/—10/6	Elec. Inds.	11/—12/6
Invest. Tr.	8/3–10/3*	Univ. 2nd	11/—12/9xd	Met. & Min.	9/11½–10/7½
Bk. & Insur.	11/9–13/9*	Inv. Flex.	7/9–9/–xd	Cum. Inv.	11/6–13/–
Insurance	12/3–14/3*	Inv. Gen.	11/7½–12/7½	Producers	5/—6/–
Bank	12/—14/–*	Key. Flex	7/9–9/3	Dom. 2nd	4/—5/–
Sct. B.I.I.T.	9/3–11/3*	Key. Cons.	7/3–8/9	Orthodox	5/9–6/9xd

* Free of commission and stamp duty.

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 High	Low	Prices, Jan. 1 to Sept. 25, 1940 High	Low	Name of Security	Price, Sept. 25 1940	Ch'ge since Sept. 18	Yield Sept. 25, 1940 £ s. d.
				British Funds			
71 1/8	61	76 3/4	68 1/8	Consols 2½%	74	+5/8	3 7 7
107 1/8	98	110 5/8	103 1/8	Do. 4% (aft. 1957)	110 1/4	+3/4	3 12 9f
...	...	98 7/8	98 1/2	Conv. 2% 1943–45	98 5/8	+1/8	2 3 1
96 3/4	90 1/8	100 1/2	95 1/2	Do. 2½% 1944–49	99 1/4	+1/4	2 11 11
99 1/8	92 7/8	103	97 3/4	Do. 3% 1948–53	101 1/2	+1/4	2 16 1
99 1/2	87	102 1/4	94	Do. 3½% after 1961	100 1/2	+1/2	3 9 8f
112 1/8	103 3/4	112	107 1/2	Do. 5% 1944–64	107 7/8xd	+7/8	2 17 8
87 1/4	79 3/4	92 3/4	86 5/8	Fund. 2½% 1956–61	90 3/4	...	3 2 6
93 5/8	87 3/4	98 1/2	92	Fund. 2¾% 1952–57	97 1/2	...	2 19 6
95 1/8	87 1/2	99 1/2	95	Fund. 3% 1959–69	97 1/2	+1/8	3 2 8
109 1/2	100 1/2	113 3/4	105 3/8	Fund. 4% 1960–90	112xd	+1 1/8	3 3 6
99 1/4	94 3/4	102	98 9/16	Nat. D. 2½% 1944–48	100 1/2	+1/4	2 9 4k
96 7/8	91 1/2	101 3/4	95 1/8	Do. 3% 1954–58	101 1/4	+1/8	2 17 11
...	...	100 3/4	100	War Bds. 2½% 1945–47	100 1/4	...	...
108 3/8	102	111 1/2	105 15/16	Victory Bonds 4%	110 1/4	+3/8	3 5 11j
...	...	100 7/8	98	War L. 3% 1955–59	100	...	3 0 0
98 7/8	86	101 15/16	93 1/8	War. L. 3½% af. 1952	101 15/16	+15/16	3 9 2f
83 7/8	73	89 1/8	80 1/4	Local Loans 3%	86 3/4	+7/8	3 9 2
99	91	100	97 1/2	Austria 3% 1933–53	99	...	3 3 0
64	55 1/2	71 1/4	59 3/4	India 2½%	67 1/4	+1/4	3 14 4
90	78	97 1/4	82 1/4	Do. 3½%	91 3/4	+1/4	3 16 4
115 1/4	104 1/2	115	105 1/4	Do. 4½% 1958–68	110	+1/2	3 15 8
				Dom. & Col. Govts.			
106 1/4	95	107 1/8	101	Austria. 5% 1945–75	103	...	4 9 5
112 1/2	103	110 7/8	106	Nigeria 5% 1950–60	107	...	4 3 10
103 1/2	92	105 7/8	100	N. Zealand 5% 1946	102 1/2	...	4 13 0
110	102	108 1/2	103	S. Africa 5% 1945–75	105 1/2	1	4 2 9
				Corporation Stocks			
111 1/2	104	110 1/4	104	Bir'ham 5% 1946–56	105	...	4 1 2
81 5/8	72	85	78	L.C.C. 3%	81	...	3 14 4
93 9/16	86 1/2	94 1/2	87 1/2	Liverpool 3% 1954–64	91	...	3 12 4
102 3/4	95	104	97	Middx. 3½% 1957–62	98	...	3 13 0
				Foreign Governments			
91 1/2	73 3/4	92 3/4	73	Argen. 4½% Stg. Bds.	75	...	6 0 0
65 1/2	34	58 1/2	22	Austria 4½% 1934–59	28	...	12 1 0l
95	50	64	25	Belgian 4% (36) 1970	*	...	...
23 1/2	6 1/2	35 1/2	20	Brazil 5% Fd. 1914	26	...	9 12 0n
19	9	23	9	Chile 6% (1929)	13	–1	11 10 9n
55 1/2	23 1/2	45 1/4	12	China 5% (1913)	18	–1/2	...
72	30	63	25	Czecho-Slovakia 8%	*	...	...
86 1/4	58	79 3/4	50 1/2	Egypt Unified 4%	66	...	6 1 3
12 1/2	9	10 1/2	8	French 4% (British)	*	...	...
44	4	7 5/8	5	German Dawes 5%	5 1/2	...	...
33 1/2	3	6 1/2	3 3/8	Do. Young Ln. 4½%	4	...	...
30	15	24 1/2	12 1/2	Greek 6% Stab. Ln.	*	...	...
35 1/2	15	25	10 1/4	Hungary 7½%	13 1/2	–2	...
61 1/2	33	65	44	Japan 5½% 1930	*	...	...

Prices, Jan. 1 to Sept. 25, 1940 High	Low	Last two Dividends %	%	Name of Security	Price, Sept. 25, 1940	Ch'ge since Sept. 18	Yield Sept. 25, 1940 £ s. d.
				Railways			
10	3 1/4	Nil	Nil	B.A. Gt. Sthn. Ord.	5	+1/2	Nil
9 1/4	4 7/8	Nil	Nil	Can. Pac. Com. $25	*	...	...
52	22	3½ c	1½ a	Gt. Western Ord.	28	...	12 10 0
80	34 1/2	5 c	2½ a	LNER 5% Pref. 1955	50	...	10 0 0
60	20	4 c	2 a	Do. 4% 1st Pf.	27 1/2	1	14 10 9
24	9	Nil c	1½ c	L.M.S. Ord.	11 1/2	1/4	13 0 0
60 1/2	21 1/2	4 c	2 a	4% Pf. 1923	30 1/2	...	13 2 3
70 1/2	35	2 b	2 a	4% Pf.	43 1/2	...	9 4 0
65 1/4	24	1½ c	¾ a	Lon. Trans. "C"	28	–1/2	5 7 0
22	7	Nil c	1¼ c	Southern Def.	9 1/2	...	13 3 0
79	35 1/2	5 c	2½ a	Do. 5% Pf. Ord.	40 1/2	–1/2	12 7 0
104	58 1/2	2½ a	2½ b	Do. 5% Pf.	71 1/2	–3 1/2	7 0 0
				Banks and Discount			
67/9	49/–	10 b	7½ a	Alexanders £2, £1 pd.	51/3	+1/3	6 16 6
342 1/2	316 1/2	6 a	6 b	Bank of England	325xd	+3	3 13 0
£51	£43 1/2	8 c	8 c	Bk of Montreal $100	*	...	...
30/9	19/–	5 a	5 b	Bk. of N. Zealand £1	23/9	+3d	6 15 0e
73/3	46/6	7 b	7 a	Barclays Bank £1	61/6	–6d	4 11 0
9 1/8	5 1/4	5 b	5 a	Chtd. of India £5	6 1/2	+1/8	7 14 0
52/–	45/–	5 b	5 a	District B. £1 fy. pd.	48/9	...	4 2 0
[illegible]	£52	£2½ b	£2½ a	Hongkong and S. $125	£68 1/2	+£1	7 6 0
[illegible]	30/–	6 b	6 a	Lloyds £5, £1 pd.	41/–	–6d	5 17 0
[illegible]	5 17/32	7½ b	7½ a	Martins £20, £2½ pd.	7	+1/16	5 7 0
85/–	66/–	8 b	8 a	Midland £1, fy. pd.	75/6	+6d	4 4 6
[illegible]	4	5 b	5 a	Nat. Dis. £2½ fy. pd.	4 5/8	–1/8	5 8 0
32 1/2	23 1/2	8 b	8 a	N. of Ind. £25, £12½pd	24 1/4	+1/4	8 5 0
69/9	39/–	7½ b	7½ a	Nat. Prov. £5, £1 pd.	51/6	–1/6	5 16 2
[illegible]	385	8½ b	8½ a	Royal Bk. of Scotland	395	+5	4 6 0
[illegible]	29/–	6¼ b	3¾ a	Union Discount £1	35/–	+1/9	5 14 0
[illegible]	46/–	9 b	9 a	Westmtr. £4, £1 pd.	66/–	+1/6	5 9 0
				Insurance			
24 1/2	15 3/4	40 a	50 b	Alliance £1, fully pd.	20	+1/4	4 10 0
13 1/8	8 3/8	4/6 a	6/– b	Atlas £5, £1¼ pd.	9 1/2	–1/4	5 10 6
16 5/8	8 25/32	†25 b	†22½ a	Pearl (£1), fy. pd.	12 1/2	+1/8	3 16 0†
15 5/16	9 5/16	6/– a	6/– b	Phoenix £1, fy. pd.	11 1/2	...	5 4 3
[illegible]	16 1/4	†84·075c	†12½a	Prudential £1 A	19 1/2	...	4 6 0†
8 1/4	5	11 a	19 b	Royal Exchange £1	6 3/4	...	4 8 9
7	4 1/4	†10 b	13¾ a	Sun Lf. Ass. £1 fy. pd.	5 1/4	...	5 0 9
				Investment Trusts			
[illegible]	470	14 b	11 a	Alliance Trust	475	...	5 9 2
[illegible]	180	3½ a	8½ b	Anglo-Amer. Deb.	180	...	6 13 4
[illegible]	139	6 b	4 a	Debenture Corp. Stk.	140	...	7 2 9
[illegible]	155	5 a	8 b	Invest. Trust Def.	160	...	8 2 0
[illegible]	139	3 a	7 b	Trustees Corp. Ord.	145 1/2	...	6 16 0
[illegible]	140 1/2	6 b	4 a	United States Deb.	152 1/2	...	6 11 0
				Breweries, &c.			
[illegible]	96/3	†20 b	†5 a	Bass Ratcliff Ord. £1	104/–	–1/–	4 16 3†
[illegible]	56/3	11 b	5 a	Courage Ord. £1	40/–	–1/3	8 0 0
[illegible]	46/–	6¼ a	10 b	Distillers Ord. £1	55/6	–3d	5 17 6
[illegible]	45/–	11 a	14 b	Guinness Ord. £1	67/6	–1/3	6 8 0
[illegible]	47/–	10 b	7½ a	Ind, Coope & Allp. £1	64/–	...	7 5 6
[illegible]	30/6	6 a	11 b	Watney Combe Def. £1	42/–	–3/–	8 2 0
				Iron, Coal and Steel			
6/6	3/–	10 c	10 c	Baldwins 4/–	3/9	–6d	10 13 3
34/7 1/2	13/1 1/2	†5 a	†10 b	Brown (J.) Ord. 10/–	21/3	+6d	7 1 0†
8/9	3/6	6 b	4 a	Cammell Laird 5/–	5/6	+1½d	9 1 9
24/7 1/2	11/3	3 a	5 b	Colvilles Ord. £1	16/10 1/2	+1½d	9 8 0
28/1 1/4	12/6	10 c	10 c	Dorman Long Ord. £1	15/7 1/2	–7½d	12 16 0
26/11 1/4	13/6	†2½ a	†4 b	Guest Keen &c. Ord. £1	19/6	...	6 13 3†
27/9	13/1 1/2	15 b	7½ a	Hadfields 10/–	18/9	–1/3	12 0 0
27/7 1/2	11/3	2 a	5½ b	Powell Duffryn £1	12/6	+3d	12 0 0

Prices, Jan. 1 to Sept. 25, 1940 High	Low	Last two Dividends %	%	Name of Security	Price, Sept. 25, 1940	Ch'ge since Sept. 18	Yield Sept. 25, 1940 £ s. d.
				Iron, Coal, &c.—cont.			
34/6	20/–	10 c	12 c	S. Durham Ord. £1	22/6	–1/3	10 13 3
54/9	33/9	†2½ a	†5½ b	Staveley Coal, etc. £1	38/9	+9d	4 2 9†
47/6	26/–	12½ c	12½ c	Stewarts & Lloyds £1	36/3	+6d	6 19 0
39/–	17/6	10½ b	4 a	Swan, Hunter £1	25/–	...	11 12 0
24/3	11/6	2½ a	5½ b	Un. Steel Cos. Ord. £1	17/6	+6d	9 2 9
21/10 1/2	9/6	6 b	4 a	Vickers 10/–	13/3	+7½d	7 10 9
				Textiles			
8/10 1/2	2/6	Nil	Nil	Brit. Celanese 10/–	4/–	...	Nil
38/6	21/3	5 a	5 b	Coats, J. & P. £1	29/3	3d	6 16 0
39/10 1/2	20/3	7 c	2½ a	Courtaulds £1	28/–	...	5 0 0
35/9	22/6	2½ a	5 b	English Swg. Ctn. £1	23/1 1/2	1/10 1/2	6 9 6
24/4 1/2	11/9	Nil c	7½ c	Lancs. Cotton Corp £1	16/6	...	9 2 0
61/3	42/6	†10 c	†8½ c	Patons & Baldwins £1	45/7 1/2	7½d	3 14 0†
				Electrical Manufactg.			
43/11 1/2	26/3	10 c	10 c	Associated Elec. £1	35/–	+6d	5 14 0
92/6	66/3	15 b	5 a	British Insulated £1	70/–xd	1/–	5 14 0
69/–	46/3	10 b	5 a	Callenders £1	52/6	2/6	5 16 2
20/–	11/6	12½ b	7½ a	Crompton Park. A 5/–	13/9	...	7 5 9
33/9	16/3	10 c	10 c	English Electric £1	23/9	1/–	8 8 0
83/–	52/6	20 c	20 c	General Electric £1	69/4 1/2	+4½d	5 11 9
				Gas and Electricity			
38/3	23/6	5 b	3 a	Clyde Valley Elec. £1	31/3	...	5 2 0
42/6	20/6	10½ c	3 a	County of London £1	27/6	1/–	7 12 6
27/–	18/–	2½ a	3½ b	Edmundsons £1	22/–	–1/–	5 9 0
18/3	11/6	1 7/10 b	2¼ a	Gas Light & C. £1	14/–	...	5 12 6
83 1/2	29	2 a	4 b	Imp. Cont. Gas Stk.	39 1/2	...	15 4 0
32/6	23/6	5 b	2½ a	Lancashire Elec. £1	25/–xd	...	6 0 0
21/–	12/–	2½ b	Nil a	London Ass. Elec. £1	13/9	9d	3 12 6
31/4 1/2	17/6	4½ b	2½ a	North-East Elec. £1	22/6	+6d	6 4 6
42/3	22/–	6 b	3 a	Northmet Power £1	28/1 1/2	10½d	6 8 0
38/7 1/2	24/–	5½ b	2½ a	Scottish Power £1	27/6xd	–6d	5 16 0
39/6	24/–	5 b	3 a	Yorkshire Electric £1	28/9	1/3	5 11 0
				Motor, Cycle and Aircraft			
17/6	7/6	30 c	15 c	Austin 5/–	14/4 1/2	+4½d	5 4 3
16/4 1/2	6/–	4 a	6 b	Bristol Aero. 10/–	8/9	...	11 8 6
36/3	17/3	12½ c	12½ c	De Havilland Air. £1	21/3	...	11 14 0
16/9	7/–	†15 c	†12½ c	Fairey Aviation 10/–	11/–	...	11 7 0†
18/7 1/2	12/4 1/2	5 c	6 c	Ford Motors £1	15/6	...	7 14 0
15/7 1/2	6/–	17½ b	15 a	Hawker Siddeley (5/–)	9/–	7½d	18 0 0
60/7 1/2	39/4 1/2	12½ b	2½ a	Lucas, J. (£1)	50/–	+1/3	6 0 0
88/3	28/9	25 c	20 c	Leyland Motors £1	50/–	...	8 0 0
27/7 1/2	16/9	45 c	40 c	Morris Motors 5/– Ord.	22/6	+6d	8 17 3
4 21/32	2 1/8	5 a	15 b	Rolls-Royce £1	3 1/2	...	5 14 0
12/3 3/4	6/–	22½ c	25 c	Standard Motor 5/–	11/–	...	11 6 9
				Shipping			
22/7 1/2	12/3	4 c	5 c	Furness, Withy £1	17/–	+6d	5 18 0
23/9	13/6	4½ b	2 a	P. & O. Def. £1	18/6	3d	7 0 0
20/–	13/–	5 c	5 c	Royal Mail Lines £1	14/6	...	6 19 0
10/9	4/–	Nil c	Nil c	Union Castle Ord. £1	6/6	...	Nil
				Tea and Rubber			
16/7 1/2	5/9	6 c	4 c	Allied Sumatra £1	8/9	+3d	9 2 9
27/3	14/–	2 a	4 b	Anglo-Dutch £1	15/–	+3d	8 0 0
32/10 1/2	20/–	2½ a	7½ b	Jokai (Assam) £1	27/6	+7½d	7 5 6
3/11 1/4	2/3	4 a	6 b	London Asiatic 2/–	3/–	...	6 13 3
34/9	20/–	4 a	6 b	Rubber Trust £1	25/7 1/2	+4½d	7 19 0
3/3	1/7 1/2	9 c	5 c	United Serdang 2/–	2/2	...	4 13 0
				Oil			
60/3 3/4	23/11 1/2	20 c	5 c	Anglo-Iranian £1	27/6	...	3 13 0
27/7 1/2	14/6	17½ b	12½ a	Apex (Trinidad) 5/–	25/–	6d	6 0 0
73/6	35/–	5 a	16 b	Burmah Oil £1	46/3	+1/3	9 0 0
81/10 1/2	28/9	†20 c	†5 c	Shell Transport £1	35/7 1/2	...	2 18 6†
80/–	45/6	7½ b	7½ a	Trinidad Leasehlds £1	66/10 1/2	2/6	4 9 0
				Miscellaneous			
62/6	38/9	7½ b	5 a	Assoc. P. Cement £1	57/6	+2/6	4 7 0
44/3	23/9	5 b	Nil a	Barker (John) £1	30/–	+2/6	3 6 9
44/6	27/6	m29 c	30·9c	Boots Pure Drug 5/–	37/6	–6d	4 2 0
56/–	28/9	8½ b	3 a	Brit. Aluminium £1	35/–	...	6 11 9
107/6	53/11 1/2	†20 c	†19 1/6 c	Brit.-Amer. Tob. £1	77/6	...	4 18 9†
60/–	42/6	7 a	10 b	British Oxygen £1	57/6	...	5 18 0
52/6	32/6	12½ b	7½ a	Brockhouse (J.) £1	33/9	...	11 16 0
65 1/2	27	4 c	4 c	Cable & Wir. Hdg.	50	...	8 0 0
6 5/16	3 1/8	15 b	11 2/5 a	Carreras 'A' Ord. £1	4 1/4	+1/4	6 5 3
38/9	19/9	9 c	12 c	Dunlop £1	28/–	...	6 8 6d
10/1 1/2	4/–	5 c	Nil c	Elec. & Mus. Ind. 10/–	6/9	+1½d	Nil
28/3	16/3	15 a	25 b	Ever Ready Co. 5/–	24/6	...	8 2 0
6 5/16	3 1/4	7½ a	20 b	Gallaher Ltd. Ord. £1	3 3/4	1/8	7 6 6
28/6	16/3	25 b	15 a	Gestetner (D.) 5/–	17/6	...	11 8 6
93/9	64/4 1/2	20 b	5 a	Harrison & Cros. Df. £1	72/6	...	6 18 0
40/6	25/–	5 b	2 a	Harrods £1	27/6	6d	5 1 9
33/9 3/4	17/6	5 b	3 a	Imp. Chem. Ord. £1	26/3	+1½d	6 1 0
13/9	5/–	5 c	Nil c	Imp. Smelting £1	8/9	+1/–	Nil
6 11/32	3 5/16	†15½ b	†7½ a	Imp. Tobacco £1	4 3/4	–1/16	4 16 3†
$49 9/16	$30 1/4	$2·25 c	$2·00c	Inter. Nickel n.p.	*	...	...
12/3	9/–	5 a	7 b	International Tea 5/–	10/6	–3d	5 14 6
34/3	15/–	4¾ a	5¼ b	Lever & Unilever £1	20/–	–6d	10 0 0
40/–	24/6	20 c	10 c	London Brick £1	38/9	+2/3	5 3 0
87/6	67/6	5 a	15 b	Lyons (J.) Ord. £1	80/–	–1/3	5 0 0
54/4 1/2	25/–	15 a	23 1/8 b	Marks & Spen. 'A' 5/–	35/–	–1/3	5 9 0
4 1/32	2 3/4	5 a	12½ b	Metal Box £1	3 1/4	...	5 7 9
87/6	45/–	7½ a	12½ b	Murex £1 Ord.	67/6	–1/3	6 3 0
23/7 1/2	13/9	4 a	6 b	Pinchin Johnson 10/–	18/–	...	5 11 0
17/6	12/6	15 b	3 a	Ranks Ord. 5/–	15/7 1/2	+1½d	5 16
61/6	36/3	12½ b	2½ a	Spillers Ord. £1	55/–	...	5
57/9	35/–	10 b	3½ a	Tate and Lyle £1	44/4 1/2	+1½d	6 2 0
45/6	29/6	5 b	5 a	Tilling, Thos. £1	35/7 1/2	+7½d	5 12 0
26/3	12/–	20 c	5 c	Triplex Safety G. 10/–	13/9	–1/3	3 12 6
96/9	59/9	13¾ b	10 a	Tube Investments £1	80/–	–1/3	5 19 0
68/–	41/3	11¼ b	3¾ a	Turner & Newall £1	55/–	+1/10 1/2	5 9 0
52/6	38/9	7½ b	5 a	United Dairies £1	43/1 1/2	...	5 16 0
28/3	15/–	22½ c	28 1/8 o	United Molasses 6/8	19/4 1/2	+1½d	7 19 0g
66/3	38/9	50 b	20 a	Woolworth Ord. 5/–	55/–	–1/–	5 19 0q
				Mines			
65/7 1/2	26/3	95 c	95 c	Ashanti Goldfields 4/–	43/9	+7½d	8 4 0
11/9	6/3	i3½ a	i3½ b	Burma Corp. Rs. 9	7/3	...	9 1 0†
51/3	22/6	10 b	3¾ a	Cons. Glds. of S. Af. £1	31/3	+1/3	8 16 0
15	11 1/2	95 b	95 a	Crown Mines 10/–	12 3/4	...	7 9 0
8 1/4	2 17/32	Nil c	Nil c	De Beers (Def.) £2½	3 3/4	1/8	Nil
41/6 3/4	25/3	11¼ b	11¼ a	Randfontein £1	33/9	+1/3	13 6 0
11 5/16	5 5/8	25 b	25 a	Rhokana Corp. £1	7 3/4	+1/8	6 8 0
16/–	7/–	5 b	10 a	Roan Antelope Cpr. 5/–	12/–	–6d	6 5 0
10 1/8	6 7/8	75 b	75 a	Sub Nigel 10/–	7 3/4	–1/4	9 12 0
7 11/16	5	2/6 a	5/6 b	Union Cp. 12/6 fy. pd.	5 7/8	...	6 16 0
88/9	30/–	Nil	Nil	W. Witwatersrand 10/–	50/–	...	Nil

(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. (i) Annas per share. (j) Yield worked to average redemption—end 1960. (k) Based on redemption at par in 1946. (l) Yield based on 75½% 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 per cent. out of capital reserve. (p) Yield worked on a 2½ per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT	Sept. 17, 1940	Sept. 24, 1940
GRAIN, etc.		
Wheat—	s. d.	s. d.
No. 1, N. Mt. 496 lb. f.o.b. Atc.	33 3	32 3
Eng. Gaz. av., per cwt.	14 7	14 7
Flour, per 280 lb.— Straights, d/d London	25 6	25 6
Barley, Eng. Gaz., av., per cwt.	21 1	20 8
Oats " " " "	14 5	14 4
Maize, La Plata, 480 lb., f.o.b.	12 10½	13 0
Rice, Burma, No. 2, per cwt. f.o.b.	10 6	12 6
MEAT—Beef, per 8 lb.— English long sides	4 8 / 6 0	4 8 / 6 0
Imported hinds	5 4	5 4
Mutton, per 8 lb.—English	4 4 / 8 0	4 4 / 8 0
Imported	4 4	4 4
Pork, English, per 8 lb.	8 0	8 0
BACON (per cwt.)—Wilts. cut side	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.)— Home Produced	121 4	121 4
Imported	100 4	100 4
COCOA (per cwt.)— Accra, g.f.	35 0	35 0
Grenada	55 0 / 59 0	55 0 / 59 0
COFFEE (per cwt.)— Santos supr. c. & f.	Nom.	Nom.
Costa Rica, medium to good	Nom.	Nom.
EGGS (per 120)—English (Std.)	28 0	28 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)— English, King Edward	7 0 / 8 0	7 0 / 8 0
SUGAR (per cwt.)— Centrifugals, 96°, prpt. shipm' c.i.f. U.K./Cont.	7 6	7 6
Refined London— Granulated, 2 cwt. bags	40 6	40 6
West India Crystallised	38 0 / 41 6	38 0 / 41 6
TOBACCO (per lb.)— Indian stemmed and unstemmed	0 7 / 2 4	0 7 / 2 4
Rhodesian, stemmed and unstemmed	1 0 / 2 6	1 0 / 2 6
TEXTILES		
COTTON (per lb.)—	d.	d.
Raw, Mid-American	8·31	8·41
" Giza, F.G.F.	13·06	13·35
Yarns, 32's Twist	14·83	15·07
" 40's Weft	16·08	16·32
" 60's Twist (Egyptian)	27·00	27·00
Cloth, 32 in. Printers, 116 yds. 16 × 16, 32's & 50's	s. d. 24 3	s. d. 24 3
COTTON—*continued.* Cloth, 36 in. Shirtings, 75 yds., 19 × 19, 32's & 40's	35 3	35 3
" 38 in. ditto, 38 yds., 18 × 16, 10 lb.	13 3	13 3
" 39 in. ditto, 37½ yds., 16 × 15, 8¼ lb.	12 3	12 3
FLAX (per ton)—	£ s.	£ s.
Livonian ZK	Nom.	Nom.
Pernau HD	Nom.	Nom.
HEMP (per ton)—Manilla, spot "J2"	26 0 0	26 0 0
JUTE (per ton)— Daisee 2/3, c.i.f. Dundee, Oct.-Nov. (new)	22 0 0	22 15 0
Common 8 lb. cops	s. d. 3 2	s. d. 3 1
SISAL (per ton)—African, Aug.-Oct. —No. 1	£ s. 26 0	£ s. 26 0
SILK (per lb.)— Japan	s. d. 13 9 / 14 6	s. d. 13 9 / 14 6
China fil	15 6	15 6
WOOL (per lb.)—	d.	d.
Lincoln wethers, washed	19¾	19¾
Selected blackfaced, greasy	14	14
Australian scrd. fleece, 70's	37	37
Cape scrd. average snow white	29¾	29¾
N.Z. scrd. 2nd pieces, 50-56's	24	24
Tops— 64's warp	45	45
56's super carded	39	39
48's average carded	31	31
44's prepared	29¾	29¾
MINERALS		
COAL (per ton)— Welsh, best Admiralty	s. d. 28 3 / 28 9	s. d. 28 3 / 28 9
Durham, best gas, f.o.b. Tyne	23 6	23 6
IRON AND STEEL (per ton)— Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlesbrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.c. 14×20)	26 0	26 0
NON-FERROUS METALS (per ton)— Copper (d)—Electrolytic	62 0 0	62 0 0
Tin—Standard cash	245 0 0 / 245 10 0	254 5 0 / 251 10 0
Three months	249 10 0 / 249 10 0	258 0 0 / 258 10 0
Lead (e)—Soft foreign, cash	25 0 0	25 0 0
Spelter (e)—G.O.B., spot	25 15 0	25 15 0
Aluminium, ingots and bars	110 0 0	110 0 0
Nickel, home delivery	190 0 0 / 195 0 0	190 0 0 / 195 0 0
Antimony, Chinese	90 0 0 / 92 0 0	90 0 0 / 92 0 0
Wolfram, Chinese per unit	...	2/10/0
Platinum, refined per oz.	9/10/0	9/0/0
Quicksilver per 76 lb.	54/10/0	52/10/0 / 54/10/0
GOLD, per fine ounce	s. d. 168 0	s. d. 168 0
SILVER (per ounce)— Cash	1 11 7/16	1 11 7/16
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(b). 4-ton loads and upwards per ton	s. d. 44 6	s. d. 44 6
CHEMICALS— Acid, Oxalic, net per ton	59/5/0	59/5/0
" Tartaric, English, less 5%	s. d. 2 0½	s. d. 2 0½
Ammonia, Sulphate per ton	9/13/0	9/13/0
Nitrate of Soda per ton	10/14/0	10/14/0
Potash, Sulphate per ton	Nom.	Nom.
Soda Bicarb. per ton	11/0/0	11/0/0
Crystals per ton	5/0/0 / 5/5/0	5/0/0 / 5/5/0
COPRA (per ton)—S.D. Straits, c.i.f.	12/15/0	12/15/0
HIDES (per lb.)— Wet salted Australian, Queensland 40/50 lb.	s. d. 0 4⅛	s. d. 0 4⅜
Cape, Jo'burg Ord.	0 4¼	0 5
Dry Capes, 18/20 lb.	0 6	0 6
English & Welsh Market Hides— Best heavy ox and heifer	0 7 / 0 8⅜	0 4¼ / 0 5¼
LEATHER (per lb.)— Sole Bends, 8/14 lb.	1 5 / 3 0	1 5 / 3 0
Shoulders	1 0 / 1 10	1 0 / 1 10
Insole Bellies	0 7 / 1 0	0 7 / 1 0
Dressing Hides	1 8 / 2 0	1 8 / 2 0
PETROLEUM PRODUCTS (per gal.) Motor Spirit, England & Wales	1 8	1 9
(c) Kerosene, Burning Oil	0 10½	0 11
" Vaporising Oil	0 10¾	0 11¼
(c) Automatic gas oil, in bulk, ex road tank waggons	1 5½	1 6½
Fuel oil, in bulk, ex instal. Thames— Furnace	0 7¼	0 7½
Diesel	0 8	0 8½
ROSIN (per ton)—American	25/0/0 / 30/0/0	25/0/0 / 30/0/0
RUBBER (per lb.)— St. ribbed smoked sheet	s. d. 1 0	s. d. 0 11⅞
SHELLAC (per cwt.)—TN Orange	Nom.	Nom.
TALLOW (per cwt.) London Town	22 10	22 10
VEGETABLE OILS (per ton net)— Linseed, raw	44/0/0	44/0/0
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	19/15/0	19/15/0
Oil Cakes, Linseed, Indian	7/2/6	7/2/6
Oil Seeds, Linseed— La Plata	...	...
Calcutta	16/0/0	16/5/0

(b) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (c) Higher Pool prices in some zones. (d) Price is at buyers' premises. (e) Including import duty and delivery charges. * Average weeks ended August 31st and Septembr 7th.

OVERSEAS TRADE RETURNS

Total Imports (Value C.I.F.)	Month ended August 31 1939	1940	Eight Months ended August 31 1939	1940
I.—*Food, Drink and Tobacco*—	£	£	£	£
Grain and Flour	5,016,713	9,938,918	40,184,750	70,099,191
Feeding-stuffs for Animals	759,579	597,855	6,862,041	6,638,918
Animals and Meat	9,770,736	10,525,767	68,118,801	75,282,305
Dairy Produce	7,045,687	3,467,986	51,714,352	48,022,158
Fresh Fruit and Vegetables	2,495,559	1,372,317	26,323,226	23,955,841
Beverages	3,766,578	3,466,250	25,943,644	28,842,492
Other Food	4,359,935	4,669,685	38,014,917	48,905,576
Tobacco	1,358,880	1,176,805	9,123,963	6,449,167
Total, Class I	34,573,667	35,215,583	266,285,694	308,195,648
II.—*Raw Materials and Articles Mainly Unmanufactured*—				
Iron Ore and Scrap	1,327,268	1,664,883	6,523,897	11,881,879
Non-Ferr. Ores and Scrap	1,765,683	2,845,693	11,191,523	17,330,353
Wood and Timber	5,712,599	5,101,374	27,090,265	23,201,657
Raw Cotton and Waste	1,599,186	2,396,966	16,537,717	40,804,181
Wool, Raw, Waste and Rags	3,289,078	6,362,897	34,964,850	56,751,122
Other Textile Materials	728,508	1,558,514	10,279,663	19,592,559
Seeds and Nuts	2,315,206	2,947,930	21,681,640	35,587,163
Hides & Skins, Undressed	1,572,036	1,040,908	12,012,511	13,260,286
Paper-making Materials	1,364,812	634,704	9,758,446	9,881,517
Rubber	761,412	2,573,676	5,511,004	12,106,014
Miscellaneous Materials	1,793,378	1,551,946	9,993,522	14,832,535
Total, Class II	22,229,166	28,679,491	165,545,038	255,229,266
III.—*Articles Wholly or Mainly Manufactured*—				
Iron and Steel and Mfrs.	2,123,563	5,364,803	11,251,496	21,073,651
Non-Ferr. Metals and Mfrs.	3,312,861	6,288,349	26,640,719	41,102,572
Machinery	2,279,393	2,673,472	17,306,832	21,642,113
Chemicals, Drugs, etc.	1,582,389	1,624,612	11,154,138	13,108,011
Oils and Fats, Mftd.	4,236,724	5,128,851	31,847,690	55,239,585
Paper, Cardboard, etc.	1,710,624	1,741,608	10,597,510	12,456,366
Vehicles	362,998	3,089,370	3,163,773	13,195,456
Miscellaneous Articles	8,023,963	4,843,358	56,984,394	47,563,729
Total, Class III	23,632,515	30,754,423	168,946,552	225,381,483
IV.—*Animals, not for Food*	378,056	241,407	2,218,441	1,565,376
V.—*Parcel Post*	259,715	128,952	2,953,707	2,555,950
Total	**81,073,119**	**95,019,856**	**605,949,432**	**792,927,723**

U.K. Exports (Value F.O.B.)	Month ended August 31 1939	1940	Eight Months ended August 31 1939	1940
I.—*Food, Drink and Tobacco*—	£	£	£	£
Beverages	1,443,873	1,696,609	9,598,821	14,762,870
Foods	1,455,757	591,889	11,172,184	6,946,389
Tobacco	369,515	437,472	3,222,714	3,451,119
Total, Class I	3,269,145	2,725,970	23,993,719	25,160,378
II.—*Raw Materials and Articles Mainly Unmanufactured*—				
Coal	2,970,642	1,218,979	25,402,300	21,233,233
Other Raw Materials	1,471,710	467,934	12,725,610	8,668,345
Total, Class II	4,442,352	1,686,913	38,127,910	29,901,578
III.—*Articles Wholly or Mainly Manufactured*—				
Coke and Manfd. Fuel	447,103	51,303	2,583,626	2,020,166
Pottery, Glass, Abrasives	803,105	1,101,733	6,389,769	8,452,133
Iron and Steel and Mfrs.	2,781,298	2,403,056	24,384,311	23,132,289
Non-Ferr. Metals and Mfrs.	912,669	926,494	9,620,130	9,471,897
Cutlery and Hardware	726,743	857,199	6,173,828	7,007,991
Elec. Goods and Apparatus	935,095	1,299,417	8,288,747	9,836,978
Machinery	3,962,571	3,332,978	36,070,174	27,855,578
Wood and Timber Mfrs.	85,900	58,542	748,387	601,313
Cotton Yarns and Mfrs.	4,317,017	4,215,843	33,318,306	36,794,146
Woollen Yarns and Mfrs.	2,653,102	2,419,598	19,073,563	21,502,932
Silk Yarns and Mfrs.	528,773	818,913	3,903,839	6,270,448
Other Textile Mfrs.	908,599	911,517	7,668,299	9,452,995
Apparel	764,775	629,780	5,707,845	5,628,177
Footwear	143,923	109,323	1,140,321	1,474,519
Chemicals, Drugs, etc.	1,924,218	2,200,641	15,869,500	21,058,334
Oils and Fats, Mftd.	499,548	239,825	3,542,215	2,255,969
Leather and Manufactures	306,069	253,195	2,784,593	2,982,550
Paper, Cardboard, etc.	568,020	945,480	4,726,070	7,284,694
Vehicles	2,702,028	1,921,268	30,660,527	23,349,102
Rubber Manufactures	117,844	126,983	1,004,720	1,500,622
Miscellaneous Articles	2,455,543	2,781,808	19,864,660	24,017,190
Total, Class III	28,543,943	27,604,896	243,523,430	251,950,023
IV.—*Animals, not for Food*	51,077	77,305	408,436	655,739
V.—*Parcel Post*	770,457	459,645	7,583,358	4,963,251
Total	**37,076,974**	**32,554,729**	**313,636,853**	**312,630,969**

Shorter Comments

This Week's Company Results.—BARROW BARNSLEY MAIN COLLIERIES have not shared the general rise in colliery profits. With gross earnings at £43,789 against £58,535 and net profits at only £5,531 against £29,212, the directors have reduced the ordinary dividend from 6 per cent. tax free to 2½ per cent. less tax. NEW MONCKTON COLLIERIES have realised a striking revival from a trading loss of £23,857 to a gross profit of £52,199. With net earnings of £23,045, a 4 per cent. dividend is being paid against nil. SHEFFIELD FORGE AND ROLLING MILLS have raised the ordinary dividend from 12½ to 15 per cent. Total income has risen from £22,439 to £28,630, though higher taxation is responsible for a decline in net profits from £12,476 to £10,152. YORK STREET FLAX SPINNING has earned a highly satisfactory rise in total earnings from £35,109 to £161,659. With net profits at £37,719 against £11,159, a 5 per cent. dividend will be paid against nil. The 11 per cent. ordinary payment is maintained by AERONAUTICAL INSTRUMENTS, although gross and net profits both rose, from £40,263 to £59,423 and from £18,217 to £21,102 respectively. A severe drop in income with a fall in net earnings from £43,266 to £11,167 has again made it impossible for LEEDS FIRECLAY to declare an ordinary dividend. The reduction of the ordinary dividend of LONDON EXPRESS NEWSPAPERS from 20 to 5 per cent. is accompanied by the distribution of £136,671 in capital bonus. Net profits have substantially increased from £187,381 to £301,609. VAUGHAN BROS., manufacturers of drop-forgings, realised a rise in gross income from £50,931 to £91,445. With a less marked increase in net profits from £34,891 to £36,010, the 22½ per cent. dividend is unchanged. ALLIED INDUSTRIAL SERVICES have cut the 50 per cent. dividend to 30 per cent. following a drop in net profits from £164,695 to £83,446. The company has increased its tax provision from £40,000 to £128,390.

MISCELLANEOUS

Estates Control, Ltd.—We regret that owing to a printer's error in the report of the company meeting of Estates Control, Ltd., appearing in *The Economist* of September 21st, a sentence read "Under sundry debtors appeared an abnormally high figure, but £13,400 of it was on account of amounts owing *to* Bovril, Ltd." This should have read " . . . owing *by* Bovril, Ltd."

Murex, Ltd.—Total distribution for 1940 maintained at 20 per cent. by final payment of 10 per cent. and cash bonus of 2½ per cent.

Sadler & Co.—Dividend of 5 per cent. declared for 1940. Last distribution of 12¼ per cent. made in 1938, consisting of 6 per cent. gross and 6¼ per cent. tax free.

Continental and Industrial Trust.—Net income, year to May 31st, £55,771 (£77,705). Ordinary dividend 3 per cent. against 4½ per cent. Carry forward, £106,224 (£102,692). Loss of income amounting to £16,000 from German investments accounted for part of reduced revenue.

Allied Industrial Services, Ltd.—Trading profit year to June 30, 1940, after charging depreciation, £201,399 (£204,857). To taxation reserve, £128,390 (£40,000). To general reserve, nil (£50,000). Preference dividends, £12,000 (£12,000). Ordinary dividend 30 per cent. (£56,250) against 50 per cent. (£93,750). Carry-forward, £15,196 (£10,457). Total assets, £753,804 (£661,226). Cash, £185,819 (£171,261). Stocks, £220,332 (£167,997).

Braithwaite and Company Engineers, Ltd.—Total income, year to March 31, 1940, £98,896 (£79,661). Trading profit, £86,334 (£66,932). Depreciation, £10,500 (£7,875). Taxation, £53,575 (£22,522). Profit, £26,993 (£41,650). Ordinary dividend 5 per cent., as before. Carry-forward, £29,994 (£29,120). Total net assets, £362,322 (£344,139).

City and International Trust, Ltd.—Gross income, year to August 31, 1940, £78,671 (£88,828). Net profit, £26,106 (£33,479). Preferred stock dividend, £17,250 (£21,750). Ordinary dividend 3 per cent. as before, £6,900 (£8,700). Carry-forward, £41,346 (£39,390). Secured loan reduced from £125,000 to £50,000. Investments, £1,873,958 (£1,956,605).

Linotype and Machinery, Ltd.—Profit, year ended June 30, 1940, £27,369 (£14,294). Income tax and N.D.C., £13,000 (£2,000). Since June 30th, 3 per cent. paid on preference shares for half-year to October 11, 1918. Carry forward, £28,952 (£42,583) after payment of one year's preference dividend to April 11, 1918. £170,000 transferred from reserve for losses of foreign subsidiaries.

North Broken Hill Net profit, year ending June 30th, £[illegible]18 (£330,187), after taxation, dep[illegible]d royalties. Total dividend fo[illegible]intained at 40 per cent.

Transvaal Working [illegible] —Total estimated workin[illegible] Witwatersrand gold mines [illegible] amounted to £4,049,460 against £4,[illegible] for July.

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