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The Cabinet Changes

EVER since the first weeks of Mr Churchill's Government, it has been obvious that further changes were desirable and inevitable. One is rather apt to forget now that Mr Churchill formed his Government not after the series of disasters in the early summer but before all but the first of them. It was Norway that brought Mr Chamberlain down, and he resigned on the very day that Hitler invaded the Low Countries, when it was still possible to think of a Western Front holding firm with the Maginot Line as its central link, when the British Army was still thought to be well equipped. Mr Churchill was made Prime Minister by the force of public opinion; but in the eyes of the professional politicians he was still on sufferance. It was not to be expected that a Government formed in these circumstances should still fit the totally different conditions that have existed since mid-June, when those who ran the country up to May are utterly discredited and when Mr Churchill enjoys a personal dominance over Parliament and people alike for which there is no precedent in modern English history. There is no cause for surprise in the fact that he has decided to reconstruct his Government; but only that the decision has been so long delayed and that the scope of the reconstruction—at least so far as it has yet been revealed—is so small.

The changes now announced are changes for the better. The most striking of them is the retirement of Mr Neville Chamberlain. The reason given is ill-health, and for once in the history of that venerable excuse it is literally true. Mr Chamberlain is a very sick man, and there will be wide and sincere sorrow that so remarkable a public career should be brought to an end by such a cause. Mr Chamberlain has made more and more passionate political enemies than most Prime Ministers. But he has also evoked more respect for his very high personal qualities—his unquestioned sincerity, his extreme devotion to what he considered to be his duty. It was an unfortunate accident for the country and for his reputation that the worst crisis we have ever had to face found him in an office for which he was

never qualified. Of the two essential attributes of a Prime Minister, Mr Chamberlain had neither. He could not choose brilliant subordinates and give them the leadership they needed; his choice of policies was never courageous and often disastrous. He had a passion for pompous mediocrities; one has only to call the roll of his Cabinets to accumulate examples. And the measure of his statesmanship can be given by the fact that he thought the Pact of Munich was Peace with Honour. There has been no question for many months that his continued presence in the War Cabinet has jarred with the nation's new mood of disgust with the past and resolution for the future. There can be no regret at his departure, however much sympathy its cause must excite.

The other big change is Mr Herbert Morrison's transfer from the Ministry of Supply to the Home Office and his replacement by Sir Andrew Duncan. It would be wrong to consider this as a demotion for Mr Morrison. It is true that he has not been as good a Minister of Supply as it was very widely believed he would be in May. But he has been very far from a failure; the rate of production of war materials has increased very considerably in the last four months, and he can certainly claim full credit for inspiring and leading the great increase in the efforts of the workers in munition works throughout the country. The fact that the Home Office ranks highest among the Secretaryships of State may count for little; but the fact that the Home Secretary is also Minister of Home Security makes it one of the two or three vital offices of the moment. It is a task that should exactly suit Mr Morrison's capacities and should draw to the full—as the Ministry of Supply never did—on his own individual fund of knowledge, sympathy and experience. Aliens and air raids make a formidable combination of responsibilities; but Mr Morrison will be equal to them.

Sir Andrew Duncan should also make a good Minister of Supply. Whether he will be the ideal man for the job is rather more open to question. He has devoted many



of the best years of his life to restricting production, which is not the most fitting apprenticeship for the task of increasing production by every possible means. Moreover, the Minister of Supply is also responsible for the Raw Materials Department, and it is difficult to feel very happy about the development of raw material policy under the man who presided over the Iron and Steel Federation in the years when it was building itself up into one of the tightest and most drastic monopolies that the country has ever known. Sir Andrew is wholly in sympathy with the governing oligarchy of industry and finance, whose twin pillars are the Bank of England and the Federation of British Industries. Whatever energy can do within the limits of the orthodoxies, he will do. The question is whether the task is not far beyond the powers of any vested oligarchies, whether political or economic.

Of the other appointments, only two are likely to occasion much surprise. One is the nomination of Captain Oliver Lyttelton to the Board of Trade. Captain Lyttelton is neither a politician nor even a public figure. He is well known among business men as a courageous and energetic manager of companies, and he has worked with efficiency and success as Controller of Non-Ferrous Metals. It remains to be seen how he will perform under the burden of responsibility to the public interest. The second is the appointment of Sir John Reith (now raised to the peerage) to a new Ministry of Works and Buildings. Here again judgment must be suspended until the scope of the new department is more apparent.

Sir Kingsley Wood and Mr Ernest Bevin, while retaining their present offices, are added to the War Cabinet, which Sir John Anderson also joins as Lord President. This raises in an acute form the question of the rôle that the War Cabinet is supposed to play in the conduct of the war. The Prime Minister does not seem to have made up his mind between the two conflicting theories. According to one of these, the War Cabinet is a supernumerary council of advisers to those who are really doing the work, made up in the main of men whose party eminence is not matched by technical competence. According to the other theory, membership of the War Cabinet is an honorific rank by which those Departmental Ministers who have been most successful can be rewarded. The third theory, that the War Cabinet should be made up of the ablest men available, who should be entirely relieved of departmental responsibilities, finds no countenance at all. The members of the War Cabinet fall into two groups, one able and over-burdened, the other free to think but mediocre. If the War Cabinet is intended as a political

Elysium, then its members should surrender their executive functions to abler men; in particular, Mr Greenwood should cease to be titular co-ordinator of an economic policy which remains stubbornly unco-ordinated. On the other hand, if the War Cabinet is intended to run the war, it should be cleared of its passengers and its members relieved of their routine tasks. As it is, it is a parody of government.

This is the main criticism that can be made of the reconstructed Government. But it is not the only one. A wit has remarked that there is too much wood about this Government—Kingsley, Green and dead. Some of the latter still remains. At the crisis of our history, the Government and the higher Civil Service are still full of Better-Notters. It is still apparently considered to be discourteous to suggest that proved failures should be removed from office. Lord Halifax, for example, is a man whose every policy has collapsed. The appeasement of Hitler was perhaps more Mr Chamberlain's policy than his. But he has also persisted in appeasing Italy, Japan and Spain. Each of the three has been assisted to increase its economic strength. One is fighting against us (if Italy's actions can be called fighting), the second is our declared enemy, the third has proclaimed its full sympathy with our enemies. Lord Halifax is a man of manifest high-mindedness. But is that enough to set against such a record? Why is it that no one who played an eminent part in bringing the country to its present pass can apparently be left without a job? It may be said that they have been placed where they can do no harm. But what a principle for a country that is fighting for its life! The real usefulness of these non-vital posts is to give younger men an experience of office and to train a plentiful supply of candidates for heavy responsibility. The Prime Minister is surely in a strong enough position to go through the list of office-holders and ask himself, one by one, whether the best man is in the best place, whether a political pensioner could not best be replaced by some one with a forward-looking mind. Mr Churchill himself is so eternally youthful that he may entertain illusions about the general run of sexagenarians. But he should recall that he himself was a Cabinet Minister at 33 and First Lord of the Admiralty at 36. He could hardly have acquired the qualities that make him so admirable a Prime Minister to-day if he had not started his apprenticeship early. He has frequently warned the country that it is in for a long and gruelling ordeal. Let him start now to collect a team of able men, men of lucidity and daring, men with the physical vigour and mental youth to endure with him to the end.

Axis into Triangle

THERE is nothing very startling about the fact of a new alliance between Japan and the Axis. The three States have for some years been linked by the loose agreement of the Anti-Comintern Pact, which at the time of its signing was widely believed to cloak a military alliance between Germany and Japan. Nor do the terms of the new Treaty go as far as would seem to be warranted by the length of the negotiations which preceded the agreement—the German envoy, Herr Stahmer, reached Tokyo early in August—and the pomp and ceremony with which the Nazis saw fit to signalise the occasion.

Briefly, the six points of the pact—which is to run for ten years—include a mutual recognition of leadership, the Axis in Europe, Japan in the Far East, an undertaking to "assist each other with all political, economic and military means if one of the three contracting parties should be attacked by a Power at present not involved in the European war or in the Sino-Japanese conflict," and an affirmation that the political *status quo* with regard to Russia is not altered by the pact. Japan does not enter the war beside her new Axis allies, and this fact, coupled with Spain's abstention, suggests a setback to Ribbentrop's scheme for a Grand Alliance. However, the important point is not the extent to which the new pact falls short

of the Nazis' hopes but the degree to which, as it stands, it serves the purposes of the "high contracting parties."

Japan and the Axis are faced with very much the same problem. They are both striving to establish a political, economic and military monopoly in a large, unspecified and expanding area. They have both involved themselves in war in the process, and while it is their most vital interest to bring their wars to a speedy end, they have both to face the fact that the conflict is being prolonged by the material assistance of the United States. True, America's help to Chungking is not on a massive scale, but last week's decision to buy tungsten to the value of £7,500,000 and to make a loan of £6,250,000 to the Chinese Government may well be a presage of far greater assistance to follow. As for the United States' help to Britain, it is the Government's official policy to furnish all help short of war. Thus, if the new pact is to serve Japanese and Axis interests effectively, it must make a definite contribution towards bringing the two wars to an end, and it must reduce either the United States' willingness or its ability to help Britain and China.

It cannot be said that, according to this criterion, the pact gives any automatic guarantee of effectiveness. From the Japanese end, the direct contribution Germany can

make to the defeat of General Chiang Kai-shek is probably nil. There are, however, a certain number of indirect means of assisting the Japanese war effort. Germany's pressure on the Vichy Government has undoubtedly eased any serious friction that might have arisen during the Indo-Chinese negotiations. Again, the control that the Gestapo exercises in occupied Holland may well encourage a compliant mood among the Dutch officials in the Netherlands Indies if Japan determines to raise her demands in that quarter. Obviously, however, neither of these is a real counter in a political bargain, since Japan could get her way without German assistance. Yet the bargain has been driven. It is hard to escape the conclusion that the most effective kind of indirect assistance the Nazis can offer is to use their influence with Stalin to persuade him to abandon his support of the Chungking Government. The extent to which the Japanese offensive is turning south and seawards has for the time being removed the direct threat to Russia's Far Eastern interests, and for a year past there have been attempts to secure a general understanding between the two States. Germany may well have offered her "good offices" to bring about an arrangement of the China issue, and there is little in Russia's present pursuit of rigorous "non-involvement" to suggest that the offer of good offices would have been allowed to pass.

The assistance Germany can offer in circumventing America's support of China is even more problematical. In fact, it can be argued that Japan has done herself a disservice by allowing the Pacific issue to be linked with aggression in the West. America is now unable, even if she had ever been willing, to draw a distinction of fronts, to judge the Atlantic as of greater danger and lessen her vigilance in the Pacific as a result. The hope expressed in Tokyo that Germany, by creating a diversion in South America, will draw off the United States Navy begs the question that Germany is not in South America, nor likely to be while British sea power is intact.

It is thus the Axis that apparently stands to gain more by the new alliance. Even if the area in which the Japanese navy is willing to operate is limited, the Axis Powers receive reinforcements in the sphere of naval armaments where their striking power is at its weakest. Whether or no other States enter the war, Germany will doubtless receive a certain amount of discreet support from the Japanese in Pacific waters. Commerce raiders, supply ships, even men-of-war, may secure a number of "unknown" bases in Japanese territory. And with the entry of another Power into the conflict the Axis presumably secures the full support of the Japanese navy from Suez to Panama.

However, if Germany hoped to draw from the new alliance the assurance that the United States' aid to Britain would be rendered ineffective there can only be disappointment in store for Ribbentrop. He has given yet another example of his crass misunderstanding of the Anglo-Saxon mind and its reactions. To warn the Americans from the ring with the threat of violent retaliation is virtually to invite them in. Moreover, Ribbentrop has cut the ground from under the feet of an important and influential group of American Isolationists. A much-used and not altogether irrational argument against aid for Britain has long been based on the "Japanese peril," keenly felt along the western coasts of America. The United States, so ran the argument, could not risk any commitments in the Atlantic, since any diversion of its power and vigilance would give the Japanese their opportunity in the Pacific zone. The conversion of the Axis into the Triangle links the Atlantic and the Pacific danger. America can no longer make a choice of security. In the modern world of predatory power, the United States needs total security, security in the Atlantic as in the Pacific. No doubt the Administration has long been conscious of this fact. But the pact, underlining the solidarity of aggression, thrusts the total nature of security on to the general consciousness of the American people. Help for Britain is help against Japan, since Britain's enemy is Germany's ally. Ribbentrop has thus increased the readiness of the United States to recognise the British struggle as its own. It is no coincidence that Mr Sumner Welles, speaking on the morrow of the pact, while urging

the United States to be prepared "for all eventualities," reaffirmed the pledge "to render all material support and assistance" to the British cause.

Nevertheless, it is not the German habit to put forward a policy to which there is no alternative. Admitting that it was a blunder to attempt to threaten the United States out of the conflict, it is always possible that Germany's game is a more subtle one and that the pact is intended not as a warning but as a provocation. The swing in American public opinion has been such that the Nazis may well despair of keeping the United States out of a long war, and they may argue that an early entry into the war which at the same time became a war on two fronts would greatly limit the United States' contribution to British defence at present and to the British offensive in Europe in a year's time, if for no other reason than that American industry would hardly continue to give any priority to British armament orders. The manoeuvre would thus be a double one to startle the United States out of participation by this parade of the strength of the aggressive forces ranged against it, and at the same time to ensure that its participation would involve a serious weakening of Britain's military power.

We must, therefore, realise that America's desire to give help "short of war" may for some time to come be in our best interests. What Britain needs is non-intervention on the vastest scale. As the Spanish example illustrates, non-intervention puts no limit on any type of assistance, even that of man-power. This is not to suggest that Britain does not hope for—and need—the type of assistance in industrial power, man power and even money power which is normally connected only with full participation in war. It is not the extent of American aid which we wish to modify, but the mere verbal definition of that aid. It is true that the success of non-intervention depends on the willingness of third parties to accept non-intervention as a state of non-war, but there is some reason to suppose that Japan, who has not had the better of this particular bargain and who is, moreover, alarmingly vulnerable to a joint Anglo-American embargo, would not regard American "non-intervention" even on the vastest scale as sufficient reason for implementing the new Pact and declaring a war which would certainly endanger her Far Eastern security. Mr Shiratori, one of the designers of the Anti-Comintern Pact, has declared that the new pact is only a treaty of guarantee and that "little can be done with it."

The future lines of British policy are clear. Japan has linked herself by alliance with our enemy. It is her answer to the long fiasco of Far Eastern appeasement. Our answer must be equally clear. Japan chooses to be our enemy; her enemies are, therefore, our friends. Hard-pressed as we are, there is little we can do in the immediate military sphere to help Free China, but her life-lines with the outside world must be kept open, and we must give her all the economic support we can. It is surely unnecessary to urge that the Burma Road should be opened not later than October 18th, the day on which our three-month agreement with Tokyo expires, but we might couple the opening with economic measures, such as those with which the United States has already led the way.

In the light of world history, it is by no means certain that the new pact is a misfortune for the British Commonwealth. With the predatory States either in alliance or clinging to a policy of non-involvement, the free States of the world are being forced into a partnership based on the most stable foundations of interest, sympathy and understanding. Although we cannot set or force the pace, the first principle of our policy must be to hasten the development of Anglo-American co-operation. It is possible that the recent agreement on military bases in the Pacific area. Thus the Mississippi flood is at work not only in the Atlantic but throughout the Five Continents and the Seven Seas. The alliance of the democracies may not be set down in the six points of an ambitious treaty, it may not claim leadership and allot spheres, divide the world and parcel out humanity, but it is on this alliance and not on the totalitarian New Orders that the hope of mankind is based.

Help for the Homeless

IT is recorded that Louis XIV, hearing of the Great Fire of London at a time when France was at war with England, forbade his subjects to rejoice and offered to send food and relief. *Autres temps, autres mœurs*. The destruction that is being done in London now is a deliberate act of war, and measures to mitigate its consequences are a first charge on national defence. The damage is still not alarmingly great. Its effect on the war effort is small. But the social problems caused by the loss of homes and employment are considerable, and only by the boldest and speediest remedies can the misfortunes of a minority of London's inhabitants be stopped from creating serious political difficulties.

Sir John Anderson, as Minister of Home Security, and the Regional Commissioners for London have been under fire from anxious Members of Parliament. There have been delays and needless loss and suffering, and to secure prompt and more efficient action three new appointments have been announced—Mr Willink to direct the care and rehousing of homeless people; Sir Warren Fisher to supervise the repair of roads and public utilities; and Admiral Sir Edward Evans to survey public and private shelters. To house air-raid victims, to see to it that communications and public services are kept in operation and to provide well-protected, healthy and hygienic refuges for all the people who must remain in London—these are plainly the jobs to be done. The only question is whether the existing machinery, even with these new officers, is fitted to carry them out.

London was not taken unawares. A year ago, massed air attacks on London were expected, and provision had been made to cope with them. A clear proof that there was no need to improvise means of dealing with a sudden and unexpected menace has been the great success of the casualty services. Fires have been checked with quite remarkable efficiency; rescue work has been consistently competent and courageous; first-aid for the wounded has been prompt and effective. In fact, the organisation of London for air raid precautions was designed to meet very much heavier blows than have so far been suffered, for the treatment of as many as 200,000 casualties a week, far more than the actual figures, was provided for—at any rate, during a brief period of intensive bombing. The trouble is not that London was taken by surprise, but that the welfare services prepared for bombed districts were not so imaginatively or so comprehensively planned as the casualty services. They were not co-ordinated in the same way as the various branches of A.R.P. and they took no cognisance at all of several serious problems which have arisen. London's lack of safe, quiet, healthy shelters fit for use as dormitories can perhaps be explained by the fact that no one expected that France would utterly collapse and so make it easy for the enemy to launch nightly attacks throughout the hours of darkness; and, rightly or wrongly, the view that people would be safer in dispersed shelters of their own prevailed. But all the acute problems of after-care which are now vexing London's authorities, the rehabilitation of the homeless, the re-employment of the workless and the restoration of lost possessions, might have been more fully foreseen.

Injured people are ably cared for. Homeless people, hungry people, dirty people, frightened people, destitute and workless people are not. It is when the bombing has stopped and dawn has broken, that the real difficulties begin, and the cause is very simple. The rehabilitation of a homeless family is a single human problem; they need food, clothing, shelter, compensation and work. But it is not dealt with singly. It is dealt with in compartments by a multiplicity of central and local authorities. When their roof has gone the family seek refuge, and they find it in temporary rest centres run by the Public Assistance Department of the London County Council. Here, at first, they were not well treated. The authorities responsible for the

centres had nothing to do with feeding or housing the refugees. They expected them to pass on in less than 48 hours; the centres were under-staffed by over-worked poor-law officials, and comfort, sanitation and hot meals were lacking. Compensation for lost clothing and furniture was the business, not of the London County Council, but of the Assistance Board, and until the supply of Form V.O.W.1 ran out, applications had to start at the local Town Hall and be passed on to the District Valuer of the Inland Revenue. Billeting, on the other hand, was the affair of Borough Councils, who could only take over houses in their own areas, which might actually be heavily damaged districts; the only billets available in this way were often dangerous or unhealthy. So the refugees lingered on for weeks in a sort of administrative limbo.

It must be said that this side of the problem, the first stage of after-care, has been made very much better already by the intervention of the London County Council and the Government. Communal feeding centres for people without homes or cooking facilities have been provided by the L.C.C. in collaboration with the Ministry of Food. Some mobile kitchens are at work, and coffee-stall keepers and other itinerant vendors of food and drink have been called upon to help. The L.C.C. has organised a clearing system whereby the homeless from one part of London can be placed in houses requisitioned by Borough Councils in other parts. More and more, it has been demonstrated what an invaluable way out of the chaos of over-burdened small authorities in London there is in the regional jurisdiction of the County Council. But the chaos and the undue burdens remain, and the process of feeding and rehousing the refugees is still slow and difficult as a result.

One obvious way to ease the strain is by increased evacuation. Mr Willink's first conclusion on surveying the problem of the homeless is said to have been the decision that the non-essential population of London ought to be reduced as much as possible. Evacuation is the business of yet another Ministry, the Ministry of Health, who are now taking away in increasing numbers, not only schoolchildren but mothers and children, whole homeless families, as well. And side by side with this movement there is the voluntary departure of other families—often being transported at scandalously high charges—into over-crowded and extortionately expensive accommodation outside the London area. Profiteers have been threatened with the Rent Restriction Acts and warned of the power of local authorities to requisition empty houses and to apply compulsory billeting. There is a good, probably an imperative, case for organising the dispersal of London's population on a strict basis of requisitioning and official billeting—which would mean the closest co-ordination, over much more than the London region, of the central and local authorities responsible for housing, health, transport and education.

Even so, evacuation is only a palliative. The highest figure suggested for migration at a recent meeting of London M.P.s was 20 per cent. of the population, and this proportion is almost certainly excessive. In the main, London's homeless and London's dwellers in dangerous places will "stay put." They work where they live, and they are always reluctant to leave the surroundings they know. There is no panic flight. Dispersal within the London area itself, to friends and relatives or to official billets, can help, but for the most part the problem is to care for and protect London's citizens *in situ*. Mr Willink's rider to the conclusion that there must be more evacuation was that the men and women who stayed must be given good care and sound protection.

The need for co-ordination in the bombed districts of London is, therefore, pressing. Its lack has meant that small authorities have had to struggle with a disproportionate burden of work. It has meant delay, and it has sometimes meant suffering, which might have been disastrous had it not been for the heroic labours of voluntary

bodies and individuals working overtime for days on end, indefatigable clergymen and social workers, good neighbours and generous friends. There is still no single place (corresponding, say, to the report centre in A.R.P.) where homeless people can go to get all their wants attended to, instead of having to chase round the streets from one office to another. Compensation and injury allowances from the Assistance Board, work from the Employment Exchanges (which for a long time were stubbornly shut during air raid warnings), disablement pensions from the Ministry of Pensions, repairs to houses from the Borough Councils: it is a confusing medley for the ordinary citizen. There must be separate agents for separate technical and administrative tasks, it is true. The fault about the system is that it is incomplete. It lacks cement and a coping stone, just as the English social services always have done. The central human problem is missed because it is never seen as a whole.

The new officers for London may be able to bind the welfare system more closely, but the main cause of the trouble—half a dozen Government departments and a

host of local authorities dealing in isolated compartments with what is essentially a unitary problem, has not been removed. Nor is it enough to care for London. Other places are being bombed, and they may suffer more heavily still. The first need is local, for skilled welfare officers to take each homeless family in hand, to see them provided with food, clothing, a home, compensation, medical care and work. The second need is a single central authority to pull together every activity that affects the homeless. The third is a policy for shelters, dormitories, canteens and hostels which will give the Londoners who are not homeless yet the sense of security and the guarantee of physical well-being that at present they lack; and the over-riding need of all is promptitude of action and the abandonment of every formality which obstructs the rendering of their due to the nation's front-line citizens. It is within the grasp of a bold Minister of Home Security to do these things. Now that Herbert Morrison, London's first citizen, is to be translated to that office, both he and London have a great chance to show the way to the whole nation and the world in wartime welfare.

Opportunity in India

IN last week's personal negotiations between Mr Gandhi and Lord Linlithgow, Viceroy of India, no sort of agreement was reached. Speaking on behalf of Congress, Mr Gandhi confined his case to a demand for complete freedom for Congressmen to conduct anti-war propaganda without resort to violence, and the Viceroy, while conceding the right to free speech, was unable to agree that acts calculated to impede the war effort should go unrestrained.

It is not surprising that Mr Gandhi himself should have sought to narrow the issue down to this single question of anti-war activities. He is a life-long pacifist. But it is not on pacifism that Congress, or any other body of Indians, has taken its stand against the British Government. Congress, in the resolution passed at Poona by its Working Committee, even expressed itself prepared to support the war effort provided the political concessions it asked for were granted.

Indeed, Congress was ready to resist Nazi aggression before the British Government itself. In March, 1939, it resolved that "Congress dissociates itself entirely from British foreign policy which has consistently aided Fascist Powers and helped in the destruction of democratic countries"; and in September, after the European conflict began, it "unhesitatingly condemned the last aggression of the Nazi Government in Germany against Poland" and expressed "sympathy with those who resist it." Mr Gandhi himself is openly opposed to a Nazi victory. He has repeatedly said that he has no wish to "embarrass" the British war effort. He has refused to carry non-cooperation in the conduct of the war to the extent of civil disobedience; and the absence of disorder in the past year has been significant.

There is no doubt, in fact, that the majority of Indian opinion is opposed to Hitler. In a recent book* Mr Edward Thompson revealed that Pandit Jawaharlal Nehru, president of Congress, wrote to him early in the war as follows:—

Some Congressmen tell you that it is not possible to make India enthusiastic on your side. But I know that they are wrong—I would guarantee to do it myself. . . . Everyone knows your cause is "just."

For the Moslem League, Mr Jinnah has proclaimed the readiness of Moslems to give their last drop of blood and their last penny to help Britain. Every section of moderate opinion is of the same mind. Yet, everywhere, even among moderates, the will to co-operate with the British Government under present conditions is reluctant or slow. The Moslem League has not accepted the Viceroy's latest offer, made in August, to participate in the conduct of the war; and the Viceroy's earlier and vaguer offer of a year

ago was condemned, not only by Congress and the Moslem League, but by Liberals, Sikhs, Indian Christians and a very great number of Moslems outside the League.

There is a paradox here. For all Mr Gandhi's ingenious eloquence, pacifism is a side-track. The real issue was well defined, just twelve months ago, by the Prime Minister of the United Provinces:—

It is open to Eire (he said) to remain neutral if it so chooses. It is open to the Union of South Africa to hold aloof if it so chooses. . . . Canada and Australia have decided for themselves. They were consulted at every stage. . . . None of the provincial governments (in India) was even shown the courtesy of being consulted. . . . Even that nominally representative body, the Central Assembly, was not consulted.

Indian Nationalists are opposed to this war, not because they are mostly pacifists or because they are predominantly "anti-imperialist," but because it is not, in their view, India's war at all. Last year, India was declared a belligerent by the Viceroy without any discussion or debate. Under the Indian Constitution it was the Viceroy's right to do this.

It is not a question now of whether the Viceroy could have acted otherwise. It is simply a question of whether the matter can be set right now. A chief obstacle to any settlement is the manifest wish of Indian political groups to make party capital out of the crisis. When the seven provincial governments which owed allegiance to Congress resigned last year, and refused to co-operate in the war, they were not only protesting against the Viceroy's declaration of Indian belligerency. They were also seeking to press the British Government into conceding their political demands in full. It is the belief of Congress, which is by no means an exclusively Hindu body, that adult or extended suffrage in India would produce a Congress majority in an independent Parliament, as it probably would, and their claim is for a popular constituent assembly to make a new and independent constitution for all India. The Moslem League, on the other hand—which does not represent all Moslems any more than Congress represents all Hindus—does not want to be ruled by a Congress majority. But it does want self-government (a fact too often overlooked by people who use Moslem fears to excuse an intransigent policy towards Indian claims), and its latest suggestion is the ill-starred device of partition, with independent Moslem States in the east and north-west of an independent India.

These are the extremists' claims, and they only hold the ring because no concrete alternatives have been put forward. The official British view that no further degree of independence can reasonably be granted to India, until the conflicting groups among the Indians themselves have found some common ground for co-operation, is not mere special pleading. But what is too often ignored is that it is not only the Moslem League and Congress who want

* "Enlist India for Freedom." By Edward Thompson. Victory Books No. 5. 2s. 6d. — A plea for generosity and statesmanship.

more independence for India. Practically every politically conscious Indian, in British India at least, is unhappy about the present position, especially in regard to the war. The Indians, in any sense in which the phrase can be used, do want more control over their own affairs; and it is to the great bulk of moderate Nationalist opinion that some constructive alternative to the extremist plans will have to be presented, if the field is not to be left permanently in the possession of the out-and-outers. It is the task of statesmanship both in Britain and in India to steal the extremists' thunder by producing a workable plan which will satisfy the aspirations of a majority of politically conscious Indians, while not plunging the whole sub-continent into the jeopardy of revolutionary and acrimonious changes. The one thing that will be fatal will be to do nothing.

What has been offered? A year ago, Lord Linlithgow suggested consultations with Indian leaders to secure their aid in modifying the constitution, and proposed to set up a consultative council to "associate Indian opinion with the conduct of the war." These proposals contained nothing concrete whatsoever, and they gave no chance for moderate Indian opinion to rally against Congress intransigence. Two months ago the offer was amplified. Representative Indians were to be invited to sit on the Viceroy's Executive Council and on a new War Advisory Council; and it was promised that, after the war, a representative body of Indians would have the chance to work out a new constitution for India. This was a considerable advance. But it has failed to wean League and Congress members from the impracticable root-and-branch views of some of their present spokesmen, and it has not rallied moderate opinion.

The August offer undoubtedly went in the right direction. The participation of Indians in the executive tasks of wartime and the pledge to give them an extended self-government of their own devising when the war is over fit in well with the traditional ways in which independence has grown within the British Commonwealth. But to be

effective and to give balanced opinion in India a platform from which to oust intransigent leadership, these proposals need greater definition. They are suspect because they are vague. What posts and powers will Indians have in the Councils? What kind of constitution will Britain be ready to accept from the discussions of "representative Indians"? Is there to be a time-limit after the war ends in which a new constitution must come into force? Not all these questions could be answered without prejudging the whole issue, which Indians are now to have the chance of deciding, in part at least, for themselves; the real onus now rests upon them. But, as it stands, the Viceroy's new offer is yet another ill-defined form of words, and it furnishes only a scanty banner round which responsible Indian patriots can rally followers to save their country from everlasting talk, interminable dissension and perhaps often conflict. It needs the vivid and bold interpretation of an Amery or a Churchill. It needs shape and precision.

There seems to have been an unfortunate agreement in this country to say as little as possible about the "soft spots" in the Imperial Front, about Eire's neutrality, about the two-fifths of South Africa's Parliament who still want to end the war and about India. This is ostrich-like and stupid. In a war that is being fought to preserve freedom and national independence on this earth, these aberrations are not blemishes. They are rather proof of the fact that the British Empire has been built up on freedom, reminders that the Dominion, entirely free to go its own way, is a British invention. It is in the context of the British Commonwealth that the debate in India is going on, and it is according to the traditions of that Commonwealth that the issue must eventually be decided. For the moment there are grave possibilities. There is a shortage of goodwill and commonsense among Indian politicians, a lack of confidence and courage on the British side. But the elements of an agreement are there, the basis for co-operation while the war lasts and for reconstruction after it ends.

NOTES OF THE WEEK

Roumania's Challenge

Roumania is learning the lesson of her new masters all too readily. While S.S. men take over control in the oilfields and Germany's military penetration of the State goes forward, the worst methods of the Gestapo are being practised by the Iron Guard and the puppet government it controls. Six British subjects have been arrested on a trumped-up charge of "intended sabotage" and, while it has been impossible for the legation and consular authorities to establish proper contact with the prisoners, it is known, on the one hand, that they are to be tried before an irregular military tribunal, on the other that two at least of them, and possibly more, have been vilely used and even tortured. No reply has as yet been received to Lord Halifax's protest and demand for an explanation, but it will be deplorable if the British Government are content to let the matter stand. True, Roumania is no longer a free agent, but in tolerating her outrages we are in fact tolerating the outrages of her German overlord, in whose interests the country is being systematically overrun and exploited. Indeed, so doubtful is Roumania's claim to independent status and so gross has been her breach of diplomatic usage—the Minister of the Interior foiled all our Legation's attempts to secure satisfaction by the simple expedient of refusing to answer the telephone—that it is questionable whether there is anything to be said for honouring this puppet State with separate diplomatic representation. Moreover, the expropriation of British interests and now the unspeakable treatment of British citizens call for reprisals which can be conducted more easily with a country with which we have severed relations. Roumania is no more free than Belgium and therefore can claim no greater immunity. The oilfields from which British enterprise is to be ousted to make room for that of Germany are targets as vital for Germany's war economy as any of the oil refineries at Leuna or Gelsenkirchen which receive a nightly visitation from the R.A.F. Roumania has chosen to use the way of violence. It demands a violent reply. Britons on their lawful occasions have at least as much right to

protection as Don Pacifico some ninety years ago, and even if this is no case for a gunboat, it may well be one for the long-distance bomber.

Before the Italian Offensive

By all the signs and portents, Italy is preparing for the great offensive. The armies of Marshal Graziani, after a fortnight's inactivity, have taken up their battle stations, and it is hard to believe that the historic anniversary of October 5th will be allowed to pass now that the time has come to launch a new war of predatory aggression. The shape of the attack is to some extent foreshadowed by the disposition of the Italian troops. In the north, the offensive will not apparently be launched along the coastal road alone. Troops are concentrated at Jarabub on the Libyan frontier, and further strong concentrations are centred on Kassala. These dispositions leave the Italian High Command a certain freedom of action. A force advancing from Jarabub to the large oasis at Siwa would have the choice of turning north to co-operate with the coastal troops against the British positions at Mersa Matruh or might alternatively risk a dash towards the Nile Valley. The troops at Kassala are astride the railway that leads both to Khartoum and to Port Sudan, and, if they could advance rapidly enough down the Nile Valley, might effect a junction with other Italians advancing from Siwa. It is no use blinking the dangers of the situation. We have sent reinforcements, but we are outnumbered in men and material, and the extent of German assistance is still an unknown quantity. Nevertheless, in the intense mobility of desert warfare, our quality will have ample opportunity to tell against the quantity ranged against it. In individual encounters, particularly in the all-important sphere of air fighting, we have had it to a very great extent our own way, and the German raids on Britain have shown that mere numbers cannot crash their way through to victory. And our

naval resources are a further element of strength. The Italian fleet is in obvious need of considerable stiffening, and here Germany is not in a position to give much help. We can therefore await the new phase with some confidence, but with no underestimation of the gravity of the crisis or of the issues at stake.

The Mediterranean in Waiting

The Mediterranean as a whole is in a state of suspended animation, and those countries which are not yet committed to the conflict are waiting to see their destinies determined by the strength of the British defence. So long as the British Navy is intact and can sink Italian war and supply ships from Palermo to Alexandria and back to the Dodecanese, the Greeks will maintain their attitude of cautious but firm resistance to Italy's plans for air bases and military facilities on the Greek mainland. Turkey will continue to keep Bulgaria's Thracian ambitions in check by a judicious display of force along the Bulgarian frontier and will continue the consultations on military co-operation against Italy which have already taken place between the Greek and Turkish Governments. In Syria, M. Puaux's firm attitude towards Italy's first Disarmament Commission is obviously a function of the presence of undefeated Allied armies in Palestine and Egypt. The High Commissioner would hardly have dismissed all Italy's demands—for the surrender of aircraft, the establishment of Axis air facilities, the demobilisation of the French army—if British warships were not in command of the whole Eastern Mediterranean basin. Again, at the further end of the Mediterranean, Spain's obvious reluctance to be involved in the war springs solely from the fact that Britain has been driven neither from the Channel nor the Mediterranean. Señor Suñer, however strong his attachment to the ideological aspects of Germany's war of cynical and uncontrolled imperialism, is not in a position to disregard the desperate economic straits of his country and the extent to which the extension to Spain of the British blockade would bring plain starvation with it—a starvation which the Axis partners might combat with guns and slogans but not with the only effective weapons, meat and bread. Spain's policy thus appears to be one of abstention until such time as a British defeat appears inevitable and immediate. Italy, whose own entry into the war was dictated by very similar considerations, is hardly in a position to cavil at Spain's "lack of heroism." Thus, short of actual military coercion on the part of Germany, Spain will possibly remain non-belligerent as long as Britain holds her ground.

Emergency Feeding

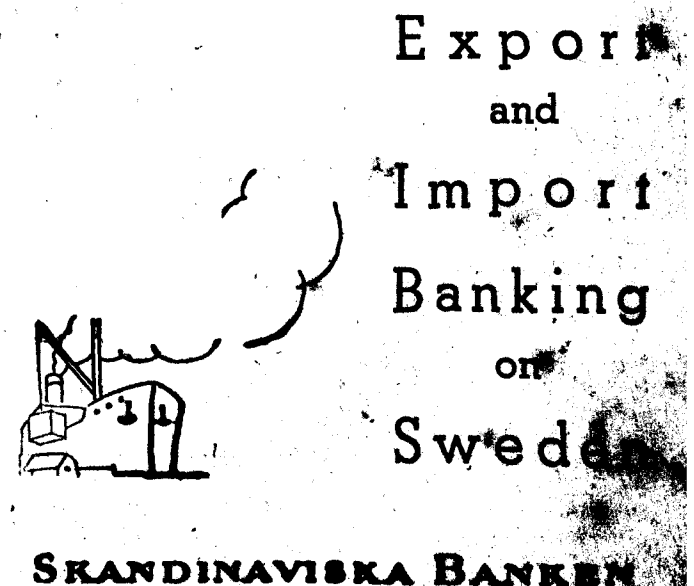
In a broadcast last week, Lord Woolton said that his Ministry aimed at a flexible system of rationing, at substituting one food for another which may be in short supply. Since the bombing of London began, other aspects of flexibility have been seen, for the need has arisen, not only of seeing that customers of bombed shops can be supplied by other shopkeepers in the same district, but also of feeding those rendered homeless and temporarily housed outside their district of registration. No person, in these circumstances, need go without rationed food because he has no ration card or is registered elsewhere. Obviously, flexibility of this sort can only be achieved if food supplies are plentiful, and an added argument for extended rationing is the necessity for conserving plenty so that the surplus can be quickly distributed to meet temporary local shortages. But in a time of air raids the Ministry of Food has a bigger task than merely ensuring that food supplies can be obtained. It has, too, the duty of organising feeding arrangements in bombed districts; and this does not mean the provision of bully beef three times a day, but hot food and hot drink—incidentally, one of the best antidotes to shock. Mobile kitchens, in large quantities, which are independent of local gas and water supplies, are clearly called for; and coffee-stall keepers, indeed, all those who are accustomed to serving hot meals on the spot, are being asked to co-operate with the Ministry of Food, which has already opened 58 emergency feeding centres in London and has plans for up to 200. Lord Woolton has said that the food provided at these centres is not free, but that the people pay the cost and some of the overhead charges. As it is a case, not of charity, but of providing a public utility service, it is certainly right that a charge should be made, and in most cases the expense will be no greater, and may well be less, than the household's normal food bill.

But, generally speaking, the centres will function in poor districts; and the very poor, and those who have lost all their possessions, must not be denied the prime necessity of life simply because they cannot afford to pay.

Wages Policy

It would be untrue to say that the trade unions have had no wages policy since the war started. Their policy, in fact, has been to push wages as high as their bargaining power allowed, chiefly, it is true, to meet the higher cost of living, and only the poorly-paid workpeople without any strong organisation to back them have fallen behind. It now appears, from the report of the General Council of the Trades Union Congress, that an attempt was made last winter to work out, with the British Employers' Federation, a common policy about prices and profits as well as wages. It failed, and no reason is given, beyond the statement that the difficulties were "unsurmountable." In any case, the General Council had no power to bind the separate unions in their bargaining. The T.U.C. proposals fell under five heads: the undesirability of large increases in prices; the desirability of increases in wages to meet increases in the cost of living; the need for price control and subsidies to keep prices down; the need for war savings to be excluded from means tests; and the undesirability of unreasonable profits. In the context of war economy, these proposals, most of them unexceptionable, do not add up to a policy. They were made at a time when Sir John Simon, then Chancellor of the Exchequer, was pointing out that to make wages move with the cost-of-living would inevitably lead to inflation, and they represent the unions' deliberate indifference to this warning. Substantial increases in prices and the cost of living are indeed undesirable in wartime, just as high profits are unjust. But substantial increases in wages or, equally, salaries, whether due to increases in the cost of living or not, are no less undesirable—and ineffective. High prices breed higher prices, and a high cost of living a higher cost of living still, precisely when wages or salaries are moved up to meet them.

The confusion is caused by talking in terms of money, as trade unions always do. And the trade unions represent only one section of a community which is overwhelmingly wrong-headed about these matters. The fact is that in a country at war fewer goods are, or ought to be, available for civilian consumption, and no adjustment of wages or salaries can bring more goods into being. That is why Mr Keynes proposed the compulsory saving of all additional earnings for every class except the poorest. All that happens is that more money bids for fewer goods, and the workers with the least money—those whose wages have not gone up or whose pay is in any case small—suffer most accordingly. The common-sense principle would be to aid first the poorer workers, and those with families, to whom increased prices must mean real hardship. Some hardship there must be for everyone, simply because wars have to be paid for out of current output; and the general principle, above the minimum level, should be for the Government, directly or indirectly, to peg



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all wages and salaries at a given point. The trade unions' principle, "all or none," simply means that no workers should suffer any diminution in their standard of living, which is not only absurd but impossible. At the forthcoming meeting of the T.U.C., the Amalgamated Engineering Union will oppose "the policy of the Government of placing the cost of the war on the workers' shoulders." It is to be hoped that some economically-minded member will then oppose the policy of the trade unions of placing the cost of the war on the poorest workers' shoulders.

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Norway Stands Firm

The treachery which enabled the Nazis to seize Norway last April led them into a serious error of judgment. They assumed that the Norwegians as a whole were as rotten as the small group of traitors who opened the gates. The courageous conduct of Norway's King and the refusal of the Storting, even in the first bewildering days of conquest, to accept a Government under the leadership of the arch-traitor Quisling, might have warned the Nazis that the spirit of resistance was not dead, but the German officials under the leadership of Reich Commissioner, Terboven, preferred to believe that the invasion and the invaders could be made palatable and the people of Norway be prevailed upon to co-operate with their conquerors. The summer has proved the futility of their efforts. The attempt to secure the abdication of King Haakon failed. The attempt to work through the Storting failed. The attempt to secure the people's acceptance of Quisling's party, the Nasjonal Samlung, by peaceful methods of persuasion failed. At last these efforts to achieve some measure of co-operation have been abandoned. A new *Statsråd* has been set up in which 13 of the 15 ministers are Quisling's creatures (six of them were even members of the abortive Quisling Cabinet of April) and which has no support in the Storting. The other political parties have been dissolved after a series of raids on their headquarters and Terboven, in a recent broadcast, imposed Quisling and the Nasjonal Samlung on the Norwegian people with the threat that only through Quisling could they "regain their liberty and independence"—an admission curiously at variance with the Nazi claim to have "liberated" Norway. The Germans have had as little success on the industrial as on the political front. The trade unions were united in their refusal to accept any system which deprived them of their traditional rights. Terboven countered their hostility by imposing Quisling men on them. They in their turn retaliated by destroying their whole machinery of co-operation, burning their books, membership lists and the rest. Ley, the German labour leader, has arrived at Oslo to assist his less-experienced colleague. He will find intractable material. The Norwegians may have lost their national liberty, but the habit of freedom is harder to destroy.

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"Non-Belligerent" Vichy

It is impossible to read any coherence into the policy of the Vichy Government save that of a pitiable toadying to the German conqueror and an envenomed dislike of France's former ally. The announcement that prostrate and defeated France desires to strengthen the defences of Martinique has been received with some scepticism and possibly a certain grim amusement in the New World. If the Vichy Government is anxious lest the perfidious British should violate the *status quo*, they can rely upon the Havana Act, which is specifically designed to prevent changes of sovereignty in the Western Hemisphere. If, on the other hand, Vichy is compliant enough to wish to reinforce Martinique so that Germany can use it as a supply station, the issue is likely to be determined not in Vichy and Wiesbaden, but in Washington and London. Here the British Government are faced with a decision of policy which, as Axis penetration and French compliance grow, will be more and more difficult to evade. Martinique is far off and concerns other Powers. But Morocco is, perhaps, the key to the Mediterranean struggle; yet we are practising a non-intervention as rigorous as that of our Spanish days, while Germany and Italy are at work to capture the key points. British subjects are being arrested, British business interests attacked, a German economic commission is sitting at Casablanca, and plans to incorporate Morocco in the general economic and military strategy of the Axis go forward. Vichy is, in fact, no more in control of its dependencies than are the Dutch

and Belgians of their Channel ports. Yet the Dutch and the Belgians enjoy no immunity. Our policy is, moreover, a puzzling reversal of the earlier resoluteness which smashed France's naval strength at Oran and Dakar. If French warships were dangerous to us then, they are more so now that the Vichy Government has shown its mean-spirited hostility by such actions as the bombing of Gibraltar. No one suggests that the general question of our relations with the Pétain regime is easy, but there is surely no great objection to continuing our vigorous offensive against warships which, as the de Gaulle defeat at Dakar illustrates, are doing the enemy's work. There are rumours that three more French destroyers have passed through the Straits. They should be rounded up and brought to British ports.

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A Policy for Vegetables

The emphasis now being placed on the increased production of potatoes in this country is entirely praiseworthy. If production were to be based on the idea of a much intensified blockade, then clearly potatoes, with an average yield of some six or seven tons per acre, would be preferable to grain crops, with an average yield of some 15 cwt. per acre. Indeed, it would be possible to feed the people of this country on potato products should there be a complete collapse of our import system. There remains, however, the important question of the replacement of imports of fruit and the 250,000 tons or so of vegetables which, blockade or no blockade, it is now quite impossible to get because the countries of origin are in the hands of the enemy. Much of these vegetables we could have grown for ourselves in this country; we must grow them now for ourselves, or go without; and in the absence of fruit and other sources of vitamins it would appear urgent that some substitute be grown. It is a pressing problem of national health and nutrition. Even if every available allotment in this country were taken and carefully cropped, not more than 10 per cent. of the population could be supplied with vegetables: the other 90 per cent. would have to be supplied from vegetables grown on a farm scale. This summer has shown that no careful planning has yet been undertaken by the Government departments concerned. There have been numerous protests in the Press about the extensive use of tinned vegetables for feeding the troops and the almost complete absence of fresh greenstuff in the Army dietary. These criticisms are probably equally valid as regards the dietary of the civil population. Yet, only two months ago, there were complaints of a glut of vegetables, and growers complained that they could not dispose of their produce. Already there is a shortage of green vegetables, which is manifestly absurd. In an area where broccoli and cauliflower can easily be grown, the price of cauliflowers has risen so high that it is impossible for most of the population to buy them, and the same is true of onions, of which some 200,000 tons are normally imported. This crop is easily grown in this country, and is very popular with the civil population; but already its price is more than four times the peacetime level, and in a very short time onions may be completely unobtainable. These facts should have been anticipated. At any rate, now is the time to develop a progressive and ambitious policy for next season.

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Sea Power and World History

It is a pleasing coincidence that the centenary of the birth of Admiral Mahan of the United States Navy, author of "The Influence of Sea Power upon History," should have coincided with a concrete manifestation of the co-operation between British and American sea power in which the Admiral saw the greatest hope of world peace. The arrival of the first six destroyers of the 50 U.S. destroyers exchanged for bases in the New World followed within a few days of a meeting of distinguished British and American sailors at the Royal United Service Institution to honour the memory of Admiral Mahan. Admiral Ghormley of the U.S. Navy repeated with approval Mahan's belief that "in the horoscope of every nation there is usually one other Power, accordant relations with which are of primary importance." The British people, reading of the American warships steaming into British harbours, may well reverse the dictum and recognise the primary importance of the great American democracy in their own country's horoscope. The process which Mr Churchill described as that of Britain and the United States becoming "mixed up together in some of their affairs for mutual and general advantage" is no-

where of greater significance than in its operations in the naval sphere. Here mutual advantage is the security of two great nations, general advantage the peace of the world.

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The Case of Mr Lees

Between the refusal of the Divisional Court to allow Mr A. T. O. Lees, who was detained under Regulation 18B, a writ of *habeas corpus* and the hearing of his appeal, he was released on the recommendations of the advisory committee. The appeal was, therefore, academic; but it was suggested on behalf of Mr Lees that he was entitled to the costs of the appeal on the ground that his release showed that his detention had been wrong and that he had, in fact, won his case, so that the merits of the appeal had to be examined. The Court of Appeal, in giving judgment this week, agreed in full with the judgment of the Divisional Court and dismissed the appeal, together with the claim for costs. They held that, from the terms of the regulation, it was clear that if the Home Secretary honestly believed with reasonable cause that the person in question was of the character described by the regulation, he was authorised to make the detention order, which was not subject to review under the Habeas Corpus Act. Two points emerge from the case. One is that the release on the recommendation of the advisory committee does not necessarily cancel the detention order but may only suspend its operation. The other is that the information supplied to the Home Secretary, which was the basis of the order, was not examined in either Court, because the disclosure of it and the names of the informants might be prejudicial to the interests of the State. The Divisional Court reached its decision that the Home Secretary had reasonable cause for his belief in the Fascist sympathies of Mr Lees merely as a result of an affidavit of the Home Secretary stating that, after careful consideration, he had come to the conclusion that there was clear ground for believing, and that he sincerely believed, that Mr Lees was a person to whom Regulation 18B (1a) applied. Application for a writ of *habeas corpus* does not, apparently, entitle the applicant to have the grounds for the detention order investigated in a court of law—this is done only by the advisory committee. It merely enables the Court to say whether or no the Home Secretary has acted strictly within the letter of the regulation.

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Six Months' Expenditure

The chief interest in the Exchequer returns for September 30th—the middle of the financial year—lies, as always in wartime, in the rate of expenditure. For ease of comparison, the following figures have all been converted into an annual rate of expenditure:—

ANNUAL RATE OF EXPENDITURE		(£ mns.)
Four months, September to December, 1939	1,991	
Three months, January to March, 1940	2,592	
Three months, April to June, 1940	2,700	
Three months, July to September, 1940	3,746	

At first sight the picture is one of very gratifying acceleration in the nation's war effort. But a month-by-month comparison tells a rather different story:—

	(£ mns.)
April 1st to May 4th	2,308
May 5th to June 1st	2,411
June 2nd to June 30th	3,476
July 1st to August 3rd	3,693
August 4th to August 31st	3,820
September 1st to September 30th	3,650

These financial figures confirm other evidence of a spurt in the early summer which has not been maintained. Air raids can hardly be pleaded as an excuse, since the slackening began before they became severe. It is time for another effort on the part of the supply departments.

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Even at the reduced figure of September, the present rate of expenditure exceeds the revised Budget estimate by about £200 millions. Sir Kingsley Wood, in fact, has not yet learnt how to keep his Budgets in step with the facts of the national expenditure and if—as we must devoutly hope—there is a further increase in expenditure in the coming months, a further recasting of the Budget will be necessary. Compared with these figures of expenditure, the revenue side of the return is of comparatively little interest. The yield of the

direct taxes, in any case, can hardly be judged from six months' figures. The yield of Customs and Excise is more regular. The Customs yield is rather disappointing. Lord Simon budgeted in April for an increase of £40 millions in a full year, which Sir Kingsley Wood increased in July to £47 millions, but the actual increase in six months is only £12.2 millions. Excise shows a half-year's increase of nearly £24 millions, against an April estimate of £26 millions for the full year and a July figure of £76 millions.

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Shorter Notes

Up to the end of August, 51,261 men had been provisionally registered in the register of conscientious objectors, 26,447 applications had been considered by local tribunals and 12,868 men had been registered as conscientious objectors. Of the latter, 3,423 had been ordered to undertake civil work specified by the tribunals, and 1,935 men had found such work.

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On Thursday it was announced that the Lord President of the Council, after discussion with the Royal Society, has appointed a Scientific Advisory Council to advise him on scientific problems and to bring to his notice new scientific or technical developments of importance to the war effort, and to advise Government Departments on the selection of individuals for scientific inquiries or as scientific members of committees. It is not clear what relationship the new Council will have with the Department of Scientific and Industrial Research, which was first appointed, also under the Lord President of the Council, at the end of the first year of the last war, but its members include a member of the Department's Advisory Council and the Department's Secretary, so that presumably there will be no competition or lack of co-ordination between the two bodies.

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The results of the Australian election are now complete for the House of Representatives, except for one constituency, and Mr Menzies' position will be less favourable than at first seemed likely. If the Government win in the one doubtful constituency, it will have a majority of 3, after providing a Speaker, compared with 9 in the last Parliament. Mr Curtin, the Labour leader, has after all retained his seat, and his reply to a summons by Mr Menzies of a conference of political leaders suggests that the formation of a National Government has a good chance of success.

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The reduction in private motoring since the outbreak of war has made no difference to the number of road deaths. In the year ended August 31st, the number of persons killed on the roads was 8,347, compared with 6,628 in the previous year.

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The Government's decision to suspend the scheme for evacuating children overseas was expected after the sinking of the *City of Benares* had shown how difficult rescue operations may be in heavy weather conditions. About 2,650 children have been evacuated under the Government's scheme, which may be resumed next year. When the Board ceased to accept further applications early in July, it had already received applications in respect of some 200,000 children.

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THE WORLD OVERSEAS

A Year of Soviet Poland

(By a Correspondent)

THE first anniversary of the Red Army's entry into Poland was celebrated throughout Soviet Russia with the usual official ostentation. The Soviet Press stressed that September 17, 1939, marked the beginning of a "year of great victories." "It was along our former frontier with Poland (stated *Pravda*), that a year ago world capitalism beat its first retreat before the banner of socialism on the march." The main emphasis was, however, laid by the propagandists not so much on the "internationalist-socialist" aspect of the anniversary as on the achievements of the internal economic reconstruction of the former Polish provinces.

The major problem faced by the Soviet authorities in Eastern Poland was that of readjusting the social and economic structure of the conquered country to that of the old Soviet lands. More than two decades of extremely divergent developments in contrasting social climates had to be undone as soon as possible. Eastern Poland had to jump over all the complex vicissitudes of military communism, N.E.P. and Five-Year Plans in order to fall into line with the present stage of Soviet economic life.

It seems that at first the Soviet Government approached this problem with no fixed scheme. Many, sometimes contradictory, steps, taken in the course of the first months, seemed designed to test the strength of resistance of the old economic order, and there was at the outset a measure of liberalism in dealing with capitalist elements and some hesitation as to how radical some reforms were to be. Soon, however, it became clear that the changes would not stop half-way. The co-existence of two contradictory economic structures within the framework of one State proved to be impossible. The process of readjustment came into full swing, and nothing of the old order was allowed to survive in industry and trade. Only in agriculture, for reasons of political expediency, were the authorities more compromising.

The first phase of the adjustment of industry and commerce was the nationalisation of big industrial enterprises and banks. This measure, though important as a principled demonstration of a revolutionary policy, made but a small practical change, for the overwhelming majority of large-scale enterprises in this part of Poland had for various reasons been State-owned for years before the entry of the Red Army. So was the greater part of the banking system. What actually happened, therefore, was not so much a classical "expropriation" but rather a transference of the title of ownership from one State to another. It is true that a considerable amount of foreign capital, mainly invested in the Polish oil industries, was affected by the nationalisation; this, however, could have no immediate or conspicuous consequences for local economic life.

The Fate of Small Industries

During this first phase of reform, small and medium-sized industries were not subject to nationalisation. Their independent existence was undermined, not by any legislative

acts of expropriation, but by practical considerations. Nominally, the industrialists retained full right of ownership in their establishments. But they were compelled to submit statements of costs of production and so on for the consideration of the workers' delegates. The latter, jointly with the employers, fixed wages, conditions of work, and "a just rate of profit" for the capitalist. The regime thus established was very similar to the "workers' control over production" which prevailed in Russia between 1917 and 1919. In Eastern Poland it was maintained for not more than about three months—till the end of 1939.

The second phase marks the abolition of private ownership in small and medium industries. As a transitory combination, the dual regime of the "workers' control over production" could not be consolidated, and it finally gave way to complete State-ownership.

It was the same with trade. Wholesalers and retailers alike have been almost completely squeezed out in the course of the first months of 1940. First of all, merchants sold out their old, pre-war stocks. To replenish them they became dependent on the Soviet State trusts, as the old private sources and channels of supply gradually dried up. By refusing to supply them with new commodities, the Soviet industry put a bloodless end to private trade.

The End of Private Trade

The *coup de grâce* was delivered to the shopkeepers by the currency regulations. The Polish zloty was made invalid, and there was no legal means of exchanging it for the rouble. As the use of Polish currency had previously been systematically encouraged by the Soviet authorities, and as Soviet officials and soldiers had bought up whatever they could, paying in zlotys, the shopkeepers suddenly found themselves in a death-trap with their goods gone and with valueless heaps of banknotes on their hands. Whether this was expedient even from the Soviet standpoint seems rather doubtful, for the private network of distribution had been destroyed before it had been replaced by anything else that could take over its functions on a new basis. The flow of goods was interrupted. A scarcity of provisions, clothes and most elementary necessities of life was felt. Primitive barter and illegal profiteering took the place of legitimate trade.

Some basis for a new organisation of trade has been provided by the wide network of the Ukrainian co-operatives, which grew and flourished under Polish rule in spite of political persecution. Under the Soviet rule, the personnel of these co-operatives underwent a thorough political "purge," and those suspect of Ukrainian nationalism were thrown out, but the apparatus itself was made to serve for the new purpose. The gap left by the liquidated private trade could, however, only partly be filled by the co-operatives. The scarcity of food and the shortage of all other goods constitute the most acute problem still unsolved by the Soviet authorities in Eastern Poland. Here the talk about "adaptation" is not without a touch of irony, for the maldistribution of goods still remains the weak spot of Soviet economy as a whole.

The final stage was to introduce Soviet methods into the working of Polish industry, a stage which has not yet come to a close. Western Ukraine and Western White Russia are not yet included in the schemes of the current Five-Year-Plan, but separate plans for these provinces have been worked out. On the occasion of the anniversary, it was claimed that the industrial output of the occupied territories has risen by 35-40 per cent. compared with the previous year; it cannot, of course, be ascertained if this is true. On the other hand, the Soviets introduced Stakhanovist methods aiming at the intensification of output—rivalry between workers, widely different scales of wages, etc. Soviet sources also claim that unemployment has been abolished completely. All this, however, has not resulted in any genuine improvement of living conditions. Nominal wages have increased by about 30-50 per cent., but

many unbiased inside reports show that, owing to the prevailing scarcity, the cost of living has risen by a far higher percentage. The increases in the price of food and clothes range from 50-300 per cent. And many necessities of life, shoes, soap, etc., have become completely unobtainable.

The Peasants' Gain

The agriculture of Eastern Poland presents a somewhat different picture. Here the Soviet Government could earn the gratitude of many of the Poles, for at one blow they destroyed the obsolete, semi-feudal structure with its overgrown and backward landlord class.

The landowners' property was distributed among peasants without payment of indemnities, but the Soviet Government is faced with a similar dilemma to that which confronted it in Russia. By satisfying the peasants' "thirst for land" at the expense of the big landowners, the Soviets won the political support of the peasantry; on the other hand, by the very same measure they strengthened private ownership in agriculture, contrary to their collectivist programme. So far Moscow has not pressed for a definite solution to this dilemma in the Polish provinces, and private ownership by peasants is, on the whole, still being encouraged there. The *kulak*, so ruthlessly wiped out in the Ukraine proper, is being treated with rather more regard in the Western Ukraine.

Some attempts at collectivisation are, it is true, being made. But they have not yet reached compulsion. The number of collective farms organised up to September 15, 1940, amounted to 400 in the Western Ukraine and 650 in White Russia, a very small fraction of local agriculture. This compromising attitude is due to political and military considerations. With an eye to a possible collision with its German neighbour, Moscow probably does its best to avoid a major economic clash with the peasantry on the border territories. Under the circumstances, this is undoubtedly prudent.

September 25th.

North American Defence

[FROM OUR OTTAWA CORRESPONDENT]

THE most important development since the adjournment of Parliament has been the successful conclusion of negotiations between Canada and the United States for what is for all practical purposes a defensive alliance for the protection of the North American continent. Under the terms of the agreement, reached at Ogdensburg, New York, on August 17th, there has been established a joint board of defence, which is charged with the duty of co-ordinating the defensive measures of the two countries. For its Canadian members a very satisfactory selection has been made in Mr O. M. Biggar, K.C., of Ottawa, a very able lawyer who was Judge Advocate-General in the last war; Brigadier K. Stuart, who was recently Commandant of the Royal Military College at Kingston; Capt. Murray, Deputy Chief of the Naval Staff; and Air Commodore A. L. Caffé, R.C.A.F., with Mr Keenleyside, of the Department of External Affairs, attached as secretary.

The Board will begin immediately studies relating to land, sea and air problems, including personnel and material, in connection with the defence of North America. The new defence pact is a radical extension of the Monroe Doctrine, because in it the United States moves beyond the simple enunciation of the historical principle of "preventing any foreign Power from threatening this continent," and gives a definite undertaking to Canada that it will actually and actively engage in the defence of it, while Canada on her part commits herself to act jointly with the United States on land, sea and air. The move is welcomed by Canadian public opinion and is commended by papers of all shades of outlook and by Mr Hanson, the leader of the Conservative Opposition. Even so strong a Conservative Imperialist paper as the *Montreal Gazette* declares that "widespread satisfaction will be felt that definite action is to be promptly taken to prepare for possible eventualities."

Slow War Expenditure

The Federal Government has announced the impending issue of another War Loan for a sum ranging between \$250 and \$300 millions, which will be offered to the public on September 9th. Its terms are undisclosed, but holders of an issue of \$75 millions of 4½ per cent. Dominion Bonds maturing on September 1st will be invited to convert them into the new issue.

The increased taxation decreed by the last Budget is now yielding fruits in heavier revenue returns, and for July the Federal revenues amounted to \$53 millions, compared with \$33 millions in July, 1939, a gain of \$20 millions. For the first four months of the current fiscal year the total yield of these revenues has been \$274,750,000, compared with \$200,250,000 in the parallel period of 1939, a gain of \$74½ millions, and in the same period expenditures totalled \$251 millions, compared with \$184,750,000, an increase of \$66½ millions. Of the expenditures, roughly \$113 millions were absorbed on war account; this is a monthly average of \$28½ millions, and as the Minister of Finance provided for war expenditures totalling \$700 millions, or at the rate of about \$58 millions per month, obviously the outlays have not been proceeding at the pace which was expected.

One satisfactory development is the alleviation of the drain of the railway (Canadian National Railway) deficit; in the first four months of this fiscal year it has been less than one-third of what was incurred in the corresponding period of the previous year.

Good Business Indices

The progressive expansion of industrial activity throughout Canada under the stimulus of war orders is naturally improving general business conditions. For the first half of 1940 the Bureau of Statistics' index for the physical volume of business was 137.6, compared with 116.2 for the first half of 1939; there was a gain of 24.3 per cent. in the index of manufacturing production, of 14 per cent. in the index of mineral production and of 9 per cent. in the index of power production. The index for July showed a slight recession owing to the seasonal lull in certain industries, but the upward trend has been resumed since August began, and the weekly economic index of the Bureau, which stood at 102.2 for the week ending July 27th, rose to 102.6 for the week ending August 3rd and to 103.1 for the week ending August 10th.

Industrial production is steadily being geared up to its highest level in Canadian history, and the primary iron and steel plants, as well as firms engaged in producing machinery, tools, equipment and sheet metal products, are all working at full capacity. The demand for military uniforms is also enormous, and both the textile factories and the clothing plants are very busy. The meat packing plants are equally busy, but there has been a slight decline in the activity of the flour milling industry. The demand for base metals as the raw materials for munitions is benefiting the mining industry. The prosperity of the forestry industries continues. In July the output of newsprint was 332,689 tons, compared with 315,343 tons in June and 227,630 tons in July, 1939; exports of wood pulp at 2,077,002 cwt. were actually more than double the figure for July, 1939, which was 1,033,995 cwt.

The construction industry is also flourishing as the result of Government orders for new industrial plants and establishments required for the Commonwealth air-training scheme; and the value of new contracts placed in July was \$29,305,600, compared with \$22,129,700 in July, 1939.

The price level remains remarkably stable, and the trend has been very slightly upward; the Bureau's index of whole sale prices, which stood at 81.7 for the week ending July 13th, has only risen to 82.2 for the week ending August 10th. In July the Bureau's cost-of-living index showed an advance over the June figure at 86.7, compared with 86, the increase being due to rises in the prices of fuel and foods.

Export trade is being well maintained: in the first half of 1940 the value of exports at \$548 millions showed a gain of \$145 millions, and imports at \$496 millions showed a gain of \$175 millions. There was, however, a substantial reduction in the favourable balance of trade, which fell from \$82 to \$52 millions.

August 30th.

BANK OF MONTREAL
(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London

CAPITAL	...	\$36,000,000
RESERVE	...	\$39,000,000
TOTAL ASSETS IN EXCESS OF	...	\$950,000,000

Head Office: MONTREAL
H. R. Drummond, Esq., President.
Major-General The Hon. S. C. Mewburn, C.M.G., W. A. Bog, Esq., Vice-Presidents. Jackson Dodds, G. W. Spinney, Gen. Managers

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The Most Honourable The Marquess of Willington, P.C., G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
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FOR ALL CLASSES OF INSURANCE

The Anglo-Egyptian Cotton Deal

[FROM OUR ALEXANDRIA CORRESPONDENT]

WITH the loss of almost all Continental European outlets and the holding up of navigation in the Mediterranean, it looked as if the new cotton season would start in very difficult circumstances. The carry-over stood at 1½ million cantars, three times last year's figure, while the crop promised to exceed 9 million cantars, against 8½ millions last season. Moreover, with the closing of the Alexandria futures market since mid-May, no prices were actually quoted, so that private financing of the crop was practically impossible.

Egypt has been rescued from one of the worst crises in her history by Great Britain, who has consented to buy the whole crop at 14½ and 15½ tallaris per centar of fully good fair Uppers and Giza 7 respectively. The cottonseed will be taken at P.T.65 per ardeb of Black. The prices are appreciably higher than those obtainable in the free market for large quantities, and it is also worth noting that Great Britain took less than 40 per cent. of the crop during the first year of the war. Egypt will be guaranteed against any loss sustained by the British Government in consequence of the deal, while sharing half the profits that may accrue therefrom. It is calculated that Egypt will receive for her cotton a larger sum than last season, as the crop is bigger and only part of last year's production fetched boom prices, a large part being sold at the very low prices ruling in the early autumn.

Trade Balance Prospects

The agreement has been warmly welcomed by the country and is expected to have a very favourable effect on the foreign trade balance. For the first six months of 1940 imports exceeded exports by £E1½ millions owing in part to the piling up of stocks of foreign goods in anticipation of Italy's entry into the war. For several months to come imports will remain at a very low level, while exports recover sharply. Another factor leading to the improvement of the balance is the cessation of expenditure by Egyptian tourists, whereas the outlay of the British forces in Egypt is constantly growing.

August 21st.

Letter to the Editor

Inflation of Credit

TO THE EDITOR OF THE ECONOMIST

SIR,—Towards the end of your interesting article entitled "Is It Inflation?", there was a table showing estimates of the various sources from which the money needed to finance the first year of war was obtained. The fact that according to these estimates £300 million was obtained from an inflation of credit, is proof enough of the failure of voluntary savings to do the work prescribed by Mr Keynes's scheme of deferred pay. But when it is realised that perhaps another £500 million was raised by means of Treasury bills, the most liquid of all credit instruments, the situation appears even less encouraging.

The test of the soundness of present financial policy must be, not whether a serious rise in prices has taken place, but

Switzerland's Trade Troubles

[BY A CORRESPONDENT]

THE following tables show Swiss imports and exports for the first half-year of 1940:

SWISS IMPORTS (IN SW. FRS. 1,000,000)

	January	February	March	April	May	June
1939	122	130	146	141	163	160
1940	178	200	236	249	201	130

SWISS EXPORTS (IN SW. FRS. 1,000,000)

	January	February	March	April	May	June
1939	102	107	121	112	117	112
1940	99	110	121	131	89	86

Up to the *Blitzkrieg* Swiss foreign trade showed a rising tendency. Imports were considerably higher than in the corresponding period of 1939, even if a certain rise in prices is taken into account, and exports in January to April increased by about Frs. 20 millions. But, from the moment of the campaign in France and Italy's entry into the war, transport difficulties were great. The Mediterranean, which in the days of Italy's non-belligerency had remained Switzerland's principal trade route overseas, became a military sphere; and Swiss foreign trade, which is dependent on normal transport conditions, dropped considerably.

By the end of June total imports had exceeded exports by Frs. 556 millions. Switzerland normally has an unfavourable trade balance, but this has always been offset by interest on foreign investments and particularly by the tourist trade which is virtually at an end. The heavy import trade had naturally caused a heavy demand for foreign currency to be made on the National Bank, but, with the transport difficulties, orders have been cancelled and letters of credit suspended so that the demand has come to an end. Moreover, confidence in the Swiss franc has increased of late, and currency has been returning to the National Bank.

Switzerland's troubles are not of her making, and the only thing she can do is to wait and to try to adjust her economy to the present situation. It is not a question of cutting down this or that or of forgoing luxuries. It is quite simply a question of existence.

August 31st.

whether a goods shortage is developing coincident with a rapid increase in the supply of money and of instruments such as Treasury bills which are readily convertible into money. So long as the increased supply of money remains unused it is true that no harm will be done. The harm will be done only when arising out of these very circumstances, people begin to lose confidence in the value of money and take advantage of their carefully prepared liquid positions to "get in" as it were "on the ground floor" of the expected inflation.

Now it is not sufficiently appreciated that this increase in the supply of money (this, if you like, inflation of credit) proceeds from the growing desire on the part of people for liquidity. Had they been more ready subscribers to Government issues there would have been less need of heavy bank subscriptions with their counterpart, the rise in bank deposits. Therefore, if the Government is anxious to make its savings propaganda really effective, it should give less attention to persuading people to invest in its own securities in preference to all others and more attention to persuading them to reduce their cash balances and readily realisable securities to a minimum by investing their surplus earnings in long-dated or irredeemable securities. With the new issue market strictly controlled, it no longer matters whether the investor buys ordinary shares or Government securities so long as he invests all his savings and so long as he does not make liquidity the prime consideration in the selection of individual securities. The growing desire for liquidity, reflected in the estimated £300 millions inflation of credit, and the rise in the tender supply of Treasury bills, mark in fact a lack of confidence in the future value of money which it should be the first concern of the Government to remove.

Yours faithfully,
W. L. B. FAIRWEATHER.

London, E.C.

THE BUSINESS WORLD

Agricultural Credit

THE alleged deficiencies of our system of agricultural credit provide one of the most familiar and persistent accusations brought against British banking. The charges are diverse and comprehensive. The banks, it is contended, are reluctant lenders to the farming community. When they do lend, they charge too high a rate of interest. More often than not, the accusations are clothed in a nostalgia for the days of the private banker who knew his farmer clients so well that he was generally prepared (so it appears from happy memories of a dim past) to make whatever advances might be asked of him on the sole security of the farmer's personal credit. On these three general points the banks have a perfectly satisfactory reply to make. They are far from reluctant lenders to farmers. Every bank manager will sincerely testify to his liking for farmers' loans—provided the borrower is credit worthy. The complaints of the inadequacy of agricultural credit tend on the whole to come from the bad and unsuccessful farmers. The rate of interest charged for the usual short-term bank loan to farmers naturally varies with the security put up, but the average is well under 5 per cent. It cannot be seriously contended that the industry runs on so narrow a margin of profit and indulges in such minute costing that the difference between, say, 3 and 5 per cent. on its short-term credit could make an appreciable difference to its production. As for the comparison between the old private bankers and the impersonal joint-stock giants which have taken their place, it suffers from mankind's inveterate tendency to idealise the past. The present-day country branch manager probably knows his farming clients every whit as well as did the partner of the private bank now merged into the joint-stock bank. Moreover, the resources over which he has command and the measure of discretion accorded to him in the granting of loans place him in a far better position than his predecessor, the private banker, to satisfy the credit requirements of his clients.

If there is a general case to be made in respect of the neglect of agriculture it must be directed not specifically against the banks, but against the public policy of the nation which for a century preferred cheap food for the masses to profits for the farmers. It is largely for this reason that there is lacking in Great Britain the well-developed system of agricultural credit—frequently organised on a co-operative basis—which is to be found in almost every country on the continent of Europe. Until the formation of the Agricultural Mortgage Corporation in 1928 it was left solely to the commercial banks to tend to the credit needs of agriculture. If they treated agriculture less favourably than, say, the cotton trade, it was because of differences in the profitability of the two industries, differences for which the banks themselves bore not the slightest responsibility.

The establishment of the Agricultural Mortgage Corporation occurred in 1928, by which time the movement towards agricultural protection was under way. The Corporation, in which the Bank of England and the principal joint stock banks (with one notable exception) took a participation, has not altogether fulfilled the hopes that had been centred upon it. Its primary purpose was the grant of long-term credit to farmers on the security of first mortgages. The mortgage loans which it grants are subject to repayment over periods extending up to sixty years, and the resources of the Corporation have therefore had to be raised on an appropriately long-term basis. It has made two debenture issues, one for £8,500,000 bearing interest at 5 per cent., and another for £2,000,000 at 4½ per cent. As the present basic rates for its loans are 4½ per cent. for mortgage loans—of which £8,579,900 were outstanding at the end of last March—and 4 per cent. for Agricultural Improvements loans—of which only £84,498 were outstanding on the same date—it follows

that the Corporation cannot operate on a profit-earning basis. As an investment, the shares of the Corporation have proved extremely disappointing to the participating banks. They received 2½ per cent. on their investment for each of the years 1931 to 1935 and, since then, nothing.

The tale told by the Corporation's profit and loss account would have been far sadder than it has been were it not for the fact that the Corporation has been persistently subsidised by the Government. The Minister of Agriculture and Fisheries contributed £10,000 per annum towards the cost of administration during the first ten years of the Corporation's life. In addition, the Minister has advanced free of interest an amount equal to the paid-up capital—£650,000—to be invested in Government securities of which the income accrues to the Corporation. By the Agricultural Development Act, 1939, the Corporation was promised subsidies not exceeding £60,000 a year for twenty years, to enable it to continue making loans on the above-mentioned basic rates. For the financial year which ended on March 31st last, the grant made under this provision amounted to £22,500. Thus subsidised, one would have expected the Corporation to set an extremely hot pace in the competition for agricultural loans. In fact, its Agricultural Improvements loans have obtained very small popularity, while in the matter of long-term mortgage loans its business does not compete with that of the commercial banks. At the date of the last balance sheet the Corporation had available in cash and free investments rather more than £2,000,000, and the Chairman, Sir Harry Goschen, at the last meeting expressed the wish that this amount might be quickly absorbed in new loans. With all its official help the Corporation is thus substantially under-invested, and though it has given welcome help in many directions it can hardly be claimed that it has contributed greatly to the solution of the problem of agricultural credit.

With the outbreak of the war that problem underwent a considerable change. In the first place the powers taken by the Government to order the ploughing up of an additional area of 1,500,000 acres of grassland involved an immediate expansion in the agricultural demand for credit. Secondly, the guaranteed prices which the farmers were granted for virtually the whole range of their produce appreciably removed at one stroke the credit worthiness of the industry. All the joint-stock banks decided during the first few weeks of the war to liberalise their policy of agricultural loans. Branch managers were in most cases given specific instructions to give their fullest aid—subject always to the ultimate security of their advances—to the Government's "grow more food" campaign. Though detailed figures on the distribution of bank advances are no longer available, it may be stated that the agricultural loans have made no contribution to the decline in the total of advances since the outbreak of the war.

This liberalisation of bank loans to farmers still left unsolved the problem of the bad, or at best doubtful, credit proposition, with which the agricultural industry abounds. If the national emergency demanded that credit risks be taken in promoting the campaign to grow more food it seemed reasonable to expect the community, through the Government, to shoulder those risks. This was provided for by the Agricultural Requisites Assistance Scheme, which involved the loan of Government funds to farmers for a number of specified purposes, the main objective being the increase in the ploughed-up acreage. These facilities have not been utilised to any appreciable extent. They are fairly expensive, the rate of interest charged being 5 per cent., and the period for which the assistance is given is usually short. Nevertheless, it has been decided this week to extend

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the scope of the scheme to include provision of finance for ditching and field drainage and for the purchase of miscellaneous goods such as coal and oil required for farming operations. These extended facilities are still intended for the "marginal" borrower, and it would be unwise to visualise in the Government's scheme—however extended its scope—a complete solution of the problem of short-term agricultural credit. Particularly is this so because the Assistance Scheme is operated by the County Agricultural Executive Committees, bodies on which the local farming community is strongly represented. Few farmers willingly divulge the details of their finances to their neighbours and competitors.

As the system of agricultural credit functions in this country at present it is evident that the solution of the problem cannot be found outside the commercial banks. It is on them that the farmer depends in all but quite exceptional cases, and if the total credit granted to the agricultural industry is to expand appreciably it is from them that additional facilities will have to come. The Ministry of Agriculture has recognised this fact in devising its plans for meeting the demand for additional credit which is bound to arise in the coming year. In co-operation with the banks the Ministry has arranged that nominees of the banks join the County Executive Committees. All difficulties regarding the grant of

adequate credit facilities to farmers will be submitted to these nominees who are to be known as Farm Credit Liaison Officers. The Executive Committees wield very wide powers in the formulation of farming policy throughout the country. It is to them that most of the complaints regarding inadequacy of credit facilities are sent. For, more often than not, it is the absence of adequate credit facilities which is put forward as the excuse for not complying with the orders of the Committees. Now that the banks will be represented on them the machinery for assessing and dealing with these complaints should function far more rapidly and smoothly than previously. The representation of the banks on the County Committees must not be taken to indicate a new departure in their agricultural credit policy. The step of liberalising their farming loans occurred on the outbreak of the war and the move accorded with the general instructions regarding advance policy which the banks then received from the Treasury. In granting fresh advances to farmers the banks must continue to pay due heed to the credit worthiness of the borrower and to the ultimate safety of their asset. For the more questionable cases the facilities of the Agricultural Requisites Assistance Scheme will be available, though they will doubtless not be as abundantly forthcoming as some of the critics might desire. Cheap credit is not the only thing needed for successful farming.

Efficiency in Production

IN view of the long start gained by the Nazis through years of intensive military preparations, we cannot hope to catch up with them—or, indeed, to win the war—unless we increase our own output of war tools at a very much greater speed than they. The task is tremendous, especially as it has to be carried out in the face of almost continuous air raids. But it can and must be accomplished. We must speed up the transference of resources from unessential to essential purposes, and, above all, we must utilise existing productive capacity to the full and efficiently. Much has been accomplished during the comparatively short period of one year in harnessing our manufacturing capacity to the war chariot, and industry is collaborating actively with the three Supply Departments. But, by ordinary business standards, the degree of efficiency in production is still low, and many competent industrialists are of the opinion that the yield of munitions from existing capacity could be increased enormously by improvements in organisation.

For example, a good deal of criticism is still being voiced by industrialists concerning the methods of the Supply Departments. This criticism may be examined under four heads: design, orders, duplication of capacity and idle capacity.

First, the design of war tools should be simple, and, where possible, it should take account of existing production facilities. Unless both of these requirements are satisfied production will either be smaller than it need be or it will monopolise too large a proportion of the total available manufacturing capacity, thus reducing the output of other munitions. In its experimental stages a new design normally does not satisfy these requirements. Adjustments in design are, of course, a matter of routine. But hitherto it has frequently been the practice of the Supply Departments to permit departures from the original design only to individual manufacturers and not to embody them in the original. It is surely plain common sense to embody any revision in design that makes for a bigger output in the original specifications and to pass them on immediately to all concerned in the production of the war tool in question. Moreover, in the experimental stage many mechanisms are designed for production on lathes, of which there is a shortage. But if they are to be produced in quantity, it is often possible to adapt the designs to manufacture by press tools which can be secured more easily and consume a smaller quantity of raw materials. These difficulties could be largely overcome, if the designing departments were asked to pay special attention to production methods in the development of new mechanisms, and if all designs were continuously reviewed by the Supply Department concerned in collaboration with a panel of competent industrialists when they have passed out of the experimental stage.

Secondly, orders must be placed with a proper understanding of the processes of production and with due regard to existing manufacturing capacity. Where large numbers of a certain type of equipment are required it is absolutely

essential to organise its production as a continuous flow. The tooling of the factories, the intake of raw materials and the rate of production of the component parts of any mechanism must be carefully planned in order to secure balance and efficiency in output. The absence of such planning inevitably involves a loss of efficiency. If the mechanism in question happens to be a vital and complicated one, such as an aeroplane engine, a tank, a gun, the loss of efficiency due to inadequate planning may have the most serious consequences. If the output of a single component part is out of equilibrium with that of the other components, production of the finished mechanism may be appreciably slowed down and valuable manufacturing capacity will run to waste. Again, if an order is not renewed until the last moment, production may show a marked, if temporary, decline, for in the case of many types of equipment the process of production takes several months. Delay in the renewal of orders, for example, may find the manufacturer without the requisite raw materials, thus causing an interruption in the flow of production. Further, in case of a change in the design or type of equipment to be produced, the manufacturer must be given ample time to plan its production and if necessary to re-tool his works. Otherwise valuable time may be lost and capacity will again run to waste. Of the factors giving rise to delays in production, the failure of Governmental machinery to make sufficient allowance for the lengthy and continuous nature of modern production, and thus to enable output to be properly planned and balanced is among the most serious.

Production is also unnecessarily held up when Government orders are not exactly proportioned to the capacity of the firms concerned. A situation may arise in which some concerns have accepted more orders than they can possibly fulfil, while others are under-employed. One of the defects of the system of sub-contracting is that it is liable to give rise to over-employment of the prime contractors and partial idleness of capacity that could be used for sub-contracting. The effect is, of course, to slow down production. The remedy should be a more thorough attempt by the Government departments concerned to control the process of sub-contracting and to insist that work should be put out whenever possible.

In certain cases changes in technique or in strategic policy, or even the inertia of the fighting services, make it difficult for the Supply Departments to know sufficiently in advance how many units of a given type of equipment will be required. For industry, long-period orders are the ideal; where they cannot be secured, production would be assisted if, instead of ordering by batches with uncertain renewal, they made a practice of stating the daily, weekly or monthly rate of output required, and giving manufacturers as definite an idea as possible of the period during which it should be maintained. Further, it might be of considerable advantage if the Supply Departments went more carefully into the capacity of individual manufacturers of identical products,

with a view to preventing a state of affairs in which one concern may be overloaded with orders while another is under-employed.

Thirdly, while the duplication of capacity for particular products may be necessary in order to prevent the interruption of the flow of production through destruction by air bombardment, it can be carried too far in the case of some products and not far enough in the case of others. To carry duplication of capacity too far may be as dangerous as its absence, in that it may hold up the production of other equipment. It is possible to envisage cases in which it is preferable to produce a given type of equipment in one factory, and to hold alternative capacity in reserve instead of producing it in two factories with both under-employed. This problem can probably be solved best by careful investigation of the position in each vital piece of equipment, with special reference to the urgent need for economising plant and labour.

Fourthly, in spite of the most efficient planning, the temporary existence of surplus capacity can scarcely be avoided. But the existence of surplus capacity does not mean that entire factories are standing idle. This would be unpardonable. It arises from the difficulty of achieving and maintaining continuously a perfectly balanced output in individual plants, especially during a change-over from the production of one type of equipment to another; thus it is quite common for a manufacturer to have some of his machinery idle during short periods. But these machines may be of a type of which there is a shortage in the country as a whole.

This type of idle capacity could be reduced appreciably by the operation of efficient capacity exchanges, whose function, like that of the labour exchanges, would be that of

clearing houses. To be efficient, such local capacity exchanges would have to be kept continually informed of any idle capacity. Both manufacturers with capacity to spare and in need of additional machinery would have to telephone their local capacity exchange, which, in turn, would have to inform a central exchange with all possible speed. Notifications of idle capacity and of requirements would have to include a precise statement of the type and capacity of the machinery involved and of the period during which it would be idle or required. The machines themselves need not be moved from one factory to another—this might cause unnecessary inconvenience and delay—for in general it should be possible to employ them by the method of sub-contracting. The Area Boards recently set up are making efforts in this direction, and where special machinery for maintaining permanent contact between the producers in a given area has been set up the results have been valuable; this system might be extended until every industrial district has its capacity exchange.

The examples might be multiplied. They show that there is an urgent need for still closer collaboration between the Supply Departments and their contractors in order to increase the efficiency and, consequently, the yield of our munition factories. In this task the Departments would be assisted materially by the recruitment from industry of production men with practical experience in organisation and management. Many competent "men on the spot," whose task it is to organise production, hold that, given the active assistance of the Supply Departments, the output of many important war tools could be substantially increased, and often doubled, with the existing capacity, always provided that sufficient raw materials are available. Their criticisms and suggestions must not be left unheeded.

Finance and Banking

A Fumbled Tender

The strength of the convention which settles the price of application for Treasury bills at £99 14s. 10d. was forcibly demonstrated at last week's tender. The applications on Friday of last week were affected by three factors. The first was the fact that the bills dated Monday of this week would be those maturing on the last working day of the year. The second was the division of the bills into two categories, the Monday and Saturday bills having 91 days to run and the Tuesday to Friday bills 92 days. Thus, on the score both of their currency and maturity, the January bills were less attractive than the December maturity. Thirdly came the official intimation to the discount market that they must not, as they had done in previous similar circumstances, concentrate the whole of their applications on the December bills, but must even out their applications over the week. The reason for this official request was no doubt the desire to avoid the dislocation of credit conditions which tends to arise when the Treasury bills issued in any one week have to be taken up on one particular day. The syndicate applied for the December bills at the customary price of £99 14s. 10d., but reduced its bid for the 92-day January bills to £99 14s. 9d. As a result it obtained the high allotment of 81 per cent. on its December bills, but missed the January bills altogether. In to-day's money market these nicely balanced adjustments of rates to different maturities no longer operate. The price for Treasury bills has become established at £99 14s. 10d., and the most successful tenderer is the one who monotonously bids this price for his bills, disregarding the factors which formerly contributed to the "higgling of the market." There were sufficient outside applicants to swallow up the whole of the January bills issued. Their size may be gauged from the volume of total applications, which rose to £131,900,000.

£140,000,000 of Treasury Deposits

The result of the tender has been to make the discount market an extremely diffident seller of bills to the banks this week. All its quota of bills for the week was taken up on Monday. That day saw the turn of the quarter, and a moderate tightening of credit occurred. This phase was, however, soon passed. For the rest of the week there have been steady Treasury bill maturities and no payments for new bills by the market proper, while the credit situation has been helped by the substantial interest payments on Government loans made on Tuesday. The banks have been able to

satisfy part of their demand for bills from the non-market quarters, which proved more successful at the tender than the market syndicate. The banks' appetite for bills has, however, had the edge taken off it by the payment of a further £30 millions in the shape of Treasury deposits during the past week. With this further weekly contribution to this new form of short-term borrowing the total of these deposits outstanding has now risen to £140 millions. Of this amount, no less than £110 millions has been raised in the past five weeks—an average of £22 millions a week. We must expect the volume of Treasury deposits to expand considerably during the present lean revenue period. It will be interesting, later in the financial year, when tax revenue plus the receipts from long-term loans rise well beyond the current level, to see whether the Treasury will apply the surplus to reduction of Treasury deposits or of Treasury bills. Are the new deposits to form the resilient factor in the floating debt, thus usurping the place formerly occupied by Treasury bills, or are the latter to retain their traditional rôle?

* * *

Strength of the Swiss Franc

The monotony of the foreign exchange markets—it is becoming the despair of the dealers—has been somewhat enlivened recently by the appreciation of the Swiss franc. The official quotation in London, which stood at the middle price of 17.70 a week ago, has moved in favour of the Swiss franc to 17.60. The volume of business in Swiss francs passing in London is infinitesimal, and the movements of



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the rate here are merely the faithful reflection of an appreciation of the Swiss franc against the United States dollar. The New York market in Swiss francs is itself extremely narrow. A modest volume of trade between Switzerland and neutral countries has again begun to trickle through non-occupied France and Spain, but its volume is so small that its counterpart in terms of foreign exchange operations can barely be said to constitute a free market. The undertone of this narrow market in Swiss francs has, however, been strong owing to the covering of speculative positions opened last May and June, when an invasion of Switzerland appeared to be imminent. These bear positions are gradually being covered. By letting the rate move in their favour the Swiss authorities do not appear to be depriving themselves of dollars which they would otherwise have gained. The counterpart of these speculative purchases of francs must in any case be provided by the Swiss Exchanges Fund, which is thus regaining the gold which it lost in the early summer.

Ways and Means Advances Repaid

The latest Bank return shows the combined effect of this week's large payment in Treasury deposits and of the peculiar incidence of Treasury bill payments, to which reference has already been made. The result is that bankers' deposits have fallen by no less than £14,707,000 to the comparatively low level of £101,272,000. Public deposits have not gained proportionately and are only £7,741,000 higher on the week. This is largely due to the fact that the Treasury have during the week repaid a further £5,250,000 of the Ways and Means advances which they raised in the second week of September. The latest Bank return shows the slight increase of £491,000 in the note circulation. This movement is a normal end-of-month phenomenon. It would have been larger had it not been for the slow trickle of notes which are still making their way back to this country following the ban on re-imports. It can now be said that this particular movement will not assume the substantial proportions which had been very widely expected of it. This is because the large bulk of Bank of England notes hoarded on the Continent are to be found in France and Belgium, where they are immobilised by the German occupation. The

amounts of sterling notes to be found in centres such as Lisbon and New York, from which they could make their way back to this country freely, was in the aggregate very small—a good deal less than £10,000,000.

Still Tighter Exchange Control

Although the outlines of our system of exchange control were finally drawn last July, experience continues to suggest details in which the regulations can with advantage be tightened. Two loopholes through the exchange control which might have acquired some importance have been closed this week by a further amendment of the Defence (Finance) Regulations. An Order in Council (S.R. & O., 1940, No. 1732) bans the import of bearer securities into the United Kingdom and makes provision for prompt collection of debts due in foreign currencies. The ban on the import of bearer securities must be viewed in the light of the virtual blocking of non-resident holdings of sterling securities. The restrictions placed by the Stock Exchange on dealings in bearer securities, though they were primarily designed to prevent the realisation here of securities which had fallen into enemy hands, must by themselves have closed fairly effectively this possible gap in the control of capital exports. The latest Order, however, makes assurance doubly sure on this point. Permission can be obtained for importing such securities and the necessary application must be made to the Foreign Exchange Control, Bank of England. The acceleration in the payment of debts applies to debts expressed in one of the specified currencies and to those expressed in sterling where the debtor is resident in a country with which Special or Registered Account arrangements apply. No definite limit to the prolongation of such debts is given in the Order. Payment should be collected "without delay" though no commercial debt should be collected "at a date earlier than has been customary in the ordinary course of that trade or business." The Treasury may issue directions to anyone requiring him to expedite the collection of such debts and, failing satisfaction, may take an assignment of the rights to that payment. The Order in Council also extends the time limit for the institution of summary prosecutions for offences against the Defence (Finance) Regulations.

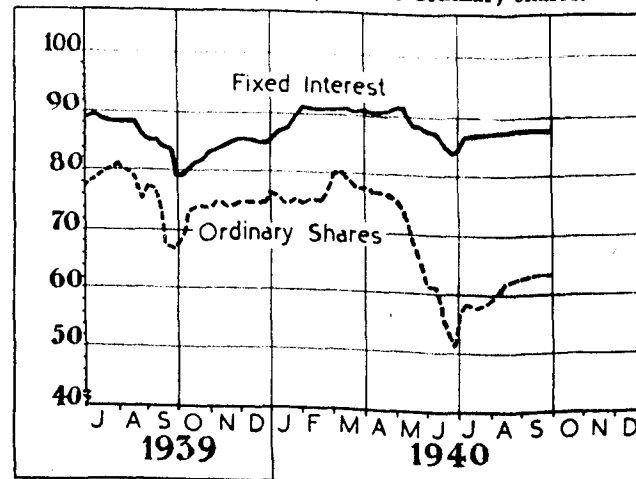
Investment

Struggles of the Broker

If we exclude from the business of the previous week the filip to dealings given for 24 hours by Mr J. M. Keynes' broadcast, there has been a further improvement in turnover in the stock markets, as indicated by the number of bargains marked. This has been achieved in the face of an increase in the total period of alert and represents a minor triumph for individual members. By a use of alternatives of telephone dealings and resort to shelters, it has proved possible to keep markets going in a number of securities except for short periods when raiders were definitely in the neighbourhood. Thus individual initiative has succeeded where authority, as represented by the Committee for General Purposes, has failed. Individual action has at least the advantage as against official that it adds nothing to the expenses of the Stock Exchange, a consideration of importance at the present time when revenue is at such a low ebb that the Trustees and Managers have found it expedient to pass the interim dividend. The Committee has, however, made one contribution of substantial value in that it has procured the co-operation of the Post Office workers, who have for many years operated the "House" telephone, in continuing the service during the alert. While for some members this will make little difference, the general feeling is that it is an important advance and it is now general that both brokers and jobbers have their "House" telephone manned during raids. The investor is thus assured of a reasonably efficient service provided he can get his orders through. Telephone calls outside the London area and telegrams in general still,

however, suffer from delays which can only be explained on the basis of an undue attention by the Post Office staff to the alert. The effect of the week's business upon prices has been extremely moderate. The gilt-edged section weakened, rallied and, at the close, was showing a tendency for "short" to fall away again. Industrial equities rather more than made up

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.



the fall of the previous week. It will be noted that the index of *The Financial News* shows the up-swing exactly equal to the decline. In addition to this, there has been a revival of interest in "Kaffirs" based in part on dividend expectations and in part on their attraction as a hedge against possible inflation.

Bombing and Industrial Yields

Small as have been most price movements in recent weeks, the cumulative effect has been substantial, as is brought out by the yield figures of *The Actuaries' Investment Index* for September 24th. The changes on the month cover the period of the most intensive bombing of London, which it must be remembered brought some reduction in raids elsewhere. The development was not sufficient to arrest the improvement in gilt-edged. There is a minute improvement in industrial preferences, but a rather larger deterioration in the corresponding debentures, and it is rather difficult to reconcile these two movements. The big changes are, of course, among equities. Here public utilities, including Home Railways, have suffered, the fall in the yield on gas stocks being due to the failure of the market to reflect fully the reduction in dividends. Building materials, iron and steel, motor and oil shares have also all risen, as has the general figure for distributive trades, despite the decline in railway stocks. Coal shares the rise with iron and steel, and there

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)				Yields per cent.		
	Sept. 26, 1939	Apr. 30, 1940	June 25, 1940	Sept. 24, 1940	Sept. 26, 1939	June 25, 1940	Sept. 24, 1940
Fixed Interest							
2½% Consols.....	110.5	132.2	126.2	131.6	4.04	3.53	3.39
Home Corpns. (4).....	114.2	128.2	123.0	123.6	4.08	3.79	3.77
Indust. Debs. (44).....	99.3	111.4	103.7	103.7	4.79	4.58	4.58
Indust. Prefs. (101).....	83.6	97.1	82.3	83.0	5.26	5.52	5.43
Ordinary Shares							
Building Mat'ls (6).....	50.8	49.2	33.7	49.9	9.24	11.63	7.21
Coal (8).....	74.7	94.5	64.8	68.1	6.88	9.00	9.20
Elec. Lt. & Pwr. (16).....	91.5	105.3	76.9	82.1	6.01	6.75	6.19
Gas (8).....	85.1	82.1	67.8	64.2	6.84	7.09	6.28
Motors (7).....	25.5	28.9	19.4	24.4	8.49	9.58	8.02
Oil (4).....	72.2	69.5	34.6	40.6	6.45	10.74	6.00
Stores & Cater'g (17).....	43.3	42.5	31.1	33.2	7.15	9.55	17.7

is a sharp jump in yield, owing again to the apathy of the investor, while a drop of one-third in the return on oil shares is to be explained by a very moderate response to lower dividends. In the finance group the only change of moment is a further weakening of investment trust prices, with a corresponding rise in yield. The change on the month in productive industrials is from 7.77 to 7.61 per cent., the figure of a year ago being 7.37. There is a much sharper drop in distributive yields from 7.78 to 7.13 per cent., as against 5.44 in September, 1939. The miscellaneous total is unchanged on the month at 7.06 per cent., and the total for all classes stands at 7.38 per cent., against 7.59 in August and 6.77 in the previous September. Taken in the large, this is a reasonable reaction to a development which has spared industry some destruction generally considered probable.

The Trend of Profits

It is still too early to obtain an accurate impression of the course of wartime profits from company reports. The latest quarterly figures (delayed by war conditions) computed by *The Economist* are based on 722 reports issued between April and June this year. Since the average accounting year to which they refer ended early in February, they illustrate the effects of little more than five months' wartime trading. It will be recalled that the basis of our profits computations was revised this year, and reference should be made to *The Economist* of May 25th for details. Total trading profits of the 722 companies whose reports were received in the April-June quarter rose by 13½ per cent. from £116,824,686 to £132,461,911, after depreciation where the amount was not stated, but before charging depreciation amounting to £11,505,568 where the detailed figure was given. Net profits as reported by these companies advanced by the more moderate rate of 5 per cent. from £68.7 millions to £72.2 millions, for increased taxation has significantly damped the apparent rise in net profits. Adjustment of the reported net profits figures to a gross basis (by the method described in the article referred to above) indicates that the reported net profit figure of £72,166,295 would be equivalent to £87,501,000 before charging taxation. The consequent adjustment in the distribution of preference and ordinary dividends, from a "less tax" basis to a "before tax" basis, is shown in Table I. Owing to the change in method of computation the latest results can only be linked with those of second quarter companies in earlier years by the use of a chain index number. In Table II the figures up to 1939 represent trading profits

after debenture interest, whereas the latest figure represents trading profit on the new basis before debenture interest, depreciation and disclosed taxation. The chain index number—second quarter 1937 equals 100—shows a rise from 103.5 to 117.4 between 1939 and 1940. A similar break in comparability is involved in the ratio of profits to capital which, up to the latest year, has been calculated without any deduction for taxation—i.e. on the assumption that profits were distributed up to the hilt. The ratio of net profits, recalculated on a "before tax" basis, shows an over-all return on share capital of 10.3 per cent. which is not more than approximately comparable with the return of 10.6 per cent. in the previous year. The significance of the adjusted figures is perhaps best appreciated in the third table showing the division of profits. Briefly, the effect has been to reduce the apparent amount of profits "ploughed back" by a stricter re-definition of charges which should properly be deducted before striking net profits. As in the case for first quarter companies, the proportion of adjusted profits absorbed by ordinary dividends proves to be appreciably higher and the proportion reserved appreciably lower than it was under the previous definitions. Distributable profits are higher than the published figures would suggest, after allowance is made for the incidence of taxation; but the true proportion of profits set aside to untied reserve proves to be much lower than the old basis of computation would have suggested. The June figures of profits usually provide the occasion for a yearly review of industrial earnings. In view, however, of the changes introduced last January, this task may be left until a full year's figures on the new basis are available.

TABLE I.—PROFITS OF SECOND QUARTER COMPANIES

722 Companies	Previous Financial Year	Latest Financial Year	Latest Net Figures recalculated before charging Taxation
Total profits*	£116,824,686	£132,461,911	£...
Depreciation.....	48,109,050	11,505,568†	7,456,165
Debiture interest.....	...	6,165,995	...
Other charges and taxation ..	...	42,624,053	...
Net profits	£68,715,636	£71,166,295	£87,501,000
Preference dividends	...	14,706,021	17,533,000
Ordinary dividends	...	44,829,955	57,338,000
Add to free reserves	...	12,630,319	12,630,000

* After depreciation where not separately stated.
† Where separately stated.

TABLE II.—PROFITS OF SECOND QUARTER COMPANIES, 1935-1940

Reports issued in 2nd Quarter	No. of Cos.	Profits (£'000's)	Chain Index No. 1937 = 100	Prof. and Ord. Cap.	Ratio of Profits to Cap.
1935	694	80,076(a)	75.5	980,620	8.2(c)
1936	739	92,281(a)	83.5	1,015,646	9.1(c)
1937	765	100,691(a)	100	951,791	10.6(c)
1938	805	112,473(a)	112.8	942,079	11.9(c)
1939	793	106,036(a)	103.5	1,002,566	10.6(c)
1940	722	132,462(b)	117.4	840,661	10.3(d)

(a) Total profits after debenture interest. (b) Trading profits before debenture interest depreciation and taxation. (c) Without tax adjustment. (d) Ratio of net profits, as re-calculated on a before-tax basis.

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TABLE III. DIVISION OF PROFITS (SECOND QUARTER COMPANIES)

Reports Issued during Second Quarter	1935-39: Proportion of Total Profits			Rates of Payment (1935-39 without adjustment for tax)			
	1940: Proportion of Adjusted Net Profits	Prof. Div.	Ord. Div.	To Reserve	Deb.	Prof.	Earned Ord.
1935	25.4	51.7	22.9	4.7	5.7	9.6	6.7
1936	22.2	51.2	26.6	4.6	5.6	11.1	7.3
1937	17.8	52.3	29.9	4.5	5.4	13.3	8.5
1938	15.1	53.8	31.1	4.5	5.5	15.1	9.4
1939	19.6	53.6	26.8	4.5	5.8	13.2	8.9
1940 (a)	20.3	65.0	14.7	4.8	6.2	12.3	10.0

(a) Figures based throughout on adjusted net profits.

S.I.B. Regulations

The Treasury, having decided that permission to deal in those restricted securities for which a market exists in Canada and New York might be granted, did not delay in issuing instructions as to the necessary procedure. As was indicated at the time, the method is relatively simple, although it involves a mass of clerical work which might have been avoided by the straightforward issue of deposit receipts in the first place. Those whose stocks are held at the United Kingdom Security Deposit should lodge with the Bank of England a delivery order (Form P.6. or P.7. for securities without coupons), giving the name of an agent in Canada or New York to whom the securities may be sent. This should always be done even if sale of the securities is not immediately desired, since holders are urged to replace by these orders any outstanding bankers' certificates. Should owners decide to leave securities at the Deposit, arrangements can be made for coupons to be detached and sent to the owners' agents. It is to be noted that both services will be charged for and that, in each case, despatch is at the owner's risk. Thus, having seized the securities without notice, the authorities now make the owners pay for services which would have been unnecessary if they had continued the system of requisitioning. The actual business of selling in Canada or the United States is made slightly more difficult by the decision that the London jobber is not to be allowed to job in the securities. He is only allowed to act as agent of the seller in this country for finding a buyer. It is not clear how he is remunerated.

As was feared would be the case, after a week there is still no hint in the market as to how or when dealings are to start on this side between residents. It is possible that a substantial part of the total money involved is in securities which have a market in North America, but it is also plain that there are important issues to which this does not apply and whose holders must continue to be put to great disadvantage, and perhaps loss, by the existing inability to turn over their securities. To take one case, which is attracting attention at the moment, the list includes three Japanese loans whose total nominal value is well over £44 millions. Their market value three and a half months ago, prior to the ban, was some £14 millions odd. It has now dropped to not much more than £9 millions on the basis of the selling price shown in the official list. These and many other securities will be difficult to sell even in London. The chances of effecting a sale elsewhere are negligible. Presumably the readily realisable stocks may continue to be requisitioned by the Treasury, but for the holders of others there is little hope of selling to the Government and at present no other possibility of realising them.

Company Emigration Banned

The Chancellor of the Exchequer is to be congratulated upon having taken steps to impose a legal ban on the transfer of British companies to other domiciles to avoid the effects of high taxation in this country. He has also let it be known that this interdict applies with full force to the Great Boulder Proprietary Company, whose board are responsible for driving him to what, one suspects, he considers extreme measures. Once again, the Government has been brought by the pressure of opinion to substitute compulsion for the voluntary principle; this time it would seem to coerce a minority of one. Unfortunately, however, while the transfer of the company to Australian domicile has been prevented, the action seems to come too late to assist the minority shareholders. The company is already in the hands of the liquidator, and presumably he can carry it on, if he

deems fit, and perhaps a scheme can even be brought forward to form a new company registered here, if that should prove worth while. Such a step will, however, neither put back into the company the £20,000 which was voted away at the extraordinary meeting on September 20th, nor will it empower the Grundt Committee, or any other body which may be created to represent the dissident shareholders, to call the directors to account in a company meeting. Except in the improbable event of there arising a ground for legal action, it is not clear whether they could obtain consideration of their case before a court, as they might had the resolution proposed a scheme of reconstruction which varied their rights, and there is no basis so far for determining what can be done under the report of a Board of Trade inspector.

Company Notes

Oxford Street Bombing

Oxford Street, and with it the retail trade, has suffered severely in the course of air battles over London. Recent dividend announcements and the publication of the report of *John Lewis Partnership* throw light on the extent to which stockholders are likely to be affected. The immediate prospect is a general inability to meet preference dividends. *Selfridge and Company* is once again passing the dividend on the 6 per cent. cumulative preference stock and on the 10 per cent. cumulative preferred ordinary stock. *Swears and Wells* are obliged to defer payment on the 6 per cent. cumulative preference shares and *John Lewis Partnership* announces the suspension of payments on 5 and 7 per cent. cumulative preferred ordinary stock. Among department stores which have recently announced suspension or reduction of preference charges, *John Lewis* holds a special position. Inevitably, war conditions are an unsatisfactory background for the retail trade, and in London the influence of evacuation and bombing have in most cases been in themselves sufficient grounds for reduction of preference payments. In the case of *John Lewis*, however, the management, in the course of an extremely frank report, is able to state that, prior to the destruction of a large portion of the stocks and premises on September 18th, there was good reason to believe that the charges for the 5 per cent. and possibly for the 7 per cent. stock would be fully covered from current earnings. In making good the present serious loss, the *Partnership* has to face two problems: the inability to earn current revenue in the Oxford Street premises, and the failure of insurance at cost to cover higher replacement value, especially after the purchase tax comes into force. For the recovery of any part of the value of the premises, the management is, of course, dependent on the terms of the Government compensation scheme. On the other side of the picture, the recent acquisition of *Suburban and Provincial Stores* will stand the *Partnership* in good stead, and it is to be suspected that its sale will prove correspondingly disadvantageous to *Selfridges*. The purchase enables *John Lewis* to profit to some extent from the shift of retail business to the outskirts of London and the provinces. It also has the less tangible advantages of maintaining connections and a nucleus of staff. In the long run, as the management has already realised, the necessity to reconstruct the Oxford Street buildings will convey the real benefit of complete modernisation, and even reduction of fixed charges. Stockholders are fortunate in enjoying a wide dispersal of assets and a courageous management. The £1 5 and 7 per cent. stock now both stand at 6s. 3d.

Gaumont British Reduced Profits

Gaumont British total profits dropped sharply in the year to March 31, 1940. After crediting income from the redemption of debenture stock and £33,068 transferred from tax reserve, gross earnings amount to £645,668, against £713,498. Provision against losses of subsidiaries has been raised from £30,399 to £66,343, but the company has to meet a charge for taxation of only £36,398, against £65,499 and £76,790 in 1937-38. It is satisfactory that the depreciation provision has been raised from £28,882 to £32,717, but this sum is still nearly £10,000 below the provision for 1937-38, and can hardly be called adequate on plant and real property valued in the balance sheet at £2,517,131. Equity earnings have fallen from £118,639 to £43,858, approximately the level of 1938-39, and represent a rate of 2.5, against 5.5 per cent. In place of the previous year's exceptional allocation of £100,000, general reserve received £42,500, and the carry-forward is slightly higher at £78,795.

The trend of profits as disclosed in the published accounts is analysed in the following table:—

	Years to March 31		
	1938	1939	1940
Profits*	£684,033	£713,498	£645,668
Provision against subsidiaries	50,332	30,399	66,343
Taxation	76,790	65,499	36,398
Depreciation	42,498	28,882	32,717
Debenture service	293,817	291,329	287,602
Preference dividend	178,750	178,750	178,750
Ordinary and "A" ordinary shares:			
Earned	41,846	118,639	43,858
Paid	Nil	Nil	Nil
Earned %	1.9	5.5	2.5
Reserve	15,000	100,000	42,500
Carry-forward	58,799	77,438	78,795

* Including income from redemption of debenture stock and, in 1940, £33,068 transferred from tax reserve.

The company's liquid position has deteriorated slightly on the year, and the total of debt outstanding still remains far too large to justify the payment of an ordinary dividend, even were the immediate revenue prospects to improve. A reduction in bank overdraft from £240,789 to £122,366 and in debts to subsidiary companies from £85,681 to £41,334 is accompanied by a rise in loans on mortgage from £160,482 to £427,307. Moreover, debts owing by subsidiary companies have fallen from £506,401 to £396,561 and sundry debtors by some £200,000 to £590,823. A year before, current account items with interests outside the group were virtually in balance, and the subsidiaries had a net debt of £420,720 to the parent company. At March 31st last, there was a debit of some £300,000 on the former count, including bank loans, and the debt of the subsidiaries had dropped to £355,000. Of total assets of £13,123,485, debentures in subsidiaries represent over £4,000,000 and shares £4,849,100. Evidently it is quite impossible to gauge the value of the shares without the assistance of a consolidated statement, which is still lacking. The value of film production in progress is lower by £15,175, but there is some chance that this will increase under the new Government plans. The directors report that business, though restricted, was not unsatisfactory after the reopening of cinemas in the early months of the war. There is no comment on the effects of the recently intensified bombardment of this country. London business has collapsed, but it would be easy to exaggerate the effect elsewhere. A substantial decline in high-class business seems inevitable unless night bombing can be conquered. The £1 5½ per cent. cumulative first preference shares at 7s. yield £15 14s. The 10s. ordinary stand at a nominal figure of 1s. 9d.

London

Note: all dealings are for cash

As in previous weeks, the main difficulties of the markets have been technical, but, despite an increase in the total length of alert periods, turnover has shown an improvement and prices have been firm. Dealers were not unduly impressed by news of the Japanese Pact with the Axis, and a period of dullness for gilt-edged early in the week must be attributed to market concern over the high level of expenditure revealed by the six months' Treasury Returns. In several sections, business has not been on a sufficiently large scale to test prices.

There has been no advance in gilt-edged prices this week. For the most part the market has been firm, but on Tuesday prices were dull on account of small selling on an unwilling market. Two and 3 per cent. Conversion and 2½ per cent. Funding were sold, while 3½ per cent. War Loan was quoted at about 101½. On Tuesday, however, Victory 4 per cent. gained ½. Despite certain irregularities, the undertone of the market has been firm. In the foreign bond market, activity was on a small scale. Japanese bonds were consistently sold on news of the Axis Pact. On Monday, 6 per cent.

THE STOCK EXCHANGES

bonds of 1924 dropped as much as 3 points, followed by falls of 1 point on later days. There was a moderate demand for Brazilian issues, and the San Paulo Coffee Loan advanced. In the home rail market, activity was at a minimum, and prices, though firm, showed no change. Among foreign rails, Argentine issues reacted after recent heavy buying.

Industrial shares showed a somewhat irregular movement, but in general gains outweighed losses. Brick and cement shares continued to advance under the lead of London Brick and Associated Portland Cement, and a number of market leaders, including Dunlops and Boots, realised consistent gains. Electrical equipment shares were supported, among them Callenders Cable, W. T. Henleys, Crompton Parkinson and G.B.C. The aircraft and motor group moved uncertainly. Handley Page and Austin lost ground, but Triplex was again in demand. A number of gains were registered by iron and steel companies, including Stewarts and Lloyds, Thornycroft, and Babcock and Wilcox. The stores and tobacco groups received more attention than of late, but breweries were weak, despite certain advances for Bass and Guinness.

Considering the restricted dealing time, the demand for Kaffirs has been well main-

Aspro Profits

The strain of war has proved beneficial to the sale of aspirin, and the Aspro trading profit of £283,231 for the year to June 30, 1940, has only been surpassed by the record figure of £292,913 for 1936-37. After meeting depreciation, fees and pension fund charges, net profits amount to £274,350, against £264,910, though a rise in the allocation to tax reserve from £95,000 to £120,000 has reduced equity earnings from £149,972 to £137,851. The directors have decided to repeat the 25 per cent. dividend paid in the two previous years, which is covered by earnings of 45.6 against 44.1 per cent., and have also maintained the previous year's allocations of £10,000 to dividend equalisation reserve and £50,000 to general reserve. The carry-forward is some £2,000 higher at £19,029. Both the trading and the capital position appear highly satisfactory. The general reserve now totals £250,000, a quarter of the total issued capital of the company, and half the ordinary stock. In the balance sheet, stocks are up from £39,377 to £91,466, while a fall in cash of nearly £100,000 to £266,620 has financed loans to the extent of £75,800, of which £25,000 has been lent free of interest to the Government. Current assets exceed current liabilities by as much as £389,416. Aspro has probably less to fear from war than most companies, and is for the present protected from German competition. It will, however, call for a continued high level of salesmanship to justify the valuation of goodwill, which at £800,000 represents over 50 per cent. of total assets. The 5s. ordinary stock units, now quoted at 11s. 3d. ex dividend, offer the generous yield of £11 2s. 3d. per cent.

Copper Dividends

The Selection Trust group of copper companies has enjoyed mixed fortunes in 1939-40. *Roan Antelope*, in paying a final dividend of 10 per cent., making 20 per cent. for the year to June 30th, has reverted to the level of 1937-38, after a drop to 15 per cent. The reduction was due to a substantial fall in both gross and net income depending in part on lower output. A reduction in total dividend from the 13½ per cent. paid in the past two years to 11½ per cent. for *Mufulira* inevitably imposes a reduction in dividend on the controlling company, *Rhodesian Selection Trust*, which is paying 13.3 against 16.67 per cent. It is probable that a rigid application of 100 per cent. E.P.T. has been the main factor responsible for the lower dividends paid by these two companies. In the previous year, *Mufulira* taxation rose from £270,000 to £459,000. Yields on present prices are high. *Roan Antelope* 5s. stock units quoted at 12s. ex dividend offer £8 6s. 8d. per cent. *Rhodesian Selection Trust* 5s. shares stand at 8s. 4d. ex dividend and offer a yield of £7 19s. 7d. per cent.

tained, and a long list of companies have realised fractional gains. City Deep has made a consistent advance, and gains have extended to such market favourites as "Sallies," East Daggas and Durban Deep. West Wit Areas has also been in demand, and business has been assisted by considerable buying from the Cape. Among copper shares, *Roan Antelope* advanced on the announcement of the increase in dividend.

Quiet conditions prevailed in the oil market. Estimates of the final dividend being satisfactory, *Burmah Oil* was well

"FINANCIAL NEWS" INDICES

1940	Approx. Total Gains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Sept. 27 ...	1,113	2,100	63.7	120.6
Oct. 30 ...	1,446	2,605	63.5	120.9
Oct. 1 ...	1,341	2,460	63.4	120.7
" 2 ...	1,262	2,170	63.8	120.7
" 3 ...	1,304	2,310	64.2	120.7

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 60.6 (Feb. 29); lowest, 49.4 (June 26). 20 Fixed Int., 1940: highest, 124.9 (May 9); lowest, 114.9 (June 26).

(Continued on page 438)

Industry and Trade

A Year's Change in Unemployment

The monthly returns of the number of insured unemployed in the United Kingdom provide no indication of the net change in employment as a whole or in the numbers at work in individual industries, while the results of the annual employment census taken in July have not yet been

unemployment has been eliminated; but many other industries still have a surplus of labour that should be transferred to the munition factories, while in the paper and publishing trades and in the hotel and catering services the number out of work last August was bigger than before the outbreak of war.

UNEMPLOYMENT IN AUGUST, 1939, AND IN AUGUST, 1940
(Principal industries)

	No. Unemployed August, 1939	Unemployment in August, 1940, as % of Total No. Insured
Agriculture	27,657	17.202
Coal mining	95,148	56.366
Pottery, earthenware	23,277	13.182
Chemicals	11,840	7.153
Metal manufacture	26,017	17.046
Engineering	39,498	16.744
Vehicles and aircraft	18,593	8.402
Shipbuilding	29,931	8.868
Other metal industries	43,081	21.369
Textiles	117,287	93.501
Clothing	65,278	63.923
Food, drink, tobacco	38,919	29.955
Woodworking	22,387	16.407
Paper, publishing	21,790	28.631
Building, contracting	207,141	95.366
Transport	92,441	50.132
Distributive trades	146,039	86.516
Entertainments	19,090	13.466
Hotels, public-houses, etc.	52,189	52.306
All industries in U.K.	1,275,361	794,008

published. But the fact that the number of insured unemployed fell by only 481,000 to 794,000 between August, 1939, and August, 1940, shows that our mobilisation for war is still far from complete. The accompanying table shows the changes in unemployment that took place in the main branches of activity. In the metal and chemical industries

Compensation for Collieries

The Government and the coal mining industry have now reached a provisional agreement concerning the form of the assistance to be given to the collieries which are suffering most from the loss of export business. The gravity of the problem that had to be solved is revealed by the fact that in recent weeks coal shipments averaged less than one-third of those made during the most active period before the collapse of France and the entry of Italy into the war. While the palliative of trade sharing was quickly discarded because of its wastefulness, it was apprehended that the districts chiefly concerned might not be able to surmount their difficulties by the aid of their own resources. Not unexpectedly some of the inland districts expressed strong opposition to any scheme that meant relief to the exporting areas at their expense. Again not unexpectedly, the Government has taken the path of least resistance by asking the consumer to foot the bill. The Central Council and the District Executive Boards have agreed to the formation of a Trade Maintenance Fund for the relief of necessitous collieries. There is to be a contribution to this Fund of a maximum levy of 6d. per ton on disposals from every district; prices are to be increased by amounts corresponding to the levy; and out of the Fund grants are to be made to collieries which might be put out of work by enemy action as well as to those suffering from loss of trade. The assistance to be given to each undertaking is to be determined by the extent to which its disposals in any quarterly period fall short of its share in the total disposals of the country in the corresponding period of 1939. On the basis of recent sales a levy of 6d. per ton

would yield just over £5 millions per annum, of which between 55 per cent. and 60 per cent. would be derived from the Midland Amalgamated and the other inland coalfields, and from which South Wales, Durham and Scotland would be the principal beneficiaries. The scheme is being criticised on various grounds, and its acceptance by some of the districts is subject to certain reservations, but a settlement of the matter is regarded by the Government as one of extreme urgency, and it is now confidently expected that a scheme broadly on the lines described will be brought into operation as soon as the necessary amendments to the existing marketing schemes have been authorised by the Mines Department.

Control of Civil Building

The chairman of the Works and Building Priority Committee has announced the Government's intention of controlling civil building by licence from October 7th, in order to conserve labour and essential materials by the restriction of private building. No licence or authorisation will be needed for work undertaken by a Government department or paid for, even in part, by the Government, or for work costing less than £500, or for maintenance, running repairs or decorations. Local authorities do not require licences, but must have new works authorised by the appropriate department. As local authorities and public works departments have for some time had to obtain licences to use timber, steel or cement, the new regulations do not greatly affect their position. The regulations are not to be interpreted in an obstructive way: though work already begun may not be completed without a licence, it may continue while the application for a licence is being dealt with. The need for these regulations, though it would appear to have existed from the outbreak of war, is very much intensified by the recent air raids. It is particularly urgent to conserve materials for first-aid to damaged buildings and for the construction of shelters. It is essential, too, in view of the shortage of materials, that control be exercised over the replacement of demolished buildings and that a distinction be made between essential and non-essential replacements.

Further Steps in Cotton Control

The Liverpool cotton market was closed for three days last week, and before it reopened the Ministry of Supply (by No. 10 Order) fixed maximum prices for futures and spot sales of American and Egyptian cotton. The prices fixed are the closing prices on September 24th in Liverpool. They affect, for futures: American, Giza 7, Uppers and Sakellarides grown in Egypt, Sakellarides and similar varieties grown in the Sudan; for spot sales: American, Giza 7, Tagora and Ashmouni. Other growths will not be controlled as long as their prices remain in normal relation to these. The new prices are about 1d. per lb. higher than the minimum rates which have ruled since last May. This fixing of maximum prices is only a temporary measure; a more permanent system of regulation is contemplated. Meanwhile, imports are to be reduced, as the Ministry considers that the stock position warrants greater economy in the use of foreign exchange and shipping. The shipping tonnage allotted for commercial imports in October will be sufficient for 15,000 bales, of which about half will be reserved for cotton for which licences have already been issued. As the allocation for several months past has been 30,000 bales, and in normal times the imports at this season are about 100,000 bales a month, this will cut down business very severely in many instances. Another Order (No. 11) is aimed at ensuring the most advantageous use of each type of cotton. It makes the use of foreign cotton subject to licence, though an Open General Licence will be issued for the time being for Egyptian, Sudan and French Equatorial African cotton. Certain kinds of foreign cotton will be reserved for export orders and for such Government and other essential orders as cannot be efficiently carried out with other types. Spinners will be allowed to use enough cotton to meet all their requirements, but the amount of each type they may use will be subject to the nature of the Government and export orders on their books. Plans are well advanced for the sale, through the Cotton Controller, of the cotton acquired by the Government under the cotton-rubber barter agreement with the United States. For the present there are no restrictions on the purchase, sale and delivery of cotton, and it is hoped that the regulations in Order No. 11 will bring about the necessary adjustments without recourse to licensing of transactions between merchants and spinners and without any commandeering of spinners' stocks. There is bound to be a considerable disturbance to the market at first from these new regulations, but

the stabilisation of prices should benefit all sections of the trade, and traders should find it possible to adjust themselves to the new conditions.

Cotton Wages and Air Raids

While spinners in the cotton industry have accepted the employers' terms for compensation for time lost during air-raid warnings, the weavers and their employers have been unable to agree, and their case will go for adjudication before the Cotton Conciliation Committee, of which Mr Charles Doughty, K.C., is chairman. The terms to which the spinners have agreed are that compensation will be paid at full rates for the first 2½ hours time lost in one week, and 75 per cent. for time in excess of 2½ hours but not exceeding ten hours. At the employers' option spinners are willing to make up any time lost up to 2½ hours a week by working overtime at normal rates. The same terms were offered to the weavers at a joint meeting, but their leaders insist that employers recognise as a first principle the payment of wages at normal rates before other matters are discussed. The manufacturers say that lost production can only be made up by the operatives being willing to co-operate, and as cloth prices have been reduced to a minimum in an effort to secure more business, the payment of wages for work that was not done would involve financial losses or higher prices. Mr Ernest Bevin, the workers' leader, has, in their opinion, given a sufficiently clear lead in asking them to work through an "alert" period. In addition, they feel that if employees know they are being paid while they are in air-raid shelters they may take advantage of the situation. The spinners have solved this problem. The employment of "spotters" to cut down stoppages has been accepted by both sides and it is probable that when the full terms of the agreement are settled, stoppage payment will begin from the stoppage of machinery on the signal given by the spotter, so that anyone who takes shelter before that signal will be doing so at his own expense.

Stabilisation of Agricultural Prices

The Government have adopted in principle the policy of stabilising as far as possible the prices of feeding stuffs and fertilisers. The fixing of the prices of home-grown cereals for the 1940 and 1941 harvests, subject to review only in the event of substantial changes in the cost of production, has now been followed by similar measures for other feeding stuffs and for the principal fertilisers. In the absence of "material and substantial changes in the relevant conditions" the prices of feeding stuffs, including oilcake, wheat offals and maize, whether sold straight or as ingredients of compounds, are to remain at the present level until September 30, 1941. Subject to the same proviso, no further increases in the prices of superphosphate, sulphate of ammonia, nitrate of soda and potash, whether sold straight or in compounds, will take place before June 30, 1941, apart from the seasonal increase of 1s. 6d. per ton per month already announced. The object of this measure is to help farmers to plan their production programmes for the coming year, but, while it certainly should help in that direction, many farmers are likely to wonder exactly what interpretation is likely to be put upon the phrase "material and substantial changes in the relevant conditions."

America's Chemical Industry

The American chemical industry has grown greatly in strength and stature in the last twenty-five years. At the outbreak of the last war the manufacture of organic chemicals in the United States was hardly in any better shape than in Britain or France, while the American dye industry was virtually non-existent. By the time the United States entered the Great War, however, the American chemists had succeeded in duplicating nearly all the well-known German dyes. While the dye industry, developed under the spur of war demands, succeeded in meeting the national deficiency in dyestuffs, it did not supply the needs of the American Army in chemical warfare materials. The result was that the Government had to build special chemical plants and undertake almost the entire production of war gases and other chemical warfare agents. For this purpose they utilised the raw materials and intermediate chemicals furnished by private manufacturers. President Wilson, impressed with the wartime achievements of the German chemical industry, and deeming that every chemical factory is a potential arsenal, proclaimed in a message to Congress on May 20, 1919, "although the United States will gladly and unhesitatingly

(Continued from page 437)

maintained, and Anglo-Iranian attracted buyers. Shell Transport ordinary experienced a small amount of selling and the price fell back fractionally. In the rubber market, no relief was experienced from the stagnation of recent weeks, and business was virtually at a standstill.

New York

AFTER a subdued opening on Monday, trading on Wall Street became active under the influence of domestic business pointers. Heavy industrials were bought in the certainty of a more vigorous prosecution of defence programmes after the formal alignment of Japan with the Axis Powers. Gains of \$2 were general, and Westinghouse Electric was marked out for buying. In midweek, most sections of the market reacted, though chemical issues remained firm. For the third week in succession, the Iron Age reports steel mill activity at 93 per cent. of capacity. It is stated, however, that delivery periods are lengthening considerably as orders accumulate.

DAILY AVERAGE 50 COMMON STOCKS

Sept. 19	Sept. 20	Sept. 21	Sept. 23	Sept. 24	Sept. 25
101.8	101.9	102.8	105.1	104.8	104.5
Sept. 26	Sept. 27	Sept. 28	Sept. 30	Oct. 1	Oct. 2
101.8	102.0	102.7	102.8	104.3	104.8

1940 High, 123.7 Jan. 3. Low, 86.7 June 10.

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES

	1940		Sept. 19, 1940	Sept. 25, 1940	Oct. 2, 1940
	Low	High			
347 Ind's ...	80.9	111.4	93.4	95.5	95.7
32 Rails	20.7a	30.7	26.9	27.3	27.9
40 Utilities ..	71.2a	69.4	80.7	81.0	80.3
419 Stocks ...	69.9	94.8	80.7	82.2	82.3
Av. yield* ...	6.61%	4.30%	5.97%	5.86%	5.82%

* 50 Common Stocks. a May 22nd.

New York Prices

Total share dealings:—Sept. 25, 600,000; Sept. 26, 440,000; Sept. 27, 560,000; Sept. 28, 200,000; Sept. 30, 400,000; Oct. 1, 810,000; Oct. 2, 770,000.

	Close	Close	Close	Close
	Sept. 24,	Sept. 25,	Sept. 26,	Sept. 27,
	1940	1940	1940	1940
1. Railroads				
Balt. & Ohio ..	41 1/2	43 1/2	43 1/2	43 1/2
Chrysler	27 1/2	27 1/2	27 1/2	27 1/2
Illinois Cent. ..	8 1/2	8 1/2	8 1/2	8 1/2
N.Y. Cent.	14 1/2	15 1/2	15 1/2	15 1/2
Norfolk Pac.	71 1/2	71 1/2	71 1/2	71 1/2
Pennsyl. Rl.	22 1/2	23 1/2	23 1/2	23 1/2
Southern	13 1/2	13 1/2	13 1/2	13 1/2
2. Utilities, etc.				
Amer. Tel.	164 1/2	163 1/2	163 1/2	163 1/2
Amer. Wks.	8 1/2	8 1/2	8 1/2	8 1/2
Pac. Light.	40 1/2	40 1/2	40 1/2	40 1/2
Pub. Sv. N.J. ...	35 1/2	35 1/2	35 1/2	35 1/2
Stn. Cal. Ed.	27 1/2	27 1/2	27 1/2	27 1/2
United Gas	11 1/2	11 1/2	11 1/2	11 1/2
3. Commercial and Industrial				
Amer. Metal.	17 1/2	16 1/2	16 1/2	16 1/2
Am. Roll. Ml.	12 1/2	12 1/2	12 1/2	12 1/2
Am. Smelting	42 1/2	42 1/2	42 1/2	42 1/2
Anaconda	23 1/2	23 1/2	23 1/2	23 1/2
Briggs	21 1/2	22 1/2	22 1/2	22 1/2
Celanese of A.	29 1/2	29 1/2	29 1/2	29 1/2
Chrysler	79 1/2	79 1/2	79 1/2	79 1/2
Curt. Wr. "A" ..	27 1/2	27 1/2	27 1/2	27 1/2
Eastman Kdk.	135 1/2	135 1/2	135 1/2	135 1/2
Gen. Elec.	35 1/2	35 1/2	35 1/2	35 1/2
Gen. Motors.	49 1/2	49 1/2	49 1/2	49 1/2
Inland Steel	86 1/2	85 1/2	85 1/2	85 1/2
Int. Harvest	48 1/2	48 1/2	48 1/2	48 1/2
Int. Nickel	28 1/2	27 1/2	27 1/2	27 1/2
Liggett Myers	102 1/2	100 1/2	100 1/2	100 1/2
Nat. Dairy	13 1/2	13 1/2	13 1/2	13 1/2
Nat. Distillers ..	21 1/2	21 1/2	21 1/2	21 1/2
Nat. Steel	66 1/2	66 1/2	66 1/2	66 1/2
Proct. Gamble	63 1/2	63 1/2	63 1/2	63 1/2
Sears Roebck.	83 1/2	82 1/2	82 1/2	82 1/2
Shell Union	9 1/2	8 1/2	8 1/2	8 1/2
Socony Vac.	87 1/2	87 1/2	87 1/2	87 1/2
Stan. Oil N.J.	34 1/2	34 1/2	34 1/2	34 1/2
20th Cen. Fox	61 1/2	53 1/2	53 1/2	53 1/2
U.S. Steel	58 1/2	60 1/2	60 1/2	60 1/2
West'ase Elc.	107 1/2	107 1/2	107 1/2	107 1/2
Woolworth	33 1/2	33 1/2	33 1/2	33 1/2
Yngstn. Sheet	34 1/2	34 1/2	34 1/2	34 1/2

Capital Issues

	Week ending October 5, 1940	Nominal Capital	Con- versions	New Money
		£	£	£
To the Public	Nil	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil	Nil
Nat. Savings Certs.	3,373,232	3,373,232	3,373,232	3,373,232
3% Defence Bonds	2,421,775	2,421,775	2,421,775	2,421,775
2 1/2% Nat. War Bonds	10,942,360	10,942,360	10,942,360	10,942,360
† Week to September 24, 1940.				
October 1st, making total since	£228,837,335			
† Week to June 25th				
Year to date		Including Conversions	Excluding Conversions	
1940 (New Basis)	1,148,352,612a	795,397,479a		
1939 (New Basis)	107,947,226	85,421,284		
1940 (Old Basis)	1,132,907,108a	780,151,975		
1939 (Old Basis)	71,373,052	49,842,973		

Destination (Conversions Excluded)

	Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
		£	£	£
1940 (New Basis)	794,412,807a	984,672	Nil	
1939 (New Basis)	57,901,404	25,274,148	2,245,732	
1940 (Old Basis)	780,009,519a	142,456	Nil	
1939 (Old Basis)	33,782,882	15,840,091	320,000	

Nature of Borrowing (Conv. Excl.)

	Year to date	Deb.	Pref.	Ord.
		£	£	£
1940 (New Basis)	779,747,144a	513,755	14,166,560	
1939 (New Basis)	44,512,640	8,119,649	32,788,995	
1940 (Old Basis)	778,810,343a	132,500	1,209,132	
1939 (Old Basis)	37,158,921	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.
(a) Revised figures allowing for repayment of £4,250,000 National Savings Certificates during nine weeks ended August 31, 1940.

join in the programme of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants." The American chemical industry now maintains an army of 32,000 research workers in some 1,200 laboratories at an annual cost of \$250 millions. In the census year 1937 there were 7,419 establishments manufacturing chemicals and allied products employing 314,520 wage earners enjoying a pay roll of \$381 millions. They used raw materials worth \$1,928 millions and turned out products valued at \$3,721 millions. The magnitude of the industry, including chemicals proper, oil, rubber, glass, ceramics, metals and textiles, but not the fabrication of metals and textile products, is indicated by the fact that these products were sold for \$13 billions in 1935. In recent years the industry has become increasingly progressive and efficient. Between 1923 and 1938 prices of chemical products as a group have declined by about 16 per cent., drugs and pharmaceuticals by 22 per cent., and fertiliser materials by 30 per cent. In the same period total wage disbursements increased by 30 per cent. and hourly wages by 31 per cent. Comparing the three years 1923-25 with 1936-38, employment rose by 25 per cent. and output per man-hour by 75 per cent.

The American chemical industry is nearly self-sufficient in raw materials and intermediates, chemical plant and equipment, and skilled personnel. The United States has in abundance the raw materials required for the manufacture of chemical munitions, i.e. coal, oil, natural and refinery gases, salt, potash, gypsum, phosphorus and arsenic, and those employed in the preparation of alcohol and nitrogen compounds. Common heavy chemicals like chlorine, sulphuric, acetic, hydrochloric and nitric acids, alcohol and ammonia are produced in more than adequate quantities. And America has the necessary complicated equipment and skilled technicians to manufacture high explosives and chemical warfare agents from intermediates. So important is the dye industry as a potential source of chemical munitions that the chemical preparedness of a country can be roughly measured by the magnitude of its dye industry. America's output of dyestuffs rose from 6.6 million lb. in 1913 to 122 million lb. in 1937. She started the production of synthetic ammonia eighteen years ago with 5,000 tons. To-day, the capacity of her nitrogen plants exceeds 200,000 tons. This is to be doubled in the near future. The country's output of synthetic plastics and resins, excluding asphalt, synthetic fibres and rubber increased from 10 million lb. in 1923 to 163 million lb. in 1937. That of rayon totals annually 300 million lb. The Standard Oil Development Company in agreement with the S.O.C. (Louisiana) is erecting a synthetic Buna rubber plant at Baton Rouge, La., with a daily capacity of 1,000 lb. The Firestone Tyre and Rubber Company has taken a licence to manufacture its own Buna requirements. America's abundant natural and refinery gases yield benzene, toluene and xylenes, important for motor fuel use and as basic materials for the manufacture of high-explosives. In connection with America's defence programme, the War Department has recommended the construction of four smokeless powder plants costing \$188 millions; four T.N.T.

COMMODITY AND INDUSTRY NEWS

FIGURES of wholesale trade compiled by the Wholesale Textile Association in collaboration with the Bank of England are given on page 441. The figure for home trade in August is much higher than in the corresponding month last year, but the increase is largely due to higher prices and to Government orders, many of which are supplied through the wholesale warehouses. Export trade is maintained at the same level as last year, which, in view of the curtailment of markets, is considered satisfactory. On October 1st the new levels of cotton and rayon sales came into force. For the next six months cotton goods sales may only equal 37½ per cent. of those in the corresponding period last year, compared with 50 per cent. in the last five months. Home trade in rayon is fixed at 66 per cent.

Cotton (Manchester).—The feature of the week has been the decision of the Controller to fix maximum prices for raw cotton in Liverpool. Certain adjustments have had to be made, and traders have been rather confused. World supplies of

raw cotton are plentiful, but recently there has been a tendency for stocks on this side to decline. Operations in the yarn market have been irregular. Some fair weights have again been sold in coarse American counts, chiefly for Government work. Cloth inquiry has improved, particularly from abroad, and more business is now expected from India. Cambrics have been bought for Java, lawns for Rangoon, and fancy shirtings and dress goods for the

Variety ('000 bales)	Week ended Sept. 20, 1940	Sept. 27, 1940	Sept. 29, 1939	Sept. 27, 1940
American	21.3	22.6	151	205
Brazilian	6.2	5.8	78	57
Peruvian, etc.	3.4	3.2	77	29
Egyptian	3.7	3.7	50	37
Sudan Sakel	0.5	0.6	35	7
East Indian	1.5	5.9	56	37
Other countries	5.1	4.4	32	38
Total	41.7	46.2	439	400

Source: Liverpool Cotton Association's Weekly Circular.

plants costing \$42 millions and eighteen shell-filling and bomb-loading plants costing \$108 millions. For the U.S. Chemical Warfare Service one \$26 millions arsenal and 26 commercial plants entailing an outlay of \$9 millions have been proposed. In the last war the Du Pont Company rendered valuable assistance to Great Britain by sending her large amounts of propellants and powders. At the present time the Tennessee Powder Company, operated by the same firm, is to supply the Allies with smokeless powder. In short, the American chemical industry is in a strong position to come to the material assistance of Britain by supplementing the Empire's chemical war effort.

Japan's Economic Vulnerability

Like Italy, Japan is not in a position to fight a long war if she is cut off from overseas sources of supply. True, she can feed herself, chiefly on rice; but, as the accompanying table shows, she is seriously deficient in the main raw materials required in war. Owing to the ban on the production of statistics, the table does not give figures for 1939; but the position remains substantially unchanged. Her metal industry has been expanded at a rapid rate in recent years and no efforts have been spared in the development of her ore resources. But her iron and steel industry still depends in a large measure on American scrap and on iron from Malaya

JAPAN'S PRODUCTION AND CONSUMPTION OF ESSENTIAL MATERIALS
(Estimates based on 1938 except where otherwise stated)

	Home Production Thous. tons	Estimated Consumption Thous. tons
Lead	12	100
Copper	75	210
Spelter	22	90
Tin	±	12
Iron ore (1936)	2,592†	5,500
Iron and steel scrap (1936)	Unknown	1,468*
Pig iron (1936)	2,950	3,900
Oil (incl. Sakhalin)	700	5,000
Rubber	±	46

* Imports. † 1935, including Korea and Manchukuo.
‡ Nil or negligible. || Including Korea and Manchukuo.

and British India. Similarly, her supplies of non-ferrous metals and steel-alloy metals are at present still largely derived from countries outside her sphere of influence. The defeat of China would enable her to draw a greater part of her metal requirements from that country, but the development of China's resources would take time. She is seriously deficient in oil and has to import virtually all her requirements of rubber, cotton and wool from sources that can be denied her by British and American sea-power. Again, like Italy, Japan has accumulated large stocks of scrap, oil, metals and other strategic materials that would enable her to dispense with imports for some months. If both the British and American navies were fully occupied elsewhere, Japan would no doubt repeat Italy's tactics of a stab in the back. But while America retains her freedom of movement, she cannot afford the imposition of an Anglo-American blockade except for a comparatively short period.

Dominions, especially South Africa. Rather better advices have been received from South America, and a few more orders have been obtained. Several Government contracts have been placed, but home trade purchases have continued to be restricted.

Grains.—The price of Canadian wheat has increased during the week, and the market has been very firm, due to the

From ('000 quarters)	Week ended Sept. 21, 1940	Sept. 28, 1940	Sept. 30, 1939	Sept. 28, 1940
Argentina	62	15	10,120	5,184
Atlantic America	48	81	1,509	1,422
Danube Region	46	42	1,089	671
S. & E. Africa	46	42	2,146	1,021
Indo-China, etc.	...	...	847	91
Total	156	138	14,711	8,499

† Incomplete since August 24th. Source: The Corn Trade News.

(Continued on page 441)

COMPANY MEETINGS

ALLIED INDUSTRIAL SERVICES LIMITED

PROFIT MAINTAINED—DIVIDEND 30 PER CENT.

The sixth annual meeting of the members of Allied Industrial Services, Limited, was held, on the 27th ultimo, at Netherwood Chambers, Bradford.

Mr W. H. Rhodes, who presided, said: I have considered it advisable, in view of prevailing conditions, that my speech should be in your hands at the same time as the accounts and directors' report. As such report is now in your possession I do not intend to comment upon the proposed allocation of profit, apart from stating that, whilst the year's trading results are almost equal to the record figures of last year, it has been necessary, in order to provide for higher taxation, to transfer to taxation reserve the sum of £128,390, an increased amount of £88,390 when compared with the relative figures of last year. In this connection I might add that we have already paid in advance a considerable sum against our income tax liability.

Since I last addressed you many of our employees have joined His Majesty's Forces, and we have inaugurated a scheme of allowances for their benefit. A National Savings Group scheme has been instituted throughout the company, which has been welcomed by our people as an opportunity to contribute towards the war effort. Since the commencement of the present trading period our turnover has been maintained.

Before formally proposing the resolution adopting the accounts, it gives me very real pleasure to place on record my appreciation and thanks to everyone associated with the company for their unceasing and loyal efforts to maintain output, and I have every confidence that, despite all difficulties, these efforts on their part will be continued in the future.

The report and accounts were unanimously adopted, and a resolution was passed confirming the payment of the preference dividends for the two half-years to June 30, 1940, and the interim ordinary dividend already paid and sanctioning a final dividend of 20 per cent. actual for the year, making 30 per cent. for the year, less tax.

The formal business was duly transacted, and the proceedings terminated with a vote of thanks to the directors and staff.

(Continued from page 440)

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Sept. 21, 1940	Sept. 28, 1940	Sept. 30, 1939	Sept. 28, 1940
N. America	367	241	4,542	2,888
Argentina, Uruguay	293	176	3,737	2,150
Australia	...	...	7612	...
Russia	...	...	56	...
Danube and district	18	16	903	182
Other countries	...	...	268	...
Total	678	433	10,118	5,220

* Unobtainable. † 9 weeks. ‡ Incomplete.

Source: The Corn Trade News.

expansion of domestic consumption and the lack of offers by the Canadian Wheat Board. It is officially estimated that the Canadian carry-over will be over 500 million bushels, against 300 millions at the end of last season. There has been little interest in maize during the week, and the price has fallen. English barley and oats are also lower on the week.

Tin.—It was announced at the end of last week that plans had been approved for the construction of a tin smelter in the United States and it is expected that construction will begin as soon as the Defence Advisory Committee gives its approval. This is chiefly a defence measure and it seems likely that the plant will be abandoned at the end of the war. The price of tin in this country continued its upward movement until the end of last week but has since fallen back a little owing to lack of buying interest.

Coal.—The Central Committee of the Colliery Owners approved on October 2nd a scheme for making a levy of 6d. per ton on all disposable coal. The fund raised, which is expected to be about £5 millions, will be used to compensate collieries which have lost trade owing to the war; for example, the chief exporting districts, and those who suffer damage from enemy action which interferes with production. Most collieries not normally chiefly engaged in export trade report a fairly satisfactory demand for coal from home consumers.

Oils and Oilseeds.—The only changes in official prices for October are

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937 = 100)

	Home	Export	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—August	83	74	83	+ 18.9
Sept.	159	74	155	+ 24.0
Oct.	170	88	166	+ 38.1
Nov.	137	103	135	+ 14.4
Dec.	105	96	104	- 0.95
1940—Jan.	80	83	80	+ 48.2
Feb.	118	78	112	+ 49.3
March	156	93	152	+ 31.0
April	145	94	142	+ 31.0
May	131	112	128	+ 24.3
June	97	105	97	+ 4.3
July	82	94	83	+ 25.8
August	124	74	122	+ 47.0

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.

Source: Board of Trade Journal.

THE DECCA RECORD COMPANY, LIMITED

MAIDEN DIVIDEND

The eleventh annual general meeting of the Decca Record Company, Limited, was held, on the 27th ultimo, at Winchester House, London.

Sir C. F. Entwistle, K.C., M.P., the chairman, said that the balance from trading account amounted to £71,464—an increase of £29,534 over the figure for the previous year. After meeting various charges the profit was £66,276, against £50,012. The consistent increase in profits during the last few years was most gratifying, the figures having been:—

To March 31, 1937	15,831
To March 31, 1938	30,658
To March 31, 1939	50,012
To March 31, 1940	66,276

The maximum dividend on the preference shares of 16 per cent. per annum had already been paid and the directors recommended a dividend of 25 per cent., less tax, on the ordinary shares. The liabilities had been reduced during the last two years by £108,000.

Although the war had enhanced the value of gramophone records, the results now disclosed would have been at least as good had not the calamity of war overtaken the country, and the real fruits of their labours would not be enjoyed until peace had been once more established.

It was to be noted that 27 per cent. of the company's output last year represented export business, in addition to which they had received substantial sums as royalties from overseas countries, where records of the company's own recordings were manufactured and sold. That export business, however, was only made possible through the maintenance of their home business, as apart from that the export business by itself would be entirely unprofitable.

As mentioned in the report, the turnover for the current year to date showed a substantial increase; their company was now established on a solid foundation, and, despite the trials through which all were passing, the board felt amply justified in facing the future with confidence.

The report and accounts, with the dividend of 25 per cent. on the ordinary shares, were unanimously approved.

reductions of £2 10s. in raw linseed oil and crude niger seed oil, which now stand at £41 10s. and £38 per ton respectively. Edible oil production is on a substantial scale and supplies are sufficient to maintain the increased proportion of margarine in the half-pound a week ration of fats. Satisfactory allocations are also being made to technical users, particularly those engaged in export.

RETAIL FOOD PRICES

	Average price per lb. at			Per cent. increase since Sept. 1, 1939
	Sept. 1, 1939	Aug. 1, 1940	Aug. 31, 1940	
Beef, British:—	s. d.	s. d.	s. d.	%
Ribs	1 2¼	1 ¾	1 ¾	10
Thin flank	7½	9½	9½	25
Beef, chilled or frozen:—				
Ribs	9½	1 0½	1 0½	36
Thin flank	4¾	6	6	22
Mutton, British:				
Breast	1 3½	1 5¼	1 5¼	12
Legs	7½	8	8	7
Mutton, frozen:				
Legs	10¼	1 0	1 0	15
Breast	4	4	4	
Bacon	1 3	1 6¼	1 6½	23
Fish				50
Flour (per 7 lb.)	1 1½	1 1¼	1 1¼	
Bread (per 4 lb.)	2 ¼	2 6	2 6	7
Tea	3	4 ½	5	64
Sugar (granulated)	6 ½	7 ¾	7 ¾	15
Milk (per quart)	1 4 ½	1 6 ¾	1 6 ¾	13
Butter, fresh	1 3 ¼	1 6 ¾	1 6 ¾	22
Butter, salt	10	1 0 ¾	1 0 ¾	29
Cheese				
Margarine:				
Special	6 ½	9	9	36
Standard	2	2 ½	2 ¾	47
Eggs (each)	6 ½	9 ¼	9 ¾	47
Potatoes (per 7 lb.)				21
Index, All foods, weighted (July, 1914 = 100)	138	144	146	29

Source: Ministry of Labour Census.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the 9 days to September 30, 1940, total ordinary revenue was £25,506,000, against ordinary expenditure of £99,936,000 and issues to sinking funds of £125,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,162,936,000, against £309,248,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Sept. 30, 1939	Apr. 1, 1940, to Sept. 30, 1940	Week ended Sept. 30, 1939	9 days ended Sept. 30, 1940
ORDINARY REVENUE					
Income Tax...	510,500	53,010	95,111	1,734	4,083
Sur-tax...	83,000	8,900	11,690	70	280
Estate, etc.,	86,100	40,210	40,840	1,280	220
Duties...	19,000	8,930	7,528	350	638
Stamps...	70,000	12,140	10,930	440	540
N.D.C.	...	...	26,382	...	1,512
E.P.T.	...	...	...	...	...
Other Inland Revenue ...	1,000	390	220	20	10
Total In. Rev.	769,600	123,580	192,701	3,894	7,283
Customs ...	309,350	132,639	144,868	7,293	5,731
Excise ...	213,550	61,250	85,100	1,958	13,497
Total Customs and Excise...	522,900	193,889	229,968	9,251	19,228
Motor Duties P.O. (Net Receipts) ...	35,000	8,511	9,493	...	...
Crown Lands Receipts from Sundry Loans	13,291	2,754	6,600	1,050	1,050
Mis. Receipts	1,150	650	550	30	10
Total Ordinary Revenue ...	1,360,191	338,464	452,518	14,068	25,506
SELF-BAL. Post Office and Broadcasting	86,222	39,546	40,850	2,200	2,600
Total	1,446,413	378,010	493,368	16,268	28,106

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Sept. 30, 1939	Apr. 1, 1940, to Sept. 30, 1940	Week ended Sept. 30, 1939	9 days ended Sept. 30, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	113,885	114,937	2,585	1,481
Payments to N. Ireland	9,400	3,663	3,749	388	430
Other Cons. Fund Serv.	7,600	3,463	3,440	81	55
Total	247,000	121,011	122,126	3,054	1,966
Supply Serv.	321,970	521,515	1,488,010	361,500	979,770
Total Ordinary Expenditure	346,670	642,526	1,610,136	392,044	993,636
SELF-BAL. Post Office and Broadcasting	86,222	39,546	40,850	2,200	2,600
Total	355,302	682,072	1,650,986	414,044	1,025,236

The 1939 figures include expenditure out of defence loans.
After increasing Exchequer balances by £285,805 to £2,986,747, the other operations for the week (no longer shown separately) raised the gross National Debt by £72,118,000 to about £10,108 millions. (An analysis of the position of the National Debt appears on page 428).

MONTH'S CHANGES IN DEBT

Net INCREASES (£ thousands)		Net REPAYMENT	
Treasury Bills	42,423	4½% Conv. Loan	155
Nat. Sav. Certs.	9,300		
3% Def. Bds.	7,240		
2½% War Bds.	40,350		
"Other debt"	2,256		
Ways and Means	30,870		
Treasury deposits	94,000		
	226,439		155

OTHER ISSUES (NET) (£ thousands)		OTHER RECEIPTS (NET) (£ thousands)	
Anglo-Turkish Agreement Act	35	P.O. and Telegr.	2,800
Overseas Trade Guar.	26		
Housing Act	15		
	76		2,800

AGGREGATE ISSUES AND RECEIPTS

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

(£ thousands)		(£ thousands)	
Ordinary Exp.	1,610,136	Ord. Revenue.	452,518
Misc. Iss. (net)	4,202	Gross. borr.	1,167,730
Inc. in balances	592	Less—	
		Sinking fds.	5,318
		Net borrowing.	1,162,412
	1,614,930		1,614,930

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1939						
Sept. 30 1940	510.0	676.8	49.1	...	1235.9	725.9
June 22 '29	755.0	861.1	42.3	...	...	1658.4
July 6 '13	785.0	856.0	36.6	...	...	1662.6
" 13	800.0			Not available		
" 20	815.0			"		
" 27	826.0	906.5	43.6	"	30.0	1806.2
Aug. 3 '10	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 '21	836.0			Not available		
" 14	836.0			"		
" 21	836.0			"		
" 30	836.0	1085.1	91.5	"	124.0	2136.7

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 15th; France, of June 8th; Switzerland, of June 15th; Java, Egypt, of June 22nd; Greece, Yugoslavia, of June 29th; Prague, Rumania, of August 31st; Australian Commonwealth Bank, National Bank of Bulgaria, Banque Mellie Iran, South African Reserve Bank, of September 21st; South Africa, and International Settlements, of September 28th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Oct.	Sept.	Sept.	Oct.
RESOURCES	1939	1940	1940	1940
Gold certifs. on hand and due from Treas.	14,696	18,756	18,813	18,953
Total reserves	15,030	19,112	19,203	19,328
Total cash reserves	325	344	348	328
Total U.S. Govt. sec.	2,705	2,434	2,434	5,650
Total bills and sec.	2,804	2,463	2,447	2,438
Total resources	18,633	22,527	22,462	22,617
LIABILITIES				
F.R. notes in circ.	4,732	3,396	5,406	5,464
Excess mr. bank res.	5,360	6,530	6,532	6,720
Mr. bank reserve dep.	11,672	13,624	13,703	13,800
Govt. deposits	469	790	793	678
Total deposits	12,916	15,964	16,021	16,065
Total liabilities	18,633	22,527	22,462	22,617
Reserve ratio	85.2%	89.5%	89.6%	89.6%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	16,958	21,093	21,166	21,271
Treas. & bk. currency	2,920	3,040	3,041	3,046
LIABILITIES				
Money in circulation	7,309	8,084	8,090	8,172
Treas. cash and dep.	2,719	3,101	3,091	2,972

BANK OF CANADA.—Million Can.\$

	Sept.	Aug.	Sept.	Sept.
	1939	1940	1940	1940
ASSETS				
Reserve: Gold	225.7	...	...	...
Other	50.4	2.7	14.3	23.1
Securities	194.0	551.3	555.6	558.3
LIABILITIES				
Note circulation	203.2	306.5	312.9	320.2
Deposits: Dom. Govt.	36.5	32.9	16.9	40.2
Chartered banks	210.2	215.5	225.8	206.2

† Gold and foreign ex. transferred to Foreign Exchange Control Board against securities.

BANK OF LATVIA.—Million lats

	July	July	July	July
	1939	1940	1940	1940
ASSETS				
Gold coin and bullion	97.87	71.54	71.53	71.54
Foreign currency	36.14	29.29	29.22	29.16
Short-term bills	52.27	74.37	75.01	88.08
Loans against securities	90.84	149.1	148.50	145.91
LIABILITIES				
Notes in circulation	81.00	123.3	125.58	123.33
Deposits & current acc.	138.46	124.9	124.01	139.72
Government accounts	65.70	66.7	66.47	64.72

NATIONAL BANK OF HUNGARY

Million pengős				
	June	May	June	June
	1939	1940	1940	1940
ASSETS				
Gold coin and bullion	124.1	124.1	124.1	124.1
Rupee coin	95.9	59.1	59.1	59.5
Int. bills, wts., & sec.	424.0	615.6	646.5	628.9
Advances to Treasury	298.6	343.1	343.1	342.8
LIABILITIES				
Notes in circulation	832.3	948.1	1039.7	1020.6
Sight liabilities	193.9	244.9	186.4	177.1
Cash certificates	99.0	93.5	93.5	93.5

BANK OF JAPAN.—Million yen

	Aug.	Aug.	Aug.	Aug.
	1939	1940	1940	1940
ASSETS				
Coin & bullion: Gold	501.3	501.3	501.3	501.3
Other	46.1	27.2	24.2	23.6
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts and advances	448.3	870.7	719.0	797.6
Government bonds	149.7	252.0	244.7	240.9
Agencies' accounts	255.8	266.2	260.9	282.0
LIABILITIES				
Notes issued	2243.5	3334.5	3264.9	3296.7
Deposits: Government	511.8	792.9	763.9	698.4
Other	84.5	85.1	94.8	93.1

BANK OF ESTONIA

Million Estonian kronas				
	July	June	July	July
	1939	1940	1940	1940
ASSETS				
Gold coin & gold bullion	40.90	40.91	47.72	47.83
Net foreign exchange	8.73	5.77	47.72	47.83
Home bills discounted	11.00	20.58	22.47	22.82
Loans and advances	14.29	38.19	33.73	37.70
LIABILITIES				
Notes in circulation	55.12	85.14	87.30	95.29
Sight dep., of which:	21.74	25.60	25.85	23.64
(a) Government	8.24	13.64	12.46	10.87
(b) Banks	10.92	7.81	8.03	7.56
Reserve ratio	64.6%	42.2%	42.2%	40.2%

BANK OF LITHUANIA.—Million litas

	July	Apr.	May	July
	1939	1940	1940	1940
ASSETS				
Gold	62.17	57.45	57.45	66.29
Silver and other coins	12.92	6.78	6.85	6.41
Discounts	91.78	137.39	143.41	158.42
Advances	26.88	30.62	33.18	37.64
LIABILITIES				
Bank notes in circulatn.	152.82	171.39	168.98	199.80
Current accounts	35.42	54.95	61.44	68.07
Deposits	6.82	38.47	47.43	35.35

RESERVE BANK OF INDIA

Million rupees				
	Aug.	Aug.	Sept.	Sept.
	1940	1940	1940	1940
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	351	349	348	332
Balances abroad	254	269	307	321
Sterling securities	1,315	1,315	1,315	1,315
Indian Gov. rupee sec.	496	496	496	496
Investments	88	87	87	84
LIABILITIES				
Notes in circ.: India	2,211	2,193	2,221	2,213
Burma	123	122	124	127
Deposits: Govts.	143	138	140	137
Banks	372	403	402	429
Reserve ratio	67.6%	67.6%	67.9%	68.0%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s				
	Aug.	Aug.	Aug.	Aug.
	1939	1940	1940	1940
ASSETS				
Gold and stg. exch.	2.80	15.89	15.03	14.99
Advances to State	19.63	25.23	26.00	26.58
Investments	3.66	2.54	2.54	2.54
LIABILITIES				
Bank Notes	15.80	19.72	19.78	20.09
Demand liab.: State	1.45	5.09	5.09	4.88
Banks and others	12.02	22.07	16.67	17.25
Reserves to sight liab.	28.1%	36.2%	35.6%	35.6%

BANK OF SWEDEN.—Million kronor

	July	June	July	July
	1939	1940	1940	1940
ASSETS				
Gold reserve	616.3	834.2	719.4	722.9
Secondary cover:				
Swedish assets	226.1	894.9	848.4	783.1
Foreign assets	472.8	436.6	547.9	554.6
LIABILITIES				
Notes in circulation	983.5	1478.0	1402.3	1388.9
Deposits: Government	364.4	88.4	94.2	39.2
Banks & others	560.3	51.6	82.5	123.0
Reserve ratio	64.6%	42.2%	42.2%	40.2%

CENTRAL BANK OF TURKEY

Million Turkish pounds				
	June	June	June	June
	1940	1940	1940	1940
ASSETS				
Gold	110.6	110.3	110.3	110.3
Clearing and other exch.	23.5	21.8	21.5	21.5
Treasury bonds	139.4	139.4	139.4	139.4
Commercial bills	241.7	251.4	252.2	254.8
Securities	56.3	56.4	56.5	56.6
Advances	10.4	14.3	16.4	15.7
LIABILITIES				
Notes in circulation	337.4	351.9	351.9	354.9
Deposits	111.2	109.2	110.7	111.1
Clearing & other exch.	28.2	26.9	29.7	30.3

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates were fixed by the Bank of England between September 27th and October 3rd. (Figures in brackets are par of exchange.)
U.S. \$ (4-86½) 4-02½-03½; mail transfers, 4-02½-03½. Can. \$ (4-86½) 4-43-47; mail transfers, 4-43-47. Sw. fr. (25-22½) Sept. 22-30, 17-60-70; Oct. 1, 17-55-55; Oct. 2-3, 17-45-55. 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. 176½-34. Portuguese Esc. (110) 99-80-100-20. Panama, 4-02-04; mail transfers 4-02-04½. Philippine (peso), 8-09-12; mail transfers, 8-09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ½ cent. pm.-par. Canada, ½ cent. pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia, 1½ cent. pm.-par.

MARKET RATES

London on	Par of Exchange per £	Sept. 27, 1940	Sept. 28, 1940	Sept. 30, 1940	Oct. 1, 1940	Oct. 2, 1940	Oct. 3, 1940
Budapest, Pen.	27.82	191½*	191½*	191½*	191½*	191½*	191½*
Belgrade, Din.	276.32	155*	155*	155*	155*	155*	155*
Sofia, Lev.	673.66	2008(g)	2008(g)	2008(g)	2008(g)	2008(g)	2008(g)
Heilsingfors, Mk	193.23	175-205	175-205	175-205	175-205	175-205	175-205
Alexandria, Pst	97½	37½*	37½*	37½*	37½*	37½*	37½*
Madrid, Pt.	25-22½	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Istanbul, L.T	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Bucharest, Lei	813.8	515*	515*	515*	515*	515*	515*
India, Rup.	118d.	17½e	17½e	17½e	17½e	17½e	17½e
Kobe, Yen.	124.56d.	137½-14½	137½-14½	137½-14½	137½-14½	137½-14½	137½-14½
Hongkong, \$	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½
Rio, Mil.	15-899d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	95*	95*	95*	95*	95*	95*
Lima, Sol. (s.)	17.38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	11d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	28d.	28½e-3½	28½e-3½	28½e-3½	28½e-3½	28½e-3½	28½e-3½
Shanghai, \$	11d.	31½-3½	31½-3½	31½-3½	31½-3½	31½-3½	31½-3½
Batavia, Gd.	64	64	64	64	64	64	64

* 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. (f) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended	Aggregate January 1 to	Week ended	Aggregate January 1 to
	Sept. 30, '39	Sept. 28, '40	Sept. 30, '39	Sept. 28, '40
Working days:	6	6	230	231
Birmingham	1,800	1,688	89,666	85,409
Bradford	1,274	2,915	33,325	64,516
Bristol	1,742	2,107	52,135	70,048
Hull	786	580	30,339	28,630
Leicester	648	623	27,167	28,766
Liverpool	4,817	5,058	191,477	218,470
Manchester	9,467	9,849	365,290	434,479
Newcastle	1,186	1,293	57,596	50,321
Nottingham	383	405	18,599	16,361
Sheffield	429	421	39,409	25,240
10 Towns	22,532	24,939	905,003	1,022,330
Dublin	...	...	...	...
Southampton	...	...	...	...
† Clearing begun May 14, 1940.	...	...	...	...

MONEY RATES, LONDON

The following rates remained unchanged between September 27th and Oct. 3rd. — Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 12 months, 1½%. Treasury bills: 2 months, 1½%; 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Short loans, 1-1½%. Bank deposit rates, 12%. Discount deposits, 12% call, 12% at notice, 12%.

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
Sept. 27, 1940 237½ 23½ Oct. 2, 1940 237½ 23½
Oct. 3, 1940 237½ 23½

NEW YORK EXCHANGE RATES

New York on	Sept. 26, 1940	Sept. 27, 1940	Sept. 28, 1940	Sept. 30, 1940	Oct. 1, 1940	Oct. 2, 1940	Oct. 3, 1940
London —							

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, Jan. 1 to Oct. 2, 1940		Last Dividends		Name of Security		Price, Oct. 2, 1940	Ch'ge since Sept. 25	Yield Oct. 2, 1940	Shipping			
High	Low	(a)	(b)	(c)								
Railways												
10	31 $\frac{1}{2}$	Nil	Nil		B.A. Gr. Stn. Ord.	41 $\frac{1}{2}$	1	5	167 $\frac{1}{2}$	5/9	6	c
9 $\frac{1}{2}$	47 $\frac{1}{2}$	Nil	Nil		Can. Pac. Com. \$25	50	1	Nil	32/10 $\frac{1}{2}$	27/3	2	a
52	22	3 $\frac{1}{2}$ c	1 $\frac{1}{2}$ a		Gt. Western Ord.	28	...	12 10 0	31/11 $\frac{1}{2}$	20/3	4	a
80	34 $\frac{1}{2}$	5 c	2 $\frac{1}{2}$ a		LNER 5% Pref. 1935 ...	50	...	10 0 0	34/10	20/3	4	a
60	20	4 c	2 a		Do. 4% 1st Pf.	27 $\frac{1}{2}$	...	14 10 9	3/3	17/1 $\frac{1}{2}$	9	c
24	9	Nil	1 $\frac{1}{2}$ c		L.M.S. Ord.	11 $\frac{1}{2}$	...	13 0 0	60/33 $\frac{1}{2}$	23/11 $\frac{1}{2}$	20	c
65 $\frac{1}{2}$	23 $\frac{1}{2}$	2 b	2 a		4% Pf. 1923	30 $\frac{1}{2}$	...	13 2 3	27/7 $\frac{1}{2}$	14/6	17 $\frac{1}{2}$ b	12 $\frac{1}{2}$ a
70 $\frac{1}{2}$	35	2 b	2 a		4% Pf.	43 $\frac{1}{2}$	...	9 4 0	73/3	35/-	16	b
65 $\frac{1}{2}$	24	1 $\frac{1}{2}$ c	1 $\frac{1}{2}$ c		Lon. Trans. "C"	26 $\frac{1}{2}$	-1 $\frac{1}{2}$	5 13 2	81/10 $\frac{1}{2}$	28/9	120 c	15 c
22	7	Nil	1 $\frac{1}{2}$ c		Southern Def.	40 $\frac{1}{2}$	...	13 3 0	80/-	45/6	7 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a
79	35 $\frac{1}{2}$	5 c	2 $\frac{1}{2}$ a		Do. 5% Pf. Ord.	40 $\frac{1}{2}$	...	12 7 0				
104	58 $\frac{1}{2}$	2 $\frac{1}{2}$ a	2 $\frac{1}{2}$ b		Do. 5% Pf.	71 $\frac{1}{2}$	...	7 0 0				
Banks and Discount												
67/9	49/-	10 b	7 $\frac{1}{2}$ a		Alexanders £2, £1 pd.	50/-	-1 3	7 0 0	62/6	38/9	7 $\frac{1}{2}$ b	5 a
342 $\frac{1}{2}$	316 $\frac{1}{2}$	6 a	6 b		Bank of England	326	+1	3 13 9	44/3	23/9	5 b	Nil a
451	43 $\frac{1}{2}$	8 c	8 c		Bk of Montreal \$100...	...	...	...	44/6	27/6	m29	31 a
30/9	19 $\frac{1}{2}$	7 b	5 b		Bk. of N. Zealand £1	23/9	...	6 15 0c	56/-	28/9	8 $\frac{1}{2}$ b	3 b
73/3	46/6	7 b	5 a		Barclays Bank £1	60/6	-1/4	4 12 6	107/6	53/1 $\frac{1}{2}$	120 c	119 $\frac{1}{2}$ b
9 $\frac{1}{2}$	5 $\frac{1}{2}$	5 b	5 a		Chd. of India £5	67 $\frac{1}{2}$	+3/8	7 5 3	60/-	42/6	7 a	10 b
52/-	45/-	5 b	5 a		District B. £1 fy. pd.	48/9	...	4 2 0	52/6	32/6	12 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a
495	452	42 $\frac{1}{2}$ a	42 $\frac{1}{2}$ a		Hongkong and S. \$125	46 $\frac{1}{2}$	-1/4	7 15 0	65 $\frac{1}{2}$	27	4 c	4 c
54/6	30/-	6 b	6 a		Lloyds £5, £1 pd.	42/6	-1/8	5 13 0	38/9	19/9	9 c	12 c
84	51 $\frac{1}{2}$	7 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a		Martins £20, £2 $\frac{1}{2}$ pd.	77 $\frac{1}{2}$	+2/-	4 2 6	101 $\frac{1}{2}$	4	5 c	Nil c
85/-	68/-	8 b	8 a		Midland £1, fy. pd.	77 $\frac{1}{2}$	+2/-	4 2 6	28/6	16/3	15 a	25 b
58	4	5 b	5 a		Nat. Dis. £2 $\frac{1}{2}$ fy. pd.	43 $\frac{1}{2}$	+1/8	5 5 0	34	17 $\frac{1}{2}$ a	20 b	20 b
32 $\frac{1}{2}$	23 $\frac{1}{2}$	8 b	8 a		N. of Ind. £25, £12 $\frac{1}{2}$ pd	24	-1/4	8 6 6	28/6	16/3	25 b	3 a
64/9	39	7 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a		Nat. Prov. £5, £1 pd.	50/6	-1/7	5 18 6	93/9	64/4 $\frac{1}{2}$	20 b	5 a
69/9	38 $\frac{1}{2}$	8 $\frac{1}{2}$ b	8 $\frac{1}{2}$ a		Royal Bk. of Scotland	395	...	4 6 0	40/6	25/-	5 b	2 a
406	29 $\frac{1}{2}$	6 $\frac{1}{2}$ a	3 $\frac{1}{2}$ a		United Discount £1 ...	33/6	-1/6	5 19 0	33/9 $\frac{1}{2}$	17/6	5 b	3 a
85/-	46/-	9 b	9 a		Western £4, £1 pd.	66/6	+6	5 8 0	13/9	5/-	5 c	Nil c
Insurance												
248	15 $\frac{1}{2}$	40 a	50 b		Alliance £1, fully pd.	201 $\frac{1}{2}$	+1/2	4 7 9	611 $\frac{1}{2}$	35/6	+15 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a
1318	8 $\frac{1}{2}$	6/-	4/6 a		Atlas £5, £14 pd. ...	956	+1/6	16 6 6	489/8	4301/4	\$2-25 c	\$2-00 c
1668	82 $\frac{1}{2}$	+25 b	+22 $\frac{1}{2}$ a		Pearl (£1), fy. pd. ...	1214	-1/4	3 17 6	12/3	9/-	5 a	7 b
1518	95 $\frac{1}{2}$	6/- a	6/- b		Phoenix £1, fy. pd. ...	111 $\frac{1}{2}$	...	4 5 4	54/3	15/-	4 $\frac{1}{2}$ a	5 $\frac{1}{2}$ a
284	1614	+84-075c	+121 $\frac{1}{2}$ a		Prudential £1 A	1912	...	4 6 0	24/6	20	15 b	3 a
814	7	19 b	11 a		Royal Exchange £1 ...	634	...	4 10 6	67/6	20	15 b	3 a
7	414	110 b	13 $\frac{1}{2}$ a		Sun Lf. Ass. £1 fy. pd.	514	...	5 0 9	54/41 $\frac{1}{2}$	25/-	15 a	23 $\frac{1}{2}$ b
Investment Trusts												
498	470	14 b	11 a		Alliance Trust	475	...	5 9 2	87/6	45/-	7 $\frac{1}{2}$ a	12 $\frac{1}{2}$ b
1877	170	3 $\frac{1}{2}$ a	8 $\frac{1}{2}$ b		Anglo-Am. Deb.	170	-10	7 0 0	23/7 $\frac{1}{2}$	13/9	4 a	6 b
188	139	6	8		Deben. Corp. Suk.	139	-1	7 4 0	17/6	12/6	15 b	3 a
187	155	5 a	8 b		Invest. Trust Def.	160	...	8 2 0	61/6	36/3	12 $\frac{1}{2}$ b	2 $\frac{1}{2}$ a
163 $\frac{1}{2}$	139	3 a	7 b		Trustees Corp. Ord.	145 $\frac{1}{2}$	...	6 16 0	57/9	35/-	10 b	3 $\frac{1}{2}$ a
175	140 $\frac{1}{2}$	6 b	4 a		United States Deb.	152 $\frac{1}{2}$	...	6 11 0	45/6	29/6	5 b	5 a
Breweries, &c.												
125/6	96/3	+20 b	15 a		Bass Ratcliff Ord. £1.	106/-	+2/-	4 14 0	69/9	59/9	13 $\frac{1}{2}$ a	30 a
57/6	36/3	11 b	5 a		Courage Ord. £1	39/6	-6d	4 4 0	68/-	41/3	11 $\frac{1}{2}$ b	13 $\frac{1}{2}$ a
40/3	46/-	6 $\frac{1}{2}$ a	10 b		Distillers Ord. £1	56/-	+6d	5 17 0	52/6	38/9	7 $\frac{1}{2}$ b	5 a
76	47/-	11 a	14 b		Guinness Ord. £1	68/-	+6d	6 17 0	28/3	15/-	22 $\frac{1}{2}$ c	28 $\frac{1}{2}$ a
85	47/-	6 a	7 $\frac{1}{2}$ a		Ind. C. Co. & Alth. £1	63/-	-1/7	7 8 0	38/9	50	20 a	20 a
52/9	30/6	16 a	11 b		Watney Combe & D. £1	39/-	-3/-	8 14 0				
Iron, Coal and Steel												
6/6	31/-	10 c	10 c		Baldwins 4/-	4/4 $\frac{1}{2}$	+7 $\frac{1}{2}$ d	9 2 9	65/7 $\frac{1}{2}$	26/3	95 c	95 c
74/7 $\frac{1}{2}$	13/1 $\frac{1}{2}$	15 c	+10 b		Brown (J.) Ord. 10/-	21/3	...	7 1 0	11/9	6/3	13 $\frac{1}{2}$ a	13 $\frac{1}{2}$ b
8/9	3/6	6 b	4 a		Cammell Laird 5/-	5/6	...	9 1 9	51/3	22/6	10 b	3 $\frac{1}{2}$ a
24/7 $\frac{1}{2}$	11/3	3 a	5 b		Colvilles Ord. £1	17/-	+11 $\frac{1}{2}$ d	9 8 0	11 $\frac{1}{2}$ b	95	95	95 a
28/11 $\frac{1}{2}$	12/6	10 c	10 c		Dorman Long Ord. £1	17/9	+17 $\frac{1}{2}$ d	11 12 0	46 $\frac{1}{2}$	25/3	Nil c	Nil c
67/11 $\frac{1}{2}$	13/1 $\frac{1}{2}$	14 b	14 b		Guest Keen & Co. Ord. £1	19/3	+3d	12 6 1	11 $\frac{1}{2}$ a	5 $\frac{1}{2}$	25	25 b
27/9	13/1 $\frac{1}{2}$	15 b	7 $\frac{1}{2}$ a		Hedfields 10/-	20/-	+13 11	5 0	16/-	7/-	10	10 a
27 $\frac{1}{2}$	11/3	2 a	5 $\frac{1}{2}$ b		Powell Duffryn £1 ...	12/-	-6d	12 10 0	67 $\frac{1}{2}$	75 b	75 a	75 a
Miscellaneous												
67/9	49/-	10 b	7 $\frac{1}{2}$ a		Assoc. P. Cement £1	57/6	...	4 7 0	30/-	Nil	Nil	Nil
342 $\frac{1}{2}$	316 $\frac{1}{2}$	6 a	6 b		Barker (John) £1	26/3	-3/9	3 16 0	39/-	31 a	39 c	39 c
451	43 $\frac{1}{2}$	8 c	8 c		Boots Pure Drug 5/-	39/6	+1/6	3 19 0	36/3	Aluminium £1	36/3	+1/3
30/9	19 $\frac{1}{2}$	7 b	5 b		Brit. Aluminium £1	36/3	+1/3	6 6 0	78/9	British Oxygen £1	58/9	+1/3
73/3	46/6	7 b	5 a		Brit. Oxygen £1	58/9	+1/3	5 16 0	33/9	Cable & W. Hist. £1	33/9	...
9 $\frac{1}{2}$	5 $\frac{1}{2}$	5 b	5 a		Cable & W. Hist. £1	33/9	...	11 16 0	37 $\frac{1}{2}$	Carreras 'A' Ord. £1	37 $\frac{1}{2}$	...
52/-	45/-	5 b	5 a		Dunlop £1	28/6	+6d	6 0 0	84/9	Ele. & Mus. Ind. 10/-	7/3	+6d
495	452	42 $\frac{1}{2}$ a	42 $\frac{1}{2}$ a		Ele. & Mus. Ind. 10/-	7/3	+6d	Nil	4	Ever Ready Co. 5/-	84/9	+3d
54/6	30/-	6 b	6 a		Gallaher Ltd. Ord. £1	4	+1/4	6 17 6	17/6	Gestetner (D.) 5/-	17/6	...
84	51 $\frac{1}{2}$	7 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a		Harrison & Cros. Dr. £1	72/6	...	6 18 6	26/3	Imp. Card. Ord. £1	26/6	+3d
85/-	68/-	8 b	8 a		Harrold £1	26/6	+1/3	5 6 0	8/9	Imp. Smelting £1	8/9	...
58	4	5 b	5 a		Imp. Card. Ord. £1	26/6	+3d	6 16 0	47/8	Imp. Tobacco £1	47/8	...
32 $\frac{1}{2}$	23 $\frac{1}{2}$	8 b	8 a		Imp. Smelting £1	8/9	...	4 14 0	10/6	International Tea 5/-	10/6	...
64/9	39	7 $\frac{1}{2}$ b	7 $\frac{1}{2}$ a		Inter. Nickel n.p.	...	...	5 14 6	21/3	Lever & Unilever £1	21/3	+1/3
69/9	38 $\frac{1}{2}$	8 $\frac{1}{2}$ b	8 $\frac{1}{2}$ a		International Tea 5/-	10/6	...	9 8 0	40/-	London Brick £1	40/-	+1/3
406	29 $\frac{1}{2}$	6 $\frac{1}{2}$ a	3 $\frac{1}{2}$ a		Lever & Unilever £1	21/3	+1/3	5 0 0	80/-	Lyons (J.) Ord. 'A'	80/-	...
85/-	46/-	9 b	9 a		London Brick £1	40/-	+1/3	5 0 0	35/-	Marks & Spen. 'A' 5/-	35/-	...
248	15 $\frac{1}{2}$	40 a	50 b		Lyons (J.) Ord. 'A'	80/-	...	5 9 0	34	Mural Box £1	34	...
1318	8 $\frac{1}{2}$	6/-	4/6 a		Marks & Spen. 'A' 5/-	35/-	...	5 7 0	67/6	Mure's £1 Ord.	67/6	...
1668	82 $\frac{1}{2}$	+25 b	+22 $\frac{1}{2}$ a		Mural Box £1	34	...	6 3 0	18/6	Pinchin & Johnson 10/-	18/6	+6d
1518	95 $\frac{1}{2}$	6/- a	6/- b		Mure's £1 Ord.	67/6	...	5 16 0	15/7 $\frac{1}{2}$	Ranks Ord. 5/-	15/7 $\frac{1}{2}$	...
284	1614	+84-075c	+121 $\frac{1}{2}$ a		Pinchin & Johnson 10/-	18/6	+6d	5 16 0	52/6xd	Spillers Ord. 5/-	52/6xd	...
814	7	19 b	11 a		Ranks Ord. 5/-	18/6	+6d	5 16 0	44/41 $\frac{1}{2}$	Tate and Lyle £1	44/41 $\frac{1}{2}$	...
7	414	110 b	13 $\frac{1}{2}$ a		Spillers Ord. 5/-	52/6xd	...	5 12 0	35/7 $\frac{1}{2}$	Tilling. Thos. £1	35/7 $\frac{1}{2}$	...
498	470	14 b	11 a		Tate and Lyle £1	44/41 $\frac{1}{2}$	...	5 12 0	15/41 $\frac{1}{2}$	Triplex Safety G. 10/-	15/41 $\frac{1}{2}$	+17 $\frac{1}{2}$ d
1877	170	3 $\frac{1}{2}$ a	8 $\frac{1}{2}$ b		Tilling. Thos. £1	35/7 $\frac{1}{2}$	...	5 19 0	80/-	Tube Investments £1	80/-	...
188	139	6	8		Triplex Safety G. 10/-	15/41 $\frac{1}{2}$	+17 $\frac{1}{2}$ d	5 19 0	55/-	Turner & Newall £1	55/-	...
187	155	5 a	8 b		Tube Investments £1	80/-	...	5 19 0	43/11 $\frac{1}{2}$	United Dairies £1	43/11 $\frac{1}{2}$	...
163 $\frac{1}{2}$	139	3 a	7 b		Turner & Newall £1	55/-	...	5 16 0	19/41 $\frac{1}{2}$	United Molasses 6/8	19/41 $\frac{1}{2}$	...
175	140 $\frac{1}{2}$	6 b	4 a		United Dairies £1	43/11 $\frac{1}{2}$	...	5 16 0	55/7 $\frac{1}{2}$	Woolwool Ord. 5/-	55/7 $\frac{1}{2}$	+7 $\frac{1}{2}$ d
125/6	96/3	+20 b	15 a		United Molasses 6/8	19/41 $\frac{1}{2}$	...	5 16 0				
57/6	36/3	11 b	5 a		Woolwool Ord. 5/-	55/7 $\frac{1}{2}$	+7 $\frac{1}{2}$ d	5 17 0				
40/3	46/-	6 $\frac{1}{2}$ a	10 b									
76	47/-	11 a	14 b									
85	47/-	6 a	7 $\frac{1}{2}$ a									
52/9	30/6	16 a	11 b									
Mines												
6/6	31/-	10 c	10 c		Ashanti Goldfields 4/-	43/9	...	8 4 0	95 c	95 c	95 c	95 c
74/7 $\frac{1}{2}$	13/1 $\frac{1}{2}$	15 c	+10 b		Burma Corp. Rs. 9	7/3	...	9 1 0	13 $\frac{1}{2}$			

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	5	4		
Batavia	Jan. 14, '37	4	3	Oslo	Sep. 22, '39	31	2		
Belgrade	Feb. 1, '35	6½	5	Paris	Jan. 3, '39	21	2		
Berlin	April	40	4	3½	Pretoria	May 15, '33	4	3½	
Buenos Aires	Jan. 25, '40	2½	2	2	Tallinn	Oct. 1, '35	4	3½	
Bucharest	May 5, '38	4½	3½	2	Riga	Feb. 17, '40	4½	5	5½
Budapest	Aug. 28, '35	3	3	2	Rio de Janeiro	May 31, '35	5	3½	
Calcutta	Nov. 28, '35	3	3	2	Rome	May 18, '36	5	4½	
Chile	June 13, '35	4	4½	2	Sofia	Aug. 16, '35	7	6	
Copenhagen	Oct. 9, '39	4½	5½	2	Stockholm	May 15, '36	3	3½	
Celsingfors	Dec. 3, '34	4½	4	2	Zurich	Nov. 25, '36	2	1½	
Hankow	May 14, '39	5	7	2	Tokio	Mar. 11, '38	3	285	3-46
Hongkong	May 11, '36	5	4½	2	Wellington	May 27, '40	3	2	
Ly. Fed. Res.	Aug. 26, '37	1½	1	2	Dublin	Sep. 28, '39	5	4	

NATIONAL DEBT

(See "GOVERNMENT FINANCE" on page 442.)

(Million £)

	Aug. 1, 1914	Dec. 31, 1919	Mar. 31, 1928	Mar. 31, 1939	Sept. 30, 1939†	Dec. 31, 1939†	Mar. 31, 1940†	June 30, 1940†	Sept. 30, 1940†
2½% Consols & Annuities	573	300	300	300	300	300	300	300	300
4% Consols	...	...	401	401	401	401	401	401	401
2% Conversion Loan	...	...	...	...	...	...	...	...	248
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
Other Great War Issues	...	...	3,569	...	...	...	...	...	...
2½% Funding Loan	...	...	200	200	200	200	200	200	200
2½% Funding Loan	...	...	101	101	101	101	101	101	101
3% Funding Loan	...	...	144	144	142	142	141	141	141
4% Funding Loan†	...	...	409	349	345	345	344	344	344
2½% N. Defence Bonds	...	...	100	100	100	100	100	100	100
3% N. Defence Loan	...	...	...	...	...	...	...	...	...
4% Victory Bonds‡	...	...	360	197	195	195	195	195	195
Treasury Bonds§	...	...	323	100	100	100	100	100	100
National Savings Certs.**	...	...	267	389	385	381	400	434	478
3% Defence Bonds	...	...	...	...	...	22	60	104	154
3% War Loan	...	...	...	...	...	99	300	300	300
2½% National War Bonds	...	...	...	...	...	43	227	...	...
Other Debt	...	...	...	...	...	2	7	22	...
External Debt¶	...	1,357	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Treasury Bills	...	1,107	829	892	1,187	1,470	1,428	1,626	1,921
Temporary Advances	...	1	243	13	28	49	65	61	37
Treasury Deposits by Bks.	...	...	...	...	...	...	...	...	124
Other Cap. Liabilities.....	654	8,033	8,026	8,163	8,475	8,816	8,942	9,451	10,106
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 the State's assets (e.g. debt from Exchange Equalisation Account), and including holdings of Public Departments. ‡ After deducting transfers for Death Duties. § Exchequer Bonds, 1914 and 1919. ¶ Includes American debt. ** Includes National Savings Bonds (about 3½ millions). †† Not available.

PROFITS BY INDIVIDUAL GROUPS

QUARTER ENDED JUNE 30, 1940

(See article on page 435)

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distilleries..	17	5,467,985	5,493,797	3,604,591	3,474,850
Canals and Docks	1	98,712	101,749	20,013	10,973
Electric Lighting & Power	9	3,101,364	3,183,865	1,692,057	1,695,463
Financial Land & Investmt.	46	7,287,264	8,409,522	4,272,534	5,243,138
Gas	7	1,679,229	1,673,312	826,340	620,262
Hotels and Restaurants	6	1,392,607	1,378,610	1,161,850	1,005,180
Iron, Coal and Steel	42	14,514,675	16,435,759	8,236,684	8,923,834
Motor Cycle and Aviation	10	4,126,361	6,187,154	1,683,721	1,857,150
Oil	9	8,836,306	9,453,890	5,020,956	5,340,886
Rubber	153	2,050,843	3,108,230	1,134,502	1,654,419
Shipping	16	4,747,265	4,559,675	1,463,446	1,189,227
Shops and Stores	24	5,661,681	6,294,758	2,633,783	2,823,377
Tea	41	849,713	1,011,710	459,290	459,162
Telegraphs, etc.	14	4,057,814	4,860,458	1,613,782	2,083,272
Textiles	14	2,769,485	4,500,094	1,764,000	2,736,808
Tramway and Omnibus	11	4,741,634	4,905,681	1,384,988	1,517,203
Trusts	58	5,471,819	5,281,235	3,102,663	2,820,052
Waterworks	6	757,384	814,250	207,314	256,446
Building Materials	20	1,608,322	1,756,526	1,025,321	864,813
Food, Confectionery, and Drink	22	3,460,781	4,321,785	2,577,921	2,588,673
Electrical Equipment	12	3,363,623	3,943,312	2,231,398	2,407,752
Newspapers, Printing, etc.	19	4,711,031	4,826,666	3,161,214	2,890,296
Tobacco	4	994,346	1,010,194	992,246	979,191
Warehouse and Trading	4	119,689	120,465	43,319	77,574
Other Companies	166	24,954,753	28,829,213	18,401,643	18,646,292
Total	722	116,824,686	132,461,911	68,715,636	72,166,295

The Chase National Bank.—Deposits, September 30, 1940, \$3,251,342,000, a new high figure, against \$3,190,823,000 June 29, 1940, and \$2,817,977,000 September 30, 1939. Total resources \$3,522,990,000 against \$3,472,779,000 June 29, 1940, and \$3,097,011,000 September 30, 1939. On September 30, 1940, capital was \$100,270,000 and surplus \$100,270,000, both unchanged. Undivided profits September 30, 1940, \$36,535,000 against \$33,821,000 June 29, 1940, and \$34,058,000 September 30, 1939. Earnings for third quarter 1940, 37 cents per share against 44 cents earned in third quarter 1939.

THE ECONOMIST

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OCTOBER 12, 1940

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The Next Phase

THE Brenner meeting and Mr Churchill's speech have clearly brought to an end the first phase of Britain's single-handed struggle against Totalitarian Europe. For the first time in this tragic year of war we have reason for a certain satisfaction. The hypnotising programme of aggression has at last fallen behind schedule. The armies which should have goose-stepped down the Mall weeks since are still encamped in Northern France. The Luftwaffe, which was first to destroy the Air Force, then our ports and harbours, then London itself, is lighter by 3,000 aircraft and 6,000 airmen, while London lives, our commerce flourishes and our fighting strength in the air is greater than it was in May. All this is material for sober self-congratulation. Nevertheless, the brilliant achievements of the last three months must not blind us to "the awful hazards in which we stand" nor lessen our resolution to accept the "long, dark months of trials and tribulations" which lie ahead.

The likelihood of a frontal attack on Britain is certainly less. The so-called Five-Point Air Plan against Britain which is being circulated in Berlin is a tacit admission of defeat, for although it forecasts a steady continuance of the raids on this country, the whole scheme is almost certainly one of attrition and not a preliminary to attack. The 500,000 men concentrated behind the invasion ports are probably there chiefly to prevent the dispersal of our forces to other theatres of war, also to draw off our bombers from more damaging work on German soil. Yet even if invasion is to be postponed, we need not suppose that the Dictators have met to plan another winter like the last. The fight is on. Our bombers visit Germany night by night. America is re-arming. There can be no lull; and if Britain is not to be defeated by a frontal attack, other ways must be sought to destroy her armed power and disrupt her Empire.

Germany may decide to strike West. Control of the Straits and of the Atlantic seaboard of North Africa would

not only isolate Britain in the Eastern Mediterranean, but would offer Germany new means of evading our blockade and of turning the tables on our Atlantic shipping, above all on our Empire trade route round the Cape. The ease of such an offensive depends upon the attitude of Spain and of Vichy France. Señor Suñer has returned home after a tour as non-committal on his side as it was loquacious on the part of his Axis hosts, and although Madrid is reported to be awaiting the arrival of Himmler and General De Bono, it seems that Spain is most unwilling to co-operate in an offensive on Gibraltar, and even Germany must realise that the Spaniards would make uncomfortable allies if they were forced into the war. It is possible, therefore, that Germany will concentrate upon the territories under the control of the weak and demoralised Vichy Government. In M. Baudouin they have a willing collaborator who sets "loyalty to his conquerors" above loyalty to allies, friends and one-time comrades-in-arms. German influence is already strong in French Morocco. The Dakar incident is a melancholy reminder of the situation which is developing further south. Given Vichy's compliance, Axis penetration can go forward uninterrupted, and it is hardly necessary in these circumstances to bring Vichy into the war. Such a step would only free the hands of the British Government, whose policy *vis-à-vis* the Pétain regime is an honourable but inconvenient determination to avoid hostilities.

West Africa can embarrass Britain's sea routes and supplies, but it does not cut her off from her Empire, nor does it solve Axis problems of supply. The Dictators are looking East, towards Suez and beyond, to the oilfields of the Near East and the land route to India. A dual campaign, a species of vast pincer movement round the Eastern Mediterranean, is one possibility. While the Italian armies strike from Sidi Barrani, Jarabub, Kassala, in a lightning attempt to reach the Canal, a German offensive—of which the occupation of Roumania and the

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from THE ECONOMIST

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establishment of airfields within bombing distance of Istanbul is a first manoeuvre—may well develop, following the old lines of the *Drang nach Osten*. Italy's share in the campaign would be the Dalmatian Coast and Greece. The events of the last months suggest that until the shores of the Bosphorus are reached the process of "bloodless incorporation" of the remaining Balkan States will not be interrupted by any serious show of local resistance. Britain, immobilised in Egypt, will, the dictators calculate, be in no position to send reinforcements; Turkey in isolation will not risk a firm stand; the Syrian armies are being systematically enfeebled by the Italian Disarmament Commission; Russia's passivity is assured. Thus, by the time Graziani has raised his standard at Ismailia, the Swastika will already be flying from the citadel of Jerusalem.

Fantastic as this account must appear, is it any more fantastic than an outline of Germany's summer campaigns would have seemed in March this year? Nevertheless, there are solid reasons for doubting whether the performance can be as sweeping as the plan. Just as the pre-condition of an easy invasion of Britain was the destruction of the Air Force, the clearing of the British fleet from the Eastern Mediterranean is an essential preliminary which has not been accomplished. Whether our ships are shelling the Egyptian coast road or patrolling the Aegean or sinking troop and supply ships from Taranto to Tobruk, they are adding enormously to the hazards of an advance, particularly through Anatolia, and at the same time they are stiffening the will to resistance of the countries who lie in Hitler's path.

In Turkey the Nazis will come upon a people as radically "renewed" by national revolution as they themselves. The Turks' fidelity to their British alliance has been a light in a dark world of cowardice, desertion and treachery. Backed by Britain's naval power, they are capable, if it comes to it, of transforming the primitive roads, the arid hills, the mud flats, the single-track railways of Anatolia into a guerilla's paradise. And Germany will not have the alternative of shipping her troops by sea. Germany's potential superiority in the air in the Balkans is undoubted. Yet the elaborate technical arrangements—ground staff, petrol supplies, repair shops—would create formidable problems the further the German forces advanced from their central European base.

Italy's problem in Egypt may appear more straightforward, but she has opposed to her some of our most seasoned troops; the co-operation of the Egyptians is assured once the battle is engaged, the terrain is difficult, the problem of supply even more so. Finally, if Britain knows how to mobilise the great sympathies of the Moslem

communities—which has been openly expressed by Moslem leaders from the Atlantic Coast to the frontiers of India—thousands of fighters of incomparable quality may be added to our military strength. Have we lost the power to repeat the Lawrence legend? The Levantine pincers movement may not seem impossible to a strategist with Hitler's swollen ambitions. But it would be far more difficult to execute than anything the German army has yet attempted.

Clearly we have before us months of the most strenuous campaigning. Where, as on the land and in the air, we are inferior in quantity we have, by energetic plans and still more energetic execution, to make good our deficit. Where, as on sea, we have a definite superiority, we must exploit it to the full. There must be no repetition of the tragic failure at Dakar. Those responsible for the lack of decision and foresight which allowed the expedition to be bungled must be removed, and the tradition of Oran and the earlier Dakar raid restored. Wherever we have mobility enough and strength enough to establish a local superiority, our advantage must be pressed home. The consequences will not be merely military. In the disillusioned French colonies, as among the hesitating Arab peoples, firm and successful action will have a profound psychological effect.

Obviously this new "activism" will place a heavy strain upon our naval resources. If they are bearing the brunt of the Near Eastern war and at the same time keeping open the way to our harbours, convoying our ships, patrolling the oceans and conducting local operations the length of the Atlantic seaboard, the task will take all, more than all, our reserves. All the more important, therefore, that America's help to us should not be confined to help in a future offensive but should, on the analogy of the 50 destroyers, reinforce us immediately in our defensive actions. This obvious need may be one reason why Germany has seen fit to draw the Far East into the orbit of the Western war. A crisis in American-Japanese relations at this point, if it concentrated America's naval forces in the Pacific, would be one gain for Germany's general offensive. It is doubtful, however, whether Japan will be so obliging as to attack the Philippines without a more concrete *quid pro quo* than Germany, imprisoned in Europe, is in any position to offer.

If we have reasons for apprehension, we have also reason to hope. The blow that has deflected invasion can be struck again provided the nation takes to itself the qualities of "constancy and valour" which the Prime Minister has offered us as our only shield. But it is not only a shield that we as a people have need of in our armoury. To our magnificent defence we must add as magnificent an attack. The sword must not stay in its sheath this winter.

Property Insurance

EVER since the Prime Minister in his speech five weeks ago announced a review of the question of the insurance of property against the risk of damage through air raids, it had been widely taken for granted that the review would lead to a reversal of the position hitherto adopted by the Government. On Tuesday, Mr Churchill confirmed this general expectation. Instead of a total absence of any possibility of insurance, public or private, against war risks, there is to be a comprehensive and compulsory Government scheme. A Bill is being drafted and will shortly be laid before Parliament.

This is a very satisfactory change of mind, the more so since the new scheme is to be retrospective. Clear thought on the subject of property insurance has hitherto been badly obscured by two quite separate examples of muddled reasoning. The first of these takes its rise from the manifest fact that, if there is serious damage to property, rebuilding must be postponed until after the war; and it draws from this the conclusion that the question of compensation not only can but must be left until after the war also, when it will have to be discharged according to the community's ability. But this line of argument

entirely ignores the structure of monetary assets and monetary claims that has been built up on fixed property and on which the solvency not merely of hundreds of thousands of individuals but also of a large number of financial institutions is dependent. The houses cannot be rebuilt until after the war, it is true; but the financial structure can be rebuilt immediately. Moreover, failure to rebuild it would cause an infinity of trouble. In the interval between the two wars, the ownership, as distinct from the tenancy, of houses by their occupiers spread very widely. But very few of these houses are free of debt. If there is no compensation, or only a shadowy and indefinite future compensation, nearly every house demolished would bring a personal insolvency in its train; and widespread insolvency of house-owners would seriously undermine the stability of all those institutions—building societies, insurance companies, banks—which have lent money on the security of bricks and mortar. This would be bad enough in itself; but the utterly capricious selection of victims for sudden bankruptcy would turn it into a social scandal. Compensation for damage done to immovable property is an excellent example of the way in which the financial

power of the State can be used in order to ensure that the social effects of the physical disasters of war can be reduced to a minimum.

The second fallacy from which discussion of the question has suffered has been the tendency to argue that nothing could be done because the problem was too big. But it is precisely if the extent of damage became really widespread that a compulsory scheme of spreading its incidence would be most necessary. The State might look the other way if there were thousands of bankruptcies; it could not ignore tens of thousands, and it would be stampeded by hundreds of thousands. When a building is demolished, the loss to the community is neither diminished by leaving the financial burden where it first falls nor increased by spreading it over the whole body of individuals. As with all the other problems of wartime finance, it is wrong to think of compensation for damaged property as a liability that "the State," an entity separate from the community of individuals, can assume or not as it chooses. In wartime the State is the community and the community is the State. It cannot avoid suffering the loss; the only question is whether it shall be shared equitably or inequitably.

The decision has now been taken to share it equitably. Part of the burden of damage to property—presumably the larger part—is to be placed on all owners of property; the remaining part is to be borne by the Exchequer—that is, by the general body of taxpayers or, even more widely, by all those who pay for inflation. The scheme is rightly to be compulsory, and it is to extend to "all forms of movable property, such as industrial plant, machinery, household effects, and other personal possessions."

The Bill will be eagerly awaited, and no useful purpose would be served by attempting to guess at its provisions. It may be, nevertheless, both useful and instructive to outline some of the practical problems with which it will have to deal.

The most obvious of these is the problem of assessment. On what value are premiums to be paid? One solution might be to take the value for which properties are already insured against fire. But these assessments are rarely the result of a strict valuation; as often as not, they are the owner's guess, or what he would like his property to be thought worth. They would provide rather a flimsy foundation for a compulsory tax. The only official set of valuations of property are those for Schedule A of the income tax (or the rateable value, which is usually the same figure). But, in addition to the fact that the basis of valuation appears to differ from one part of the country to another, there is the difficulty that the Schedule A valuation covers not only the value of the house but the value of the site on which it is built. As between town and country, there would be a certain rough justice in levying premiums on this valuation, as the heavier premiums would fall on the property subject to the bigger *prima facie* risk. But as between different sections of a city, this would hardly be so; the West End's risks are no greater than the East End's, but its valuations are much higher.

In the case of movable property, the difficulties are increased, as there is often—perhaps usually—no guide at all, not even a fire insurance valuation. If individuals are left to put their own valuation on their household effects and personal possessions, there will be a natural tendency for the poor risks—such as town-dwellers—to over-value and the good risks to under-value. The problem could be solved by Government re-insurance of policies written by insurance companies—but not if insurance is to be universal and compulsory. The valuation of the personal effects of every household in the country would be an impossibly large task. Perhaps the way out of the difficulty for dwelling-houses, once the principle of valuation for the houses themselves has been decided, will be to assume that the value of the contents is a fixed proportion of the value of the structure. Even so, plant and machinery would require special treatment.

The payment of compensation raises another string of questions. In the main, the purpose of compensation will be to finance re-building, and it will therefore not be required until after the war. But the valuation of the

amount of loss must clearly take place immediately, and in the interval the value of money may alter quite considerably. Mr Churchill promised that the Exchequer should underwrite the finance of the scheme; it may be suggested that its rôle should be to make good any difference in the monetary amount of compensation arising out of changes in the value of money, leaving the scheme to be otherwise self-supporting. But it is not in every case that compensation can be postponed until after the war. Some buildings will be rebuilt or at least repaired during the war and the money will be wanted at once. Even when a house is not immediately rebuilt, it does not follow that there is no need for compensation until after the war. The small owner-occupier, if his house is demolished, has to find and pay for alternative accommodation elsewhere, and the burden of continuing to pay interest for a house he cannot use might well be intolerable. It would be much better to let him draw his compensation at once and pay off his mortgage. If steps were taken to ensure that the mortgagee reinvested the sum he received, no interest of the community would be damaged. In fact, the proper solution would seem to be to give the owner the choice of drawing his compensation at once (provided it were not used for any but capital purposes) and of leaving it in the fund with the prospect of having it adjusted for any change in the value of money. With movable property such as household effects, the need for allowing some immediate payment and some replacement is even greater.

A third set of problems is raised by the incidence of the proposed compulsory premium. On whom should it be levied? Perhaps this is the most tangled question of all. No less than four persons may have an interest in a house—ground landlord, owner, mortgagee and tenant. The present state of the law concentrates financial responsibility on the owner. The tenant is enabled, in the event of damage, to divest himself of any obligations under lease, while the owner cannot so easily evade or adjust his liabilities to ground landlord or mortgagee. But the mortgagee has a definite interest in the insurance of the property, which is his security. If it were demolished and there were no compensation, he would have to rely on the remaining assets of the mortgagor, which would frequently—in fact, usually—be insufficient. This being so, the mortgagee should equitably bear his share of the premium. Even the ground landlord has an interest to protect, since if the destruction of the property happened to coincide with the expiry of the lease, he would have a worthless property on his hands. Since he, too, will gain from insurance, he, too, should pay a portion of the premium. It would be indefensible to leave the whole burden on the owner. The only one of the four who can make a case in equity for exemption is the tenant. But he will, in fact, bear part of the burden wherever houses are in demand and rents are not restricted.

Finally, there is the question of the amount of the premium and the machinery of collection. A figure of 2s. 6d. per cent. seems to have attained currency. But this is surely too small. Mr Oliver Stanley, when President of the Board of Trade, gave a figure of £10,000 millions for the value of the buildings of the country. A premium of 2s. 6d. per cent. on this would provide only about £12½ millions a year, and the extent of damage to buildings is certain to be many times that figure. The Prime Minister on Tuesday estimated that at the present rate of destruction it would take ten years to knock half of London down. That would suggest a rate of destruction of 5 per cent. per annum for London and, say, 2 per cent. for the whole country—though it would not, of course, be proper to charge differential rates of premium on property in different localities. Even with an element of Government subsidy and an allowance for growing mastery over the bomber, it would be difficult to justify a rate of less than 1 per cent. per annum unless it is intended to make the property owners of the post-war years pay retrospectively over a whole generation for the damage done during the war. As for collection, the simplest method would seem to be to collect from the owner. He is identified already through his liability to Schedule A income tax, and he is in a position to deduct the mortgagee's and ground landlord's shares. Moreover, if the suggestion made above for

treating the value of movable property as a fixed percentage of that of the structure were adopted, the premium for this, too, could be collected from the owner and added by him to the rent, thus obviating all the difficulties both of assessment and of collection from the millions of small homes. If this general line were followed, the machinery of the Collectors of Taxes could be used without being overloaded. To follow the suggestion of using the machinery of the insurance companies would be to repeat the error of National Health Insurance and create

German Rationing

MOST guesses about the state of morale in wartime Germany are just guesses, and after a year's experience of the problems of war economy we can no longer glibly write off the enemy's stringent rationing of food and other necessities as a proof of weakness. Food shortage does indeed undermine morale—and health—more than any other single factor, but measures to eke out existing supplies and provide against shortage in the future may be a source of encouragement. It is, in fact, not rationing that will break German morale, but the actual lack of food, and that is not likely yet, though the existence of so wide and so complicated a system of rationing will scarcely be an emollient to public temper if the strain of war continues and increases.

Germany entered the war with the whole apparatus of rationing complete. It was not a wartime measure, but part of the change-over from peace to war economy started almost as soon as the Nazis came into power. The rationing of food and other goods was only one section of the Nazi economic policy which included State control of trade, foreign exchange and raw materials, and its existence when hostilities began very likely contributed to the strengthening, rather than the weakening, of the home front in Germany. The fear of hunger still lingers among the German people as a legacy from 1918. They had not been well fed for a long time before this war, and any system calculated to guarantee regular rations, however small, and applied equally to all classes of the community, was bound to win approval.

What is the position now after twelve months of war? The system is stringent and the rations are small. Unlike the British system, German rationing is not confined to food. All textile goods, for instance, clothes, underwear and hosiery, are rationed, each person's annual quota of these goods being decided by a complicated system of points in which the various articles of wear have different values. Sewing thread and darning wool are rationed, which makes it more difficult to patch up old clothes in place of new, and there are ration cards for boots and shoes, coal and soap. In houses with central heating the tenants must hand over coal coupons. Soap must be sent with washing to the laundry. New soles for shoes are only permitted if patching is impossible.

But the core of the system is food rationing. First of all, the sale of some articles is forbidden altogether, such as coffee, whipped cream and a wide variety of sweets. Then there are the rationed foodstuffs: bread, flour, all sorts of meat (including sausages and cooked meats, but not poultry or game), all fats, milk, eggs, sugar, jam, marmalade, semolina, rice, macaroni, apples and coffee substitute. Finally, there are many goods which, though not rationed, are not easily obtainable, and for several of these purchasers have to register with retailers to prevent the buying up of hoards in small quantities at scattered shops. Only a limited range of fruit and vegetables can be got in season; it is often necessary to queue up to get leguminous vegetables and fish; and there is practically no real tea to be had.

Lord Woolton recently spoke of the need to administer British rationing "flexibly." This is attempted in Germany in order to mitigate the rigour of the rations and, as in Britain, to adapt them to the actual supplies of foodstuffs currently in hand. Personal tastes are slightly catered for by the permission to exchange sugar for marmalade, within narrow limits, or eggs for cheese or bread

a whole new set of vested interests similar to those of the approved societies. If the task can be accomplished by the State's own machinery, it would be foolish to employ any other.

The coming Bill, it is obvious, will be a severe test of the courage and ingenuity of its drafters. Their decisions, which must inevitably be made in a hurry, will have effects that will last for generations. The greater should be the hope that, in spite of the need for haste, adequate time will be found for Parliamentary discussion.

for cakes; and the whole rationing position is regularly reviewed. The German list of rations is fixed for short periods only, and although any changes are more often than not unimportant, the German people have come to regard these regular announcements as a sort of market report, and they study them as they have become accustomed to study the official list of maximum prices published every Sunday for several years.

These fixed prices are themselves a basic part of the German rationing system. Nominally, most articles, whether rationed or not, can be sold only at prices fixed by the authorities, and evasions are severely punished. It is widely remembered that in the last war illegal trading and profiteering thrived and caused great discontent in Germany. There are "black" markets even now, it is true, but it is generally believed that everyone is receiving a fixed ration at a fixed price—though the ration is often small and the price high—and the German is even more used to fixed prices than he is to rationing. Another feature of the system which wins popular approval is the special provision made for special sections of the working class, for expectant mothers, for instance, and for heavy workers. In Holland, where rationing has been ruthlessly imposed upon a great food-producing community, the Nazis have introduced a sort of family allowance in kind. Large families (that is, those including two or more children) with incomes below a standard limit can obtain margarine and butter at cheapened prices.

None of these facts—the German people's familiarity with rationing, the general pegging of prices, the system's element of flexibility or the concessions made to certain categories—can obscure the strictness of the rations themselves. They are fixed for the month: 4½ lb. of all sorts of meat, cooked as well as uncooked; 17 ounces of butter, the supply of which has temporarily improved since the occupation of Denmark and Holland; 12 ounces of margarine or oil; 6½ ounces of cooking fat; about 18 ounces of dried products such as rice, semolina, macaroni, etc.; 14 ounces of jam; 7 ounces of cheese; 14 ounces of coffee substitute; and 10½ ounces of bread *per day*. Compared with British rations,* some of these items may seem at first glance not ungenerous; but it should be realised that these are actually the maximum amounts that may be consumed. In this country, no ration cards are needed in cafés, restaurants, canteens or other catering establishments for any foodstuff. In Germany, not a single pat of margarine, lump of sugar, portion of meat or sandwich can be bought without handing over a coupon.

This, indeed, is a conspicuous difference between rationing here and there—the fact that the German ration (and very many more foodstuffs are rationed in Germany) represents the absolute upper limit of consumption. From this fact, which really reflects the more fundamental fact that food is plentiful in Britain and liable to run short in Germany, spring many of the important differences in the methods of rationing adopted in the two countries. There are close resemblances, of course. In Germany, as here, customers must register with particular retailers for cer-

* BRITISH RATONS per person PER WEEK

Meat (value)	2s. 2d.	† Butter	2 ozs.
Sugar	8 ozs.	† Margarine	4 ozs.
Tea	2 ozs.	† Cooking fat	2 ozs.

† All fats 8 ozs., but the proportions may be varied. The whole fat ration can be taken in margarine, but the butter and cooking fat rations (2 ozs. each) are maxima.

tain rations, while other rations can be bought at any shop. A chief difference is the wide use made in Germany of the indirect rationing already mentioned—whereby unrationed goods can only be bought from one specified shop; this applies not only to potatoes, the most popular of German foods, but also to fish, poultry, game and several vegetables. Moreover, the greater scope and strictness of rationing in Germany inevitably means greater complication and inconvenience. In this country the ration coupons are mainly in weekly units. Tea, sugar, margarine, butter and bacon are bought by the housewife weekly for the whole family. This is not possible in the Reich. For one thing, the fact that coupons have to be given up for meals in public eating places means that each member of the family must carry his own cards. It also means that the coupons must be divided into very small units; they are only valid for minute quantities and, in practice, only very small quantities are usually allowed to be sold at one time. Family catering on any large scale is made virtually impossible. There are separate ration cards for each rationed article, the British system of a single ration book (*Stammkarte*) having been abandoned; and housewives, with their host of coupons, have to engage in quite complicated book-keeping whenever they go out shopping. The German people have become used to this sort of thing; for years now merchants and industrialists have had to keep special clerks to deal with the official regulations about raw materials, currency and foreign exchange. It is even said that this bureaucratisation of the process of consumption is deliberately intended to discourage the marginal buyer.

Nor do the rigours of German rationing end with the wide scope and complexity of the actual rations. In addition, there are regulations restricting consumption by other means. On certain meatless days, butchers' shops are closed and no meat dishes may be cooked. The quality of the food sold is controlled. No fat can be used in the making of

the cakes sold in cafés and restaurants; the amount of malt in German beer has been drastically reduced; the bread sold in shops has to conform closely to regulations prescribing a mixture of flours; the manufacture of full-cream cheese is only allowed in certain summer months. The fact is that, while British rationing begins and ends with the ration books, German rationing only starts there.

All this makes up a very rigid regime and its strictness would not be an encouragement to the German people in times of real difficulty or possible defeat. Nevertheless, it is not a real weakness so long as the rations are large enough to ensure a sufficiency of food and clothing. The German workman is neither well fed nor well clad, but he is not hungry or ragged yet. It may indeed prove that another winter or, still more surely, two further winters, will bring out the most dangerous consequences of this ascetic system in the shape of ill-health and sickness. But at present German supplies are bolstered by loot from the conquered countries, where severe rationing has been introduced; and even the Balkan countries which export food to Germany, though they are nominally independent still, have been constrained to cut down the consumption of their own people.

In sum, then, Germany is in no danger of grave scarcity in the near future, and the Reich's complete system of rationing has been a great aid in conserving supplies and building up stocks. This is widely appreciated. For the time being the main disadvantage of rationing is its inconvenience and maddening complications. The people grumble, but they do not protest. In the long run, however, the situation may be very different. Actual shortage cannot be held permanently at bay. While British rations are intended to conserve shipping space and foreign exchange, German rations are designed to put off the evil day when the inability of Germany under war conditions to feed herself from her own resources will be made apparent; and that day cannot be put off for ever.

Industrial Casualties

IT is not by damage to property that enemy air raids do most harm to economic activity, but by the loss of working time in factories and offices during frequent warnings. Recognition of this fact has led to a distinction being drawn in the warning system between alert and alarm. It has given rise to Ministerial appeals to men to go on working in raids. Most important of all, perhaps, it has been the cause of an important innovation to safeguard workers' rights to compensation for injuries received while continuing work during warnings. For the first time in its 23 years of history the Ministry of Pensions is now to deal with injured workers.

Such compensation claims will be dealt with by the Ministry of Pensions instead of coming under workmen's compensation schemes. They will be dealt with under the Personal Injuries (Emergency) Scheme, brought in after war broke out to provide compensation for civilian sufferers from enemy action. Immediate assistance, allowances in case of need and pensions in case of prolonged and serious disability will be provided by the Ministry; and the uncertainty whether workmen's compensation would cover air-raid injuries will be removed, together with the probability that, even if it did, care and treatment would be insufficient.

Workmen's compensation has a bad name and a poor record. The first concern of most schemes under the Workmen's Compensation Acts is not to secure the recovery and reconditioning of claimants, but rather to compound claims for cash; insurance offices naturally favour lump sum settlements in serious cases in order to clear their books of continued liabilities; and, far too often, claimants are only too anxious to compound for cash down, regardless of their future health and wellbeing. The latest figures available show that, in 1938, not less than 7,626 cases of accident resulting in disablement for more than 26 weeks were compensated by lump sum payments, while the number of cases terminated where compensation had lasted more than 26 weeks, apart from the lump sum

payments, was 6,205. Under workmen's compensation, injured workers receive no medical benefit, and in cases of serious accident or disease the unspecialised medical treatment generally obtainable under national health insurance schemes is quite inadequate. Miss Ellen Wilkinson, as Parliamentary Secretary to the Ministry of Pensions, gave the new scheme for war injuries high commendation when she emphasised in her recent broadcast that "it has nothing to do with the Workmen's Compensation Act."

In most other industrial countries, the physical and occupational rehabilitation of the injured is a keynote in workmen's compensation. It is a common practice for surgical appliances and artificial limbs to be provided free, and lump sum settlements have mostly been abolished or reduced to a minimum. Specialised clinics and centres for after-care and training are provided to bring the injured back to health and work. In this country this has not been the practice at all, and many doctors, the British Medical Association itself and the Central Council for the Care of Cripples have long since protested against the aimlessness of a system which furnishes yet another illustration of what Lord Horder has called "the maze, the unwieldiness, the overlap, the un-economy, the lack of integration of our health services." Nor is it at bottom the fault of the insurance offices. It is the system that errs, the system of autonomous insurance schemes, for approved societies have not the means to finance the reconditioning of the nation's industrial injured, and there is no good reason—no incentive, prospective profit or statutory obligation—why offices should proceed with rehabilitation measures.

The record of the Ministry of Pensions, backed by the taxpayer's money, is very different. The Ministry's representative before the Royal Commission on Workmen's Compensation put it very simply: "The primary object of the Ministry is and always has been to make a man as fit again as possible." And the Ministry has a vast experience. Up to the end of March, 1938, compensation had been given, directly or to their dependants, to two out of

every five who served in the last war, and the keynote has been care, not cash. This has even proved economical. In many cases, when a man has claimed an increased pension because his disability has become worse, it has been found instead that his condition could be improved by treatment, and no increase in pension has been required. Special treatment is provided. As a supplement to its hospital organisation, the Ministry of Pensions has some 250 clinics, mostly of a specialised character; at the cost of the Ministry, surgical boots and clogs, elastic hosiery, walking sticks, hand-propelled tricycles and invalid chairs are provided, often in duplicate; and the Ministry undertakes to repair, adjust and renew more than 60,000 artificial limbs.

Moreover, quite contrary to the practice of insurance offices or employers, the Ministry is generally opposed to the commutation of pensions into lump sums. Pensioners frequently ask for lump sums themselves, more often than not short-sightedly. Fifty-eight cases where commutation has been granted—to assist the applicants to carry on businesses—were once investigated by the Ministry, and it was found that 23 of them had lost all or part of their money, and had therefore little or no resources to maintain them in their disability. As a rule, the Ministry will only consider commutation where the degree of disablement is assessed at less than 20 per cent., and very stringent inquiries are made into the consequences of each lump sum payment.

Nor is this all. Under workmen's compensation claims are assessed according to the injured workers' previous average weekly earnings over a certain period. This naturally leads to injustices, since a worker may sometimes have been frequently out of work during that period, or his

work might have been not his normal trade. Under the Personal Injuries Scheme of the Ministry of Pensions all such technicalities and their consequent friction have been avoided: the degree of disablement is assessed by comparison of the injured with "a normal healthy person"; and the problem of determining the "earning capacity" of the disabled person is left out of account. Care or cure rather than any cash criterion is the Ministry's first concern; and the result is not extravagance but the avoidance of wasted doles.

It was Burke who first set down the truism that war never leaves a nation where it found it. The exigencies of 1914-18 brought to birth a generation of social reforms, and in a single twelvemonth this war has seen the conception of a generation more. In the new democracy that will spell victory equally with the foiling of Nazi designs, new means to care for the poor, the sick and the injured may take a central place. Already a multitude of ways to relieve distress and poverty are being slowly gathered up into what is beginning to look like a single scheme of State Assistance; and now, with the entry of the Ministry of Pensions into the shabby domain of workmen's compensation, the chance of building an indispensable wing of the edifice of State Compensation is offered. Social services have for too long been negative—and "charitable." Care of the poor, rightly regarded, means putting an end to poverty by furnishing a livelihood, and care of the injured means restoring and re-employing them. Nor is this positive interpretation of the duty of democracy merely utopian. It is not permanent pensioners or lifelong cripples that the nation needs—either in war or in peace—but men fit to work again and be useful, independent and happy.

NOTES OF THE WEEK

No Decision

The enemy has not succeeded in breaking the way open for his air and sea forces to put a speedy end to the war. This was the conclusion of Mr Churchill's survey of the present state of this country in the midst of its "awful hazard." The enemy has been held, and his project to wear and batter down our air and economic defences by repeated blows every day and night has earned no dividends—though it still goes on with the same intensive constancy. The blows are heavy. Night bombing is as yet impossible to foil; autumn clouds have given cover for scattered forays against crowded targets; the moon is once more giving its temporary aid to the night raiders. At sea sinkings still run high—British losses in the week ended September 23rd were the highest in the war so far. The punishment is severe, but no more than morale and economic organisation have shown themselves able to take. The war effort goes on; the flow of supplies from the West continues; and the enemy has gained no military advantage at all in a month of mass bombardment. Spokesmen in Berlin now talk of a plan of attrition: to win control of the Channel and England's coasts; to break up London progressively; to paralyse economic life; to demoralise the people; and to exhaust Britain's fighter force. This is not new. It has plainly been the German plan ever since heavy bombing started—with invasion to deal the *coup de grace*—and the point is that so far it has failed.

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The Junior Partner

The Italian offensive still hangs fire. Perfect campaigning weather has not yet arrived, and Marshal Graziani has taken a great deal of trouble to dig his troops in almost as though the occupation of the 60 odd miles were an end in itself. But the delay is probably not due to local causes. Marshal Graziani has gone to Rome, and there, presumably, he is hearing the results of the Brenner talks and receiving his marching orders. The fact that the only German military official present on October 5th was a German has caused a certain amount of wry comment in Italy, since it advertised rather too blatantly the dominance of the German partner. There are even more recent rumours that Keitel is to supersede Graziani in Libya. It is fascinating to see the German-

Austrian relationship of the last war so thoroughly re-established. Germany—Hitlerian or Wilhelmine—has no conception of equality in alliance and not enough tact to disguise the fact. Whether or no the operations outlined to Graziani were welcome to the Italians is an open question. After entering a war they were certain was over, they are being asked to embark with a so far unspecified amount of German backing in an arduous offensive against an enemy who in the first three months of war has shown an uncomfortable power of retaining mastery in the air and on the sea, even if the land battles have so far gone against him. Nevertheless, mere military difficulties would not deter the Italians, who are fine desert fighters and still retain the confidence bred of the Abyssinian victory. It is the outlook for Italy, even if Germany wins, that is chiefly disturbing. However intoxicating it may be to straddle the Balkans or inherit most of France's fallen Empire, Italy's subordinate rôle in the Axis partnership, together with Hitler's clear establishment of supremacy in the Balkans and obvious intention to take for himself the oilfields at one end of the Mediterranean and French Morocco at the other, may remind the Duce that in getting rid of the devil of French and British imperialism, he is letting in the seven devils of the expanding Reich. Italy has no choice but to continue the war, but we may wonder how far her heart is in the fight.

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The End of Roumania

The issue of the arrested British citizens has given place to the larger question of the virtual occupation of Roumania by German troops. It is not yet known how many soldiers have already arrived but the original figure of 4,500 is almost certainly too small—15,000 was probably nearer the mark—and since the first arrivals reinforcements have been arriving steadily. The Roumanian excuse that the Roumanian army was so rotten that "the nearest great military power" had to be called in to put it into better shape is only partially convincing. The evidence of corruption and inefficiency is overwhelming. The necessity for accepting a German protectorate simply to remedy corruption is not. The excuse is, however, quite unimportant. Germany has occupied Roumania first of all to ensure her oil monopoly and to erect

proper anti-aircraft defences before the idea of bombing the oilfields at last occurs to someone in authority in Britain, next to establish a base for the next phase of the war, the subjugation of the remaining Balkan States and the conquest of the Straits. The naval base at Constanza will be reinforced. Germans are already in control of all the important air fields, and we may hazard the guess that the reorganised and regenerated Roumanian Army will play its part in Germany's future campaigns. It is therefore with astonishment mingled with a certain disgust that one contemplates the gambols of British diplomacy in Bucharest. While British citizens are kidnapped, tortured, and later tried on the basis of evidence secured by third degree, the Legation officials ask for "explanations," ring up Ministers fruitlessly, hang about for hours outside prisons and police stations and lay themselves open to the contemptuous treatment they have undoubtedly received. Hardly more dignified were the protests and demands for an explanation which came from the British Foreign Office. Now with the oilfields under German control and a German corps marching in the streets of Bucharest, our Legation has been called upon to perform the crowning inanity of demanding an "explanation" of the presence of the German troops. Roumania is now a German colony. There is no more place there for our diplomatic representation than in Austria. Yet we are apparently awaiting the last humiliation of allowing our Legation staff to be unceremoniously kicked out by the incoming Nazis.

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Spoils in the South-East

Hitler hopes to secure the rest of the Balkans by his usual methods of bloodless warfare. Bulgaria, profiting by her old "Have Not" status inherited from the last war, is likely to be the Hungary of the new re-distribution, while Yugoslavia, a "Versailles State" which has, moreover, made courageous efforts to preserve a genuine neutrality, and Greece, blackened by its British guarantee, are cast for the rôle of victim. Italy's old Adriatic ambitions must presumably be satisfied and the transfer of Dalmatia to Italian sovereignty, the creation of an enlarged Albania, the cession of Corfu and a protectorate over an impotent Greece is a fair summary of the Duce's hopes. But the suggestion recently revived in Berlin that Slovenia is *ur-deutsch* and must be incorporated into the Reich together with its "natural outlets," Trieste and Fiume, turns Italy's gains further down the Adriatic into dead sea fruit. Greece will also be compelled to abandon its Thracian coastline and the new Bulgarian State, thrusting down to the Aegean, will divide Greece from Turkey and bring Germany's power to the Mediterranean. The fate of Turkey is not so clear but, in view of her resolution and fidelity to her British alliance, it can hardly be pleasant if the Nazis get their way. A protectorate is the best the Turks can hope for. Dismemberment is always possible, the Straits passing under German control, Italy taking the "Greek lands" of Smyrna and Adalia and possibly an enlarged Syria under Axis control would retake the Hatay. Russia—as the price of compliance—would be encouraged to extend her frontiers to include Kars, Erzerum and even Trebizond, while an Anatolian rump State might remain round Ankara—but under German control.

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To this process of redivision, the integrity of Britain's armed forces in the Near East and the readiness of Turkey and possibly Greece to resist are the only obstacles. Russia has probably decided that sooner or later she must fight Germany but it is fairly obvious from her recent Balkan policy that she wants to see Britain blast many more Nazis out of the skies and to see the German army's resources considerably more dissipated before she accepts a struggle which, whether she seeks it or not, the Germans are likely to force on her. The withdrawal of M. Terentiev, the Soviet Minister to Ankara, whose personal friendship with Von Papen and enthusiasm for Germany are said to have been one of the influences at work in preparing for the Russo-German Pact and the substitution of M. Vinogradoff has greatly improved the atmosphere between Russia and Turkey, a sign among other things, of Russia's lessening distrust of British foreign policy. The Finnish war and skilful German propaganda haunted the Kremlin this spring with a picture of the Allies returning to finish the work of "rooting out Bolshevism" left unfinished in 1921. Now the more immediate menace of Germany's advance into the Balkans and evident determination to take the Straits has shown the Russians where the real danger lies. Nevertheless, active intervention in aid of Turkey is the last thing the Turks expect from Moscow. Stalin for the time being has adopted an attitude

of *non possumus*. Only if Britain and her allies secure surprising successes in the Near East are the Russians likely to consider giving active help.

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The Prime Minister's Party

Mr Churchill has succeeded where his father failed. On Wednesday he was unanimously elected leader of the Conservative and Unionist Party in succession to Mr Chamberlain. In one sense this was entirely fitting. It was certainly anomalous that the leader of the nation should not be the leader of his own party. The continued allegiance of a majority of Conservative politicians to the superseded Prime Minister reflected how uneasy was their compromise in May with the principles of coalition and co-operation; and both the anomaly and the uneasiness were reflected in the *quid pro quo* composition of the first Churchill Cabinet. They are still to be seen in the ordinance that, if a Bevin joins the Cabinet, a Kingsley Wood and an Anderson must join with him; and it would be a boon to the nation and, ultimately, a blessing to the Conservative Party if the leadership of Mr Churchill were to signal the disappearance of the political exclusiveness and exacerbations which marked the rise and decline of the Chamberlain regime. The Prime Minister says that he has accepted the leadership because, in his daily contacts with the leaders of other parties, he wishes to be able to speak for the Conservative Party. This will be a new rôle for Mr Churchill. His fame was won as a Liberal Minister or as a Conservative rebel, and he was appointed to Mr Chamberlain's War Cabinet, not as a Conservative, but as the personal leader of a popular movement of opposition to official Conservative policy. He was raised to be Prime Minister in May by Parliament and the people, not by the parliamentary Conservatives, whose majority was against him; and the fact that he is now the leader of all Conservatives adds nothing to Mr Churchill's stature. In itself, it might even seem to diminish it somewhat, since his great strength has hitherto lain in being the lone wolf chosen by the whole pack to be their leader; he is now not only head of the Government, more democratic in the manner of his appointment than any head before him; he is a party man again.

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Civil Servants on the Move

When Mr Herbert Morrison became Minister of Supply he took with him Sir George Gater, who had formerly worked with him at County Hall as Clerk to the London County Council but had since served as Permanent Under-Secretary of State for the Colonies, to be permanent head of his new department. Now Mr Morrison has become Home Secretary and Minister of Home Security, and Sir George has again gone with him, once more to be Permanent Secretary. Sir Andrew Duncan, the new Minister of Supply, has also taken a hand in this move to bring "permanent" civil

WILLS & TRUSTS

In acting as an executor or trustee, the Westminster Bank aims at putting itself in the position of a private trustee. It is therefore its practice to employ the family solicitor, if there is one, or any other solicitor the client may name; by such means the Bank succeeds in combining domestic tradition with business efficiency. A book showing the advantages of corporate executorship and the terms of appointment may be had at any branch of the Bank

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servants into the game of musical chairs which has hitherto been mainly confined to the peregrinations of political heads. Sir W. B. Brown, who was Permanent Secretary to the Board of Trade under Sir Andrew, will now serve his old chief in the same capacity at the Ministry of Supply. It is understandable that Ministers should wish to have able and sympathetic people about them whom they know and can trust. Indeed, the suggestion has often been made by constructive critics that the rôle of Ministers in the making and direction of policy would be considerably strengthened if they had at their side a body of personal advisers on the model of the *cabinet du ministre* of Republican France. It was surely never proposed, however, that the permanent heads of departments should become itinerants for this purpose. It is in the nature of their office that Permanent Secretaries should stay put regardless of merely political changes, and it can hardly be conducive to the administrative efficiency of departments if their civil service heads become the clients of Ministerial patrons. Sir George Gater and Sir William Brown may be exceptions. They are certainly exceptional men among civil servants. But even exceptional civil servants have to make the choice between a civil service career, within the traditional frame of experience, selection and seniority, and a career in the more casual world of politics.

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America Prepares

If the revival of the Anti-Comintern Pact was designed to frighten America out of the war, then it has failed in its effect. The last fortnight has seen a remarkable stiffening of American public opinion, and although repugnance at the thought of war is no less, the realisation that security depends on the nation's ability to arm itself and fight if it must is rapidly gaining ground. Colonel Knox's frank speech, in which he referred to the necessity of being prepared for America's "test," even if it proved to be on the field of battle, has been matched in the sphere of action by the calling up of 4,200 naval reservists, the mobilising of the Navy's full complement of non-combatant vessels—a step not taken since 1917—and the declaration of an "abnormal situation" in the Far East, followed by the summoning home of 17,000 United States residents. In the meantime, full material aid to Britain is to be continued and accelerated, the Joint Canadian and American Defence Board have worked on their plans for joint defence in the East and West, and talks have begun to explore the possibilities of similar co-operation between Australia, New Zealand and America in the Pacific. Thus under the pressure of the suddenly united front of aggression, the two great free systems of the world are coming to a new understanding of their relationship and of their mutual responsibilities. If, on the other hand, both Germany and Japan are fomenting the Far-Eastern crisis so that America may be drawn into the war before she is prepared for it, then there are certain rather ominous signs that they are succeeding. Some United States newspapers openly refer to the likelihood of America being at war with Japan before October 17th and evidence that the Administration is not altogether easy in its mind may be read into Lord Lothian's decision not to return to England lest an emergency should arise in the next few weeks. Obviously, the United States is not going to play the appeaser's game, and there are weapons in its armoury, economic and military, which on any rational basis should cause the Japanese to hesitate. But there is no guarantee that Japan's "Imperial Way" owes much to reason. A conflict is possible, whereas "non-intervention" would for the time being be more profitable to us.

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The Burma Road Reopened

The decision to reopen the Burma Road will, it is hoped, put an end to the darkest period of the war from the Chinese point of view. The cumulative effect of the Japanese blockade has been severely felt. Nearly 90 per cent. of China's foreign war materials came in by Burma, Indo-China and a number of coastal ports. In the last four months Japan has succeeded in closing all these "leakages". The result is a shortage in free China of everything save food,

for the North-Western route to Russia cannot carry the same weight of traffic as, say, the Burma road, even if Russian supplies were forthcoming in some quantity—which they are not. China has accumulated reserves enough to carry on large-scale warfare for only another year—although guerilla warfare can continue almost indefinitely—and although China's political outlook is more harmonious and therefore brighter than it has been for some time past, Japan has at least a fair chance of breaking China's resistance if all outside sources of supply are permanently cut off and if Russia at the same time is cajoled or threatened by Germany into putting an embargo on even those scanty supplies which have made their way from Russia to Free China. Obviously then, the reopening of the Burma Road, announced by the Prime Minister on October 8th and accepted with unqualified approval in this country, is not the matter for indifference which Japan would have us believe at present. If Japan chooses not to regard it as an "act of war," it is because she is not yet certain that it is an advantage to herself to enter a war in which the United States and the British Empire, her greatest trading partners, will sooner or later be ranged against her. If, on another analysis, the Triangle powers are deliberately fostering a Far Eastern crisis, the springboard for aggression is already there. Occupied Tonking bears rather the same relation to the rest of Indo-China, Thailand and Singapore as does Rumania to the other Balkan countries and the Straits. We have to envisage the possibility of Japan making a lightning stroke across the peninsula, with the help, possibly, of a complacent Thailand, to oust the British from Singapore and at the same time to prevent the Americans from ever going there. There will be no difficulty on the part of Russia, since nothing suits Russian interests better than to see the Far Eastern crisis deflected south, but it may still be protested that Japan cannot afford the risk. By all good logic she probably cannot. But that is no argument to prove that she will not take it.

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Dwelling under Fire

The controversy about what kind of shelters should be provided for people in danger of bombing has been going on for several years. The official view that households are safer in their home shelters than congregated in large communal refuges has never wavered, and as recently as last Tuesday the Prime Minister emphasised that people must learn to rely more on their own private protection. Actually, however, the sharp test of one month's heavy bombing has done more to clarify this issue than years of debate. Mr Churchill's contrast was between private shelters and "illusory" protection in larger public places. The fact is that many people in the few places that have been intensively attacked have little sense of security in their own shelters and less still in shelter rooms inside their houses. In part, it is true, this is due to the feeling that being exposed to great noises means being exposed to great dangers. It is also due to experience of what has actually happened in areas where the number of direct hits has been unusually high. And in part it is due to the sense of loneliness which every psychologist would admit exists in a certain type of nervous individual under strain.

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There is a coincidence here between social habits and raid dangers. The working class inhabitants of the worst-hit districts are gregariously inclined by force of a hard life softened only by neighbourliness. The great mass of suburbanites, on the other hand, have a keen sense of private boundaries; they keep themselves to themselves even in air raids. What the people of Thames-side are asking for is not "illusory" protection in communal shelters, but real protection in such shelters. And, whatever the soundness of the theory of dispersal may be for the population at large—and, in Mr Churchill's own words, "dispersal is the sovereign remedy against heavy casualties"—it is safe, quiet and capacious shelters that Mr Herbert Morrison and Miss Ellen Wilkinson, who is to be the new Minister's assistant in the administration of shelter policy, have now to give these people. The Prime Minister himself laid special stress on the fact that the rate of casualty in air raids was much smaller in this war than in the last because of our better shelters; he admitted the need for "shelters with sleeping bunks in areas liable to constant attack," and added that "this must be achieved as soon as possible." The provision of as many large-scale shelters below ground as can be made safely available, in Tube stations and other places, with official rules and regulations for their use as dormitories, is now

Ministerial policy. The principle of deep shelters has at last been conceded—for certain areas—and the real difficulty now is the lack of suitable places.

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Bombs and Work

The chief effect of raids has not been death or destruction but delay. Both the casualties and the damage done to property in the first month of the attack on London have been surprisingly below expectations, but the loss of working time due to taking shelter—and to transport hold-ups—a loss which it is, admittedly, very hard to measure—has been appreciable. In the House of Commons on Tuesday, Mr Hore-Belisha, speaking presumably only from his personal knowledge, put it as high as one-third in the case of some war factories. The new system of warnings by which the siren alert is followed by a local danger alarm, has not yet been made fully efficient. When this system was first made general a joint memorandum emphasised three chief needs: expert training for look-outs; guaranteed compensation for injured workmen; and shelter accommodation, or at least temporary cover, that would be very quickly accessible if danger came suddenly. The R.A.F. is already training some spotters, but the majority of undertakings are still doing the work with untrained observers. The compensation question has been largely settled by the delegation to the Ministry of Pensions of the new functions discussed in the leading article on page 453.

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The provision of accessible shelter or cover remains the biggest obstacle, and it was rightly made the pivot of the whole problem in a speech made this week by an engineering delegate to the Trades Union Congress. The distinction between alert and alarm is of very little practical use in very high buildings, in workplaces containing a great quantity of glass or in outlying workshops set well away from the regular shelters. Some workers carry on even under gunfire in such places, and in present conditions there must be danger for everyone. But it is unreasonable—and irresponsible—to ask workers to continue in danger unless every effort has been made by the management, in consultation with the workers themselves, to provide easy bolt-holes for the moment of danger. Some workers, it is true, have refused to take risks which others, realising that their homes and workplaces are now in the front line, have accepted readily, and their diffidence is mocked every day by the calm way in which millions of Londoners, of every age and sex, go about their business, at work and at home. General accusations of what is apparently called "siren-squatting" merely obscure the issue. This loss of time is a serious national loss, and no expense or ingenuity should be spared to give workers the completest possible protection. Nor should ingenuity be spared in coping with the temporary transport difficulties that inevitably arise. Some big London firms carry their employees to and from work in their own emergency fleet of buses; others ensure that a quota of workers always sleep near their jobs; others again have staggered their shifts and working hours to fit in with raid times. The trouble is that, up to now, many people have just left things to chance, and have made little or no attempt to organise their lives under fire. Loss of time in bombardment can never be got rid of altogether. But it can be minimised; and the grave nature of such losses emphasises the urgent need to increase technical efficiency in key factories to the maximum—to get more output out of the necessarily fewer man-hours.

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Evacuation Facilities

The evacuation of mothers with their children, which was at first restricted to the hardest-hit London boroughs, has now been extended to cover the whole of the Greater London area. There are now, therefore, facilities for evacuation from London for schoolchildren alone, schoolchildren and other children with their mothers, unaccompanied children under five, and expectant mothers; in addition, the aged and infirm can, if they like, be moved to hospitals in the country. Nearly all the unessential population of London now has the chance of moving; yet only a very small proportion is availing itself of it. Since September 7th, only about 29,000 unaccompanied schoolchildren out of some 400,000 have gone from London, and the reason why the Government has been able to extend the facilities for mothers and children to all London is that the number of registra-

tions in the original areas has been disappointingly small. It does not mean that bigger and better billets are available in the reception areas, many of which are already being hard put to it to accommodate the growing Army. Yet it is inadequate billeting arrangements that, more than anything else, are responsible for the poor response to evacuation facilities. It is true that the attitude of many evacuees is unreasonable—some have returned from reception areas because they found that the households were unable to take in whole families—and the Army must have first call on what accommodation there is. But the fact remains that where evacuation has always broken down has been at the billeting end, and the Government is still relying too much upon the goodwill of the reception area householder. And one step which should be taken at once is to stop the voluntary evacuation from London of persons, including men, who are filling up the accommodation in the reception areas before Government evacuees arrive. Now that the great majority of the unessential population can leave in an organised way—even those who make private arrangements can get a travel voucher and a lodging allowance if necessary—disorganised evacuation should be stopped immediately.

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Requisitioning of Coastal Shipping

As a result of representations made to the Minister of Shipping, coastal liners are now to be requisitioned, "in the national interest." The national interest does not in this case, as in that of ocean-going shipping, mean only the more efficient working of the shipping industry; it relates, partly, to its survival. The owners of coastal liners have been having a hard time, largely owing to the heavy increase in their expenses imposed by war conditions. War-risk insurance bears heavily on them, since the premiums are averaged over all shipping, though their risks are much less than those of the long-distance vessels. Finding it increasingly difficult to carry on, the owners successfully represented to the Government that it was desirable that coastal shipping should be requisitioned in order to keep our system of coastal transport in existence. As a means to this end, the step has much to recommend it, but there is a danger of drawing a false analogy from the earlier requisitioning of ocean-going liner and tramp shipping, and assuming that the measure will in itself increase efficiency. At present the railways are congested with heavy traffic. Stocks of coal, badly needed in some places, remain immobilised hundreds of miles away. The solution lies in transferring suitable categories of traffic, among which coal is pre-eminent, from railways to coastal ships. This transfer will not be effected without Government intervention, for the shipowners cannot always offer as cheap rates as the railways. It should be done as part of a general system of compulsory allocation of goods, a system which could have been introduced quite as easily under private ownership. If the Ministry of Shipping is to use to the utmost its powers of furthering the national interest, it must take steps to see that the million or so gross tonnage which constitutes our system of coastal transport is all employed to relieve the internal transport system. Merely to improve the financial position of a quarter of it—for the 750,000 gross tons of coastal tramp shipping did not join in the request for requisitioning—is to beg the main question.

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GERMANY AT WAR

has now been resumed and will be found
on page 462. It is hoped that the page will
appear at frequent intervals in future.

Labour's Contract

The annual meeting of the Trades Union Congress has been held this week. Never before has organised labour occupied so strong a position in public affairs. Three out of eight members of the War Cabinet, including Mr. Bevin (the trade unions' actual leader) in the key Ministry of Labour, come from the Labour Party; and the trade unions have practically been recognised as a part of the apparatus of government by reason of the constant consultation which now takes place between them and Ministers, Ministries and public departments. Moreover, Labour's leap to greater political power than it has ever enjoyed, even when nominally in office, has been accompanied by a similar surge in its industrial strength. The membership of unions affiliated to the T.U.C. is climbing towards the five-million mark. The keynote of this week's proceedings has been confidence, confidence in the decision of last May which brought all sections of the Labour movement into coalition with the Government in the conduct of the war and confidence in their ability to turn the expedients of wartime into social and democratic gain for the betterment of working-class conditions. This confidence has slightly perturbed some organs of opinion. One critic at Mr. Bevin's claim that Labour's intervention in May rescued the nation in its darkest hour and at the Minister's blunt strictures on the social frontiers of the diplomatic service. In the main, the pattern of democratic policy outlined at the Conference was unexceptionable and encouraging. It was a proper blend of rights and duties. There was the duty of workers to contribute all their efforts, in conditions of duress and danger, to the war effort which could only secure the defeat of the enemy and the freedom and unity of the British people if it was wholly unrestricted; and there was the corresponding right of workers to the utmost protection by the State against poverty and their right to compensation, maintenance and work when they were made destitute by no fault of their own, to guarantees against being plunged into distress and hardship by the movement of wartime prices and to the freest chance of participation in the conduct of public and industrial affairs now and after the war. It was upon the principle of equality of sacrifice that this sketch of a developing social contract was modelled; profiteering and privilege were indicted; and practical illustrations were found in the effects of air raids and the rising cost of living upon the poor people. But the sketch was left incomplete. The crucial question of wages was left almost undebated. It is still not recognised by trade unionists that the bulwark they are seeking to set up against wartime inroads into the standard of living will be undermined and not underpinned by all-round and indiscriminate increases in wages—and, as a result, in the cost of production, in prices and in the cost of living again. It is still not admitted that the standard of living of a considerable part of the working class must, and in one way or another inevitably will, go down as the nation's resources are diverted from consumption to war production. And it is consequently still not seen that the only way to protect the standard of living in wartime is to concentrate on the prevention of hardship and, by family allowances and other means, to establish the clear right of every worker and his family to live above a set minimum standard.

* * *

The Purchase Tax at Last

After six months' delay, during which it has been recast and whittled down, the Purchase Tax will come into force on October 21st. The further delay—between the date of the Order, which was October 3rd, and the date when the tax comes into force—would appear to give too generous an opportunity for forestalling; and it can only be explained by the fact that registration has not yet been completed, though all manufacturers and wholesalers were required to register by September 21st. It is probable that failure to register may be due to inability to define a wholesaler—in what category, for instance, does a picture dealer come, who is a wholesaler to the artist and a retailer to the public?—but in view of the alleged difficulties experienced by traders, applications for registration are still being accepted. It is stated in some quarters that the delay in registering represents a strike among wholesalers against the tax, but failure to register will not, of course, free businesses from liability to pay the tax from October 21st. On and after that date anyone on the register selling taxable goods to anyone off the register will have to charge the tax when making the transaction, and will be accountable to the Customs and Excise for the amount.

The position of the retailer, on the other hand, is more obscure. He can, of course, recoup himself by charging the tax to the consumer. But there will be an interim period when by far the greater part of his stocks, bought before the appointed day, will not have fallen liable to the tax; Christmas stock, for instance, is frequently bought as soon as late summer or early autumn. Is the retailer, nevertheless, going to charge the amount of tax on these goods to his customers? Many retailers have announced that goods actually ordered now, before the Purchase Tax comes into force, will not be subject to it even if delivered afterwards—incidentally a direct incentive to forestalling. This suggests that, after October 21st, all taxable goods, whether the tax has actually been paid on them or not, will be charged with the amount of the tax to the public. This would appear to be putting money into retailers' pockets, but the alternative, which would be to charge two prices for the same goods in the same shop—some bought from the wholesaler before and some after the Black Monday—would not only cause great practical difficulties, but would also mean that the retailers, by forbearing to charge the tax to the public in advance, were parting with some of their working capital for the duration of the war. The corollary, of course, is that when the tax is removed, the retailers should immediately lower the prices of all their stocks, whether taxed or not. But perhaps they will get out of the difficulty by "marrying" the two prices at a level between the post-tax and pre-tax prices. In any case, the result will inevitably be much ado about very little benefit to the Exchequer.

* * *

The Issue in India

Mr. Gandhi has now given his version of the recent interview he had with Lord Linlithgow, Viceroy of India. Apparently the interview did not deal exclusively with Indian conscientious objectors—as the Viceroy's account in a published letter seemed to suggest. Personally, it seems, it was successful. "He and I have become friends," Mr. Gandhi declares. Politically, it was a failure by reason, the Indian leader claims, of divergences which were "wholly avoidable." The Mahatma's contention is the old one that the British authorities are using communal differences simply as an excuse for refusing India her freedom. The requirement that Congress must first reach an agreement, not only with the Moslem League, but also with the Princes and the Scheduled Classes, before the right of an Indian assembly to make a new and freer constitution is recognised in practice, Mr. Gandhi regards as disingenuous and obstructive. Congress, he claims, has no concern with communal or sectional interests as such; it is an Indian body without any exclusive frontiers; and, in the Congress view, it is solely on this basis of popular representation that the question of India's future should be settled. The argument is able and not inaccurate so far as it goes. But no amount of debate can argue out of existence the Moslem League and the Princes with their very different views from those of Congress about the road India should travel. Mr. Gandhi shows no inclination to close the door, and he has even promised the Viceroy that he will have no opposition from Congress if he forms a Cabinet representative of the different Indian parties. This is surely an opportune moment for a bold statement from Britain which will define in unmistakable terms just exactly what it is that the British Government, under the terms of the Viceroy's latest offer, is prepared to concede to the Indian Nationalists. It is certainly true that all India is waiting for a lead.

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Shorter Notes

The total number of enemy alien internees who have been released was 4,603 up to October 5th.

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The amount of salvaged material for the Metropolitan Boroughs, with a combined population of 3,962,323, was £18,177 in August, compared with £17,350 in July and £11,214 in June. For eight large cities outside London, with a combined population of 5,669,600, the amount was £61,738, compared with £57,143 in July and £45,805 in June.

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Any doubts as to the future of the British Council have now been removed by the Royal Charter, which has just been granted. It ensures the existence of the Council in perpetuity.

THE WORLD OVERSEAS

The Suñer Mission

(By a Spanish Correspondent)

THE importance of the Spanish mission sent to Berlin at the invitation of the German Government is clear from its composition. Its head, Sr. Serrano Suñer, is the Minister of the Interior and President of the Political Junta of the Falange Party, and he was accompanied by the Spanish Chief of Protocol, the German Ambassador in Madrid (Herr von Stohrer), and the Secretary of the Embassy. The mission also included representatives of the Ministries of Economics, Education and Foreign Affairs, a general, the General Secretary to the High Commissioner in Morocco, the chief of the Madrid Police, and the Director-General of Press and Propaganda. It seems, therefore, that matters connected with all these Government departments were down for discussion.

Military problems must also have been one of the chief objects of the mission, since the German General von Keitel was present at some of the interviews in Berlin. Moreover, the military experts went on to Rome with Sr. Serrano Suñer, while other members of the mission returned direct to Spain.

Sr. Serrano Suñer's statement on setting forth, published in the *Völkischer Beobachter*, also makes clear the object of the mission. In brief, it says that Spain has repelled those who formerly attempted to be her masters (i.e. Great Britain and France), and that now she is free. Spain has her mission in the new order in Europe. The natural aspirations of Spain are derived from tradition and her geographical position between two continents. In Europe Spain has no demands, since that word cannot be applied to "restitutions." In the hour when Spain is seeking associates she turns to countries which are victims of the same injustices as she has suffered.

These strange statements, to be fully understood, must be read in the light of Falangist ideology, which has permeated Spain for the last four years. The programme of the Falangist State says: "Spain has a unity of destiny in all things universal." "We have a will to empire. . . . We claim for Spain a pre-eminent place in Europe. . . . Spain bases her claim to pre-eminence in universal enterprises on her rôle as spiritual axis of the Hispanic world."

Spain in the "New Order"

The Spanish Press and wireless emphasised that the visit to Berlin was for the purpose of stating the claims of Spain in the new world order. Possibly, Hitler issued the invitation in order to hear what the Falangist Government had to say about the future position of Spain in Europe. In point of fact, the Germans have long been preparing for this visit, and one step towards it was the award of the Gold Cross of the German Eagle to General Franco. The speeches exchanged at the ceremony recalled that Germany and Spain had fought together in the Civil War, and emphasised that they were still facing the same common enemy, and, according to General Franco, fighting "for common ideals, the triumph of which will open a new era of prosperity, peace and justice in Europe."

The German official communiqué welcoming the Spanish mission echoed these ideas. Spain was now free of those Western Powers which had tried to make use of her for their strategic purposes, and the Republic, which had entangled the country in their policy of collective security, no longer existed. The Axis desired that Spain should regain full strength, since she is a necessary factor in the new Europe.

The negotiations in Berlin were long and complicated, and necessitated references to Rome. It seems that about September 22nd definite German proposals were submitted, but there is no definite evidence of Germany putting pressure on Spain to enter the war—although it would be difficult for Spain to resist should Germany think it necessary to apply pressure.

Some results, however, have emerged from the mission, the foremost being a reaffirmation of the policy of friendship and co-operation in the plans of the Axis. Spain so far remains a non-belligerent, but, we are told, this does not mean detachment from the war. Sgr. Gayda has discovered a new stage beyond non-belligerency: Spain is an "associate" of the Axis, if not a belligerent. This fits in with other cryptic remarks in the Spanish papers, to the effect that, although Spain is not fighting, she will not remain a mere spectator; and Sr. Serrano Suñer, on leaving for Berlin, stated that at the right moment General Franco himself would give the order for action.

The Germans, even more than the Spaniards themselves, have explained at length how exhausted Spain is, and how much her supplies depend on the British Navy; that is why she cannot think of coming into the war. Another reason, of greater interest to Germany, is that the Peninsula is a sort of back door for imports to the Reich, and much attention seems to have been paid in the talks to trade relations between the two countries. In the first eight months of the war (September, 1939, to April, 1940) Spain received from the United States of America 395,860 barrels of lubricating oil, compared with 99,544 for the same period a year before. Total exports from the United States of America to Spain and Portugal in the first seven months of this year were \$35,345,000, against \$13,086,000 in the same period of 1939.

It may be gathered that the main subject of the talks was probably the position of Spain in the new European order. The Germans, knowing Spanish pride, will flatter it by pretending to give Spain a say in the general reorganisation, particularly of her sphere of influence. The adjustment of Spain to the new European order will be mainly in three fields—economic, political and territorial.

The Germans are only too anxious to bring Spain more thoroughly under their economic control in the so-called new European order. German experts have been at work on the economic reconstruction of Spain since the end of the Civil War, bringing about the destruction of Catalan industry and developing only such activities as may be useful to Germany.

"Restitution" to Spain

The Falangist territorial claims have also been discussed. Gibraltar is one of the "restitutions" to which Sr. Serrano Suñer alluded, and the dictators have agreed to assign it to Spain—it is not stated who will win it for her. There has also been talk of Italy pressing Vichy to let troops go through unoccupied France to Spain. If this is true, it may have more connection with plans for the partition of France. The Falangist Government may claim "restitutions" from France also—the part of the Basque Country lost to France in the wars of the Revolution, or the Catalan regions of the Roussillon and Cerdonya yielded to France under the

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Germany at War

(It has been found possible to resume the publication of *Germany At War*, which is compiled by the editorial staff of The Economist from German and neutral sources. It is hoped that the page will appear at frequent intervals in the future.)

Food Supplies.—The Minister of Agriculture has declared that the grain harvest of 24.6 million tons assures the same bread ration in the coming year as before. The potato crop is expected to reach 60 million tons, which is about normal, and the sugar beet crop is higher than last year's. Meat and fat rations, the Minister stated, will also remain unchanged, and there are prospects of an increased supply of vegetables during the winter, while the supply of milk is expected to be 10 to 15 per cent. higher. Prospects for fruit are not good, and the Minister admitted that fruit would again become scarce.

The German population in large towns and industrial centres were ordered to register with retailers for the purchase of potatoes. This step is ostensibly being taken to prevent difficulties in distribution, and at the same time a new propaganda campaign has been started to persuade people not to eat more potatoes than is necessary. There are plenty of potatoes in the country, states the German News Agency, but only a quarter of the supply is to be used for eating purposes, the remainder being needed for the production of motor spirit for the use of the Army.

Germany is doing her best to acquire a large part of the potato crops of the occupied territories, either by confiscating farmers' surpluses, as in Poland, or by buying the crop from the farmers and paying for it in German marks, as in Denmark, Norway and the Czech Protectorate. The authorities in Norway have allowed the Germans to acquire the entire Norwegian "crisis reserve" of potatoes, amounting to 300,000 tons, which had been produced to meet the needs of the coming winter by extending cultivation during last spring.

There are no exact figures available of the amounts of different foodstuffs bought from Denmark, but the latest report of the Danish National Bank gives some interesting information. According to these figures the German debt in the clearing account has increased to 292 million kroner against a Danish debt of 9.9 million kroner. At the time of the German invasion Denmark owed Germany about 50 million kroner of foreign exchange. This means that, since April, Germany has bought from Denmark goods—mainly agricultural products—to the value of nearly 332 million kroner.

Germany is normally self-sufficient in vegetables. There were small imports only of foreign specialties or seasonal articles. Now the supply of vegetables becomes an important and difficult problem; in consequence of severe rationing of meat and other foodstuffs, the demand for vegetables is increasing rapidly, and consumption is on the average four times what it was in peacetime. In Southern Germany, with its previous preference for meat, the consumption of vegetables (or the demand, at least) is up to ten times the pre-war figure. The consumption of vegetables in Germany before the war was 128 lb. per head per annum, 53 lb. of which was cabbage. The intensification of home production is an absolute necessity, despite the occupation of renowned vegetable countries such as Holland and Denmark.

Two-thirds of German vegetable growing is done by market gardening, one-third by home gardening. In view of the present food situation, the private home gardeners can certainly be supposed to be making the fullest possible use of their ground and allotments—as far as seeds and other materials are available. In order to stimulate market gardening, a plan has been worked out which guarantees the sale of the whole output at fixed prices; this plan covers cabbage, carrots, celery, onions and peas. The small gardeners in the German towns, who belong mostly to the working class, are to be assisted by the formation of working associations with the market gardeners, in order to extend the use of the most economical growing methods.

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The Cost of Occupation.—The cost of occupation fixed by the German authorities in France amounts to Rm. 20 millions a day, a sum considerably greater than the maximum amount of reparation due to be paid by Germany under the Dawes Plan. The rate of exchange for the Reichsmark was fixed by the German authorities at 20 francs to the mark, which means that France will have to pay 400

million francs a day for the occupation. The cost of the first four months of the occupation of Norway has been fixed at Kr. 360 millions, that is Rm. 1,800,000 a day, or about Rm. 0.64 a day per head of the total population, compared with Rm. 0.50 a day per head in France. (These figures have been reckoned in marks, which have been given a wholly disproportionate value by the German authorities in relation to the local currencies of the countries concerned.)

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Trade Agreement with Switzerland.—A new German-Swiss trade agreement shows the influence of the political changes on the Continent. From now on Switzerland will be forced to send large quantities of goods to Germany, even if they are not paid for by equal German supplies. Germany asked for additional industrial and agricultural supplies, and it was certain that Germany could hardly maintain even the previous amount of her deliveries to Switzerland. In order to avoid a long period of waiting for Swiss exporters, which would diminish their desire to sell to Germany, the Swiss National Bank will advance the cash for goods exported to Germany. Of the proceeds of exports to Germany an amount of 2.8 million Swiss francs monthly is to be reserved for special purposes (financial debts, tourist traffic, etc.); from the remainder, 11.8 per cent. will be at the free disposal of the Deutsche Verrechnungskasse; 72 per cent. will actually pay for exported goods (including supplies of electrical power); 4 per cent. for special agricultural products; and 12 per cent. will go into a transfer fund.

★

New Style Distrain.—It is a basic principle in Germany that seized goods are sold by auction to the highest bidder, who gets full disposal of the goods. But strict and increasing State control over so many goods, control of their prices and rationing has made radical changes inevitable. A new order by the Minister of Justice alters the procedure of distraint on those goods for which special regulations exist. The first group includes articles which are liable to be confiscated and can change hands only with the permission of the authorities: most agricultural products, textiles, gold, rubber and others. These goods can be seized for the benefit of the creditor, but any further realisation depends on the orders of the various Controls; there is no question of sale by auction or in any similar free way. Then comes the group of goods which are subject to strict control, like coal, German timber, soap; here every transaction is subject to a special permit, if the debtor whose merchandise had been seized is at the same time the distributor to the consumer.

The reason for these restrictions is to prevent consumers, from receiving, by means of buying goods in auctions, controlled or rationed goods beyond the quantities allotted to them by the authorities or fixed by the ration book. The new order also protects supplies in another way. Even if the seized goods do not belong to the rationed or State-controlled group, their disposal must not endanger the public supply of vital articles. The public interest is considered menaced if goods are freely disposed of after being seized at retailers or shopkeepers who were under obligation to supply them to their registered customers.

Books Received

- Federation or Socialism.* By J. Strachey. (London) Gollancz 283 pages. 7s. 6d. net.
- A Hundred Years of the British Empire.* By A. P. Newton. (London) Duckworth. 416 pages. 15s. net.
- The Chinese Army.* By Major E. F. Carlson. (London) Allen and Unwin. 139 pages. 5s. net.
- Brass Chandelier: A Biography of R. H. Best, of Birmingham.* By R. D. Best. (London) Allen and Unwin. 251 pages. 15s. net.
- The Case for Family Allowances.* By E. F. Rathbone. (London) Penguin Special. 118 pages.
- Enlist India for Freedom!* By E. Thompson. (London) Gollancz. 120 pages. 2s. 6d. net.

THE BUSINESS WORLD

Status of Gold Shares

THE investment status of South African gold-mining shares has changed greatly in the half-century since the boom of the 'nineties. Until then gold mining had been justly regarded as among the most speculative of industries. Subsequently some commentators have gone to the opposite extreme by urging that well-established Kaffir shares should be put into much the same investment category, and should stand on much the same net yield basis, as sound British industrial ordinary shares. They have argued (not unconvincingly) that a South African gold mine in full production is an "industrial" undertaking which normally produces a fairly regular output by well-tried and relatively unchanging technical methods, from resources whose extent and probable "life" can be assessed, at any given time, within reasonably satisfactory working limits. Actually, even the steadiest Kaffirs have never quite succeeded in attaining this status, or, if they have, have never maintained it uninterrupted for very long. Investment ranking is ultimately determined less by production factors than by profits and dividends, and the level of profits on the Rand has been profoundly affected—during the entire history of the industry but more particularly during the last decade—by conditions outside the industry's own control. The sterling price of gold has been one of the most important of these disturbing factors, and the financial relations between the industry and the Union Government have been another. The investor's task, moreover, is complicated by the fact that the term "Kaffirs" covers everything from a mine which has been working successfully for years under the auspices of a powerful and experienced finance house, to a venture holding claims mostly in grounds whose gold-producing potentialities are hopelessly conjectural. The present article, however, is confined to a discussion of the near future prospects, from a fairly conservative investor's viewpoint, of those mines which have "arrived," and which fall, by common consent, into the highest category of producers—the "blue chip" shares in the Kaffir market.

Since South Africa, in 1932, followed Great Britain off the gold standard after a respectable interval, gold prices have followed a one-way street. The sterling price per ounce in fact has practically doubled in eight years. The appropriate reaction to a rise in price—namely, a reduction in the average grade of ore mined and milled—has, of course, been made by the companies; and, additionally, large amounts of profits have been turned back for capital purposes. But a rise as rapid as that of the last eight years leaves something which even austere conservatism can pass on to shareholders. And, in any case, measures which increase the life of wasting assets are actuarially measurable in terms of increased market values from the moment of their inception. What long threatened to be a really prejudicial factor for the industry during its period of increasing prosperity, however, was the attitude of the South African Government. The Hertzog regime could not justly be accused of being definitely unfriendly or more rapacious than most Governments which see a big source of revenue waiting to fall into the Exchequer. But its attitude was certainly not over-sympathetic, and its policy threatened at one time to saddle the industry with a burden whose incidence was complex, unevenly distributed and disproportionate to its revenue-yielding powers. At the moment when the war broke out, however, the industry had less reason to complain of the magnitude of its fiscal burden (which was certainly not unreasonable) than of the danger that the Union Government might have some really punitive rods in pickle. One of them, in fact, was quickly revealed when it was laid down that the proceeds of all sales of gold over 150s. an ounce, should, while the war lasted, go to the Government.

The importance to the investor of the subsequent accession of the Smuts administration is not that its attitude to the gold mining industry is likely to be particularly lenient. South Africa is a belligerent, and belligerents must take the sinews of war where they find them. But the new Government's mining taxation policy, so far, does appear to aim

at maximising the revenue both of the mines and the Government. And although the mines will contribute approximately half the Union's estimated revenue for 1940-41, the repeal of the gold price limitation has restored to sound Kaffir shares their status as a hedge against inflation and exchange depreciation, and that possibly invests them with their greatest attraction for investors so long as the war lasts. Incidentally, also, the measure is extremely helpful for the low-grade mines.

So far, the adjustments made by the industry to wartime conditions have been helpful, generally, from the investor's viewpoint, without being extensive or spectacular. The table at the foot of page 464 sets out some of the most recent cost, earnings and yield figures for eight of the largest producers, including four undertakings which work under Government leases with a profit-sharing clause. As would be expected, six of the eight companies worked on ore of lower average grade in August of this year than in the last month before the war, but the reduction in the rate of recovery per ton was less rather than more than most informed observers would have predicted. Costs per ton (measured in pennyweights of gold output rather than in sterling) have been reduced by a proportion which is encouraging without fundamentally modifying the basic earnings position. Working profits for the first eight months of this year are, on the average, about 20 to 25 per cent. above those of the last eight months before the outbreak of war, and, though taxation will be heavier, the disposable balance at the end of 1940 will undoubtedly be greater than a year earlier. The companies, furthermore,

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with their South African registration, are exempt from the operation of any dividend limitation.

Considerations far stronger than the expressed wish of any British Chancellor, however, will impel directors toward asceticism in dividend policy while the war lasts. The market did not really expect any significant increases in dividends last June, and was not surprised. To declare categorically that the dividends of the established Kaffir companies are "anchored" for the duration of the war may be going much too far. But against the additional 13s. per ounce on the price of gold (allowing 5s. per ounce for realisation charges now borne by the companies) which has accrued to the industry since last March, there are many set-offs. These include not only higher taxation and a continuing inducement to treat lower grade ore, but the prospect also of higher charges for imported machinery and stores and a tighter labour situation. Neither of these last two factors has, as yet, proved as serious as in the last war. Official control of raw materials at home, while it should ensure a reasonably adequate supply of essentials to the mines (which are producing a war-winning Empire asset), is designed to prevent any runaway increase in prices. And on the labour side, the loss of white personnel for war service has hitherto been much less disabling than in the last war. On the native labour side, the agreement made with the Portuguese Government last spring, increasing the number of natives which can be recruited from Mozambique, has been distinctly

helpful. One of the most important ways in which increasing technical efficiency has manifested itself on the Rand is in the constant improvement of labour-saving devices. Intensive medical research, again, has so reduced the incidence of pneumonia among tropical natives working on the mines that territories north of latitude 22 degrees south may well provide an increasing reservoir for recruitment in the future.

On the whole, investors may conclude that existing "Kaffir" dividend levels should be maintained, and some moderate increases may even be made in particular instances. It would be prudent, nevertheless, to base investment calculations mainly on existing figures, although "background" factors are favourable on balance, and in contrast with the majority of industrial equities available to the British investor, sound "Kaffirs" enjoy the advantages of Dominion tax relief, freedom from liability to E.P.T. and immunity from hostile air attack. A final judgment, therefore, must turn largely on questions of income yields at present prices. Are investors required to pay an extortionate premium for the substantial advantages enumerated in the course of this article? The opposite seems to be suggested by the yield figures in the penultimate column of the table below, which are all shown net, after deduction of British income tax at the full 8s. 6d. rate on the total of the two latest half-years' dividends in each case. All in all, therefore, the omens point to a continuance of the recrudescence of interest in higher grade Kaffir shares which the market has displayed recently.

SOME "KAFFIR" COSTS, EARNINGS AND YIELDS

	Gold Recovered per Ton		Costs per Ton*		Working Profit		Price of Share†	Last Two Half-years' Dividends		Net Yield per Cent.‡	"Life" Required to Amortise §
	August, 1939	August, 1940	August, 1939	August, 1940	Jan.-Aug., 1939	Jan.-Aug., 1940		December, 1939	June, 1940		
	(Dwts.)	(Dwts.)	(Dwts.)	(Dwts.)	(£'000)	(£'000)	s. d.	s. d.	s. d.	(Years)	
Consolidated Main Reef	3-31	3-12	2-49	2-34	452	617	66-3	3 0	3 0	6 13 7	23
Crown Mines	4-79	4-63	2-77	2-58	2,021	2,560	12-1	9 6	9 6	5 10 0	49
Randfontein	3-03	2-85	2-29	2-11	863	1,123	33-6	2 3	2 3	9 8 0	15
West Rand Consolidated	3-71	3-71	2-27	2-16	880	1,225	30-	1 6	1 0	6 3 3	34
<i>Leased Properties</i>											
Brakpan	4-98	4-44	2-70	2-71	906	916	38-6	1 9	1 6	6 2 6	31(a)
East Geduld	5-73	5-75	2-13	1-98	1,620	2,004	9-4	7 0	7 0	5 11 6	46(b)
Government Areas	4-27	4-07	2-36	2-30	1,314	1,551	23-9	1 9	1 10-1	9 6 0	16
Sub Nigel	13-14	12-72	4-33	4-28	1,649	1,924	7-8	7 6	7 6	6 17 3	27

* In terms of gold. † At September date when calculations made. ‡ Assuming British income tax at 8s. 6d. for a whole year on total of two latest dividends. § Period over which present dividends would need to continue in order to yield 5 per cent. net (after allowing for income tax at 8s. 6d. in £; equivalent to 8-7 per cent. gross) on the price of the shares and reinvestment of surplus to amortise capital at the same rate. (a) Allowing for holding in South African Lands. (b) Not allowing for holding in Grootvlei.

Finance and Banking

Abundant Credit

The position in the money market has eased considerably during the past week. Any tendency towards greater scarcity of funds which may have manifested itself over the turn of the quarter has rapidly disappeared. This expansion in the volume of available funds is clearly reflected in the latest Bank return, which shows bankers' deposits at the high level of £115,299,000, an increase of £14,026,000 on the week. The substantial rise in this item is the product of many contributory influences. The most important of these is the increase in the securities held by the Banking Department. Government securities have risen by £3,665,000—a number whose roundness betokens direct transactions between the Treasury and the Bank—while discounts and advances have risen by £3,812,000. The last movement is relatively important since it more than doubles this item at £6,608,000. Needless to say, it is the result of a special transaction between the Bank and customers who are not members of the money market. Apart from these increases in assets, notes have come back from circulation to the tune of £3,919,000 over the week, while public deposits are down by £2,182,000. Each of these movements makes its contribution to the expansion of bankers' deposits over the week. The banks' weekly contribution to the Treasury by way of deposits was reduced this week from £30 millions to £20 millions, and partly for this reason the banks have been exceptionally good buyers of bills from the market. The discount houses' syndicate obtained a better allotment at last Friday's tender—42 per cent. of its application—and the market has therefore been a more willing seller of bills.

Italian Banks in London

The Board of Trade has this week made orders for the winding-up of the London offices of the Credito Italiano and of the Banca Commerciale Italiana. Immediately on the entry of Italy into the war these offices were placed under the supervision of Controllers appointed by the Custodian of Enemy Property, and the orders made this week were issued under the provisions of the Trading with the Enemy Act and of the Defence Regulations. The task of clearing up the position of these offices has proved comparatively straightforward. Italy's entry into the war was sufficiently well advertised to prevent the London money market from being caught with open commitments with the Italian banks. Quite apart from the restrictive effect of the exchange control regulations, every bank and discount house in London would in the normal course have refused any but fully secured accommodation to Italian firms. The position has now been sufficiently clarified to proceed to the stage of winding-up. It will probably be found that the assets of the Italian banks in this country will be more than adequate to meet their liabilities. The liquidation of certain of those assets must take time, and creditors cannot expect to be paid in full in the near future, but the controllers should soon find it possible to make substantial initial payments.

Belgian Treasury Bills

Among the minor problems set by the German occupation of the Low Countries is the fate of the Belgian Gov-

ernment Treasury bills issued by the former Mendelssohn bank. There was a Swiss issue of these bills, the whole of which was repaid at maturity. Others were expressed in guilders but had a dollar option attached to them. They matured on May 29th last, nearly three weeks after the German invasion of Holland. A few of the bills sent to Amsterdam for repayment have made their way out, but though the funds were available to meet the maturities, the position on the day of maturity had become so confused that the whole question of repayment had perforce to be left in suspense. The Belgian Government sought a temporary solution in an extension of the bills by three months, i.e. until August 29th. This week, the Belgian Minister of Finance has announced a further prolongation of three months. During these extensions of the currency of the bills, interest at 3½ per cent. is being paid to holders who prove their legal right to them. It is interesting to note that this week's announcement of the Belgian Minister of Finance was made from London and that it is the Banque Belge pour l'Etranger (Overseas), Limited, of London, which has been made the paying agents for the issue. It will thus be seen that part at least of the financial administration of the Belgian Government is functioning from London. There is at the moment no shortage of funds. The whole of the gold reserve of the National Bank of Belgium had safely left the country long before the German invasion and a small part of the organisation of the National Bank has in fact found its way to London. The resources at the disposal of the Belgian authorities are moreover being increased by the trade of the Congo and by the income earned by the Belgian mercantile marine, which made good its departure from Belgian ports when the German invasion began. The service of the external debt appears therefore to be assured and the treatment meted out to the Belgian Treasury bills is an encouraging pointer to this conclusion.

Payments with Bolivia

One by one the smaller South American republics are falling into the line of countries with which the United Kingdom has entered into Payments Agreements. An agreement with Bolivia was announced at the beginning of this week.

The regular sequence with which such agreements have recently been negotiated in South America strongly suggests that they are the work of a British financial mission, small enough to avoid undue attention in its peregrinations, but strong and competent enough to complete negotiations on the spot. The agreement with Bolivia follows what are now familiar lines. Payments to persons in Bolivia from persons in the United Kingdom may henceforward only be made in sterling to a Bolivian special account, opened with a United Kingdom bank and duly registered with the Bank of England. Conversely, all exports from the United Kingdom to Bolivia must be paid for in sterling from a Bolivian special account. In addition, the usual special arrangements have been made for the opening of Bolivian sterling area accounts, which will be available for meeting certain kinds of personal expenditure—private remittances, school fees, etc.—which residents in Bolivia incur within the sterling area. The slow, empirical methods by which our system of exchange control has been developed are at last producing a reasonably comprehensive and watertight system. But it cannot be denied that this leisurely approach to the problem has cost us dear in terms of foreign exchange lost through devious forms of capital exports and other operations which are effectively prevented to-day.

Swiss Franc still Climbing

The appreciation of the Swiss franc goes steadily on, and provides the only feature of the foreign exchange market. This week the rate in London has moved from Frs. 17.55 to 17.40 and the undertone of the market continues strong. Once again, the movements in the franc-sterling rate have been merely the reflection of the appreciation of the Swiss franc in the New York market. In New York the remnants of a short position in Swiss francs remain to be covered, though the amount still open must now have been reduced to very small proportions indeed. Most of the speculative operations in question were entered into towards the end of May and in the course of June. Given the military situation then prevailing, the bears would in the normal course have fastened on free sterling, but since there was no forward market in our currency at the time, it is to the Swiss franc that they turned their attention.

Investment

Improved Market Facilities

The principal developments in the stock markets in the past week have been, in the main, a continuation of those set up in the last days of September. They are a marked improvement in continuity of dealing, during repeated raids, an expansion in the volume of business and, until Wednesday, a rather steep rise in industrial equities. Evidence of the larger turnover is supplied by figures of bargains marked, which have increased by some 7 per cent., but, as is inevitably the case under the system adopted, this understates the actual number of deals, and still more the amount of money involved, since there has been talk on more than one occasion of institutional buying. The rises are mostly in the first-class industrial equities. Tobacco shares have been in particular favour and, more recently, some money has gone into shares of those breweries which have few properties in London. Inside the capital, public houses, like other larger buildings, have suffered a fair amount of damage and perhaps substantial loss of custom. There is some indication, however, that the period of strain has added to the consumption of both tobacco and alcohol. A movement, which is more welcome, is a renewed interest in heavy industrials. This continues a rise which has been in progress, with frequent interruptions, since the end of June. Between then and the end of September the yield on the group of these shares included in the *Actuaries' Investment Index* fell from 11.14 to 8.81. It is now in the neighbourhood of 8½ per cent., which would seem high enough in view of the fact that most of the firms concerned will have damage restored as quickly as possible to keep up with Government orders. Such loss as does occur through reduction in output will fall in a large measure on the Exchequer, through reduced collection of E.P.T., rather than on the shareholder. The real explanation of the high yield lies in fears of what the post-war era will bring. It would be futile to attempt any estimate at this stage, but the troubles of the industry after

1920 were due as much to misconceived schemes of "rationalisation" and to bad finance as to excess of capacity.

A Partial Recession

The better tone of the market is due to a moderate volume of buying, some of a slightly speculative character, which arose from the gathering confidence in our ability to resist any direct attack, but had been held up by the lack of market facilities. The rise would in any case have brought in some profit-taking. As it happened, events occurred which

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formed the culmination of movements, adverse to this country, in both the Far and the Near East. So far as the change from Axis to Triangle is concerned, this merely gives an outward form to a reality which has been exercising its weight for some time. Whether or not the pact has favourable effects will depend, of course, on the exact nature of America's reaction to developments in the Pacific. That either this or the Roumanian collapse should in itself cause a recession in prices is perhaps natural, but neither should exercise more than a transient influence on the general upward trend. The effects on the stock market of the definite adoption by the Government of a scheme for the insurance of fixed and movable property are not likely to be substantial in the first instance, but it can hardly be doubted that they will be considerable over a longer period. The original statement of the Prime Minister that damage was so much less than had been anticipated that it was felt possible to provide cover had already had its effects. The timid had feared that perhaps the experience of the past month would cause a return to the earlier policy of inaction, but, in fact, the concentration of attacks on London probably means smaller losses in real terms than had the same effort been deployed against industrial areas. The fact of general compulsory insurance, with or without Government assistance, means, of course, a general levy with the possible addition of a further item in the tax burden. From the standpoint of the investor, this means that companies with relatively heavy fixed assets, which stand little chance of being destroyed, will lose for the benefit of others unless some system of zoning is instituted. And of that there is no sign. Concerns with small amounts of fixed assets relative to total turnover will be little affected either way. Presumably the type of undertaking with a large number of small properties will benefit least, since the spread of their properties has already acted as an insurance. The immediate fortune of individual companies will continue to depend largely upon how far they are considered essential to the war effort. Eventually, the market should be affected in another way, namely, by the increased feeling of security which the scheme gives to the investor as property owner. The extent to which he, and the smaller company, is affected must, however, depend upon the willingness of the authorities, not to repair the damage done, but to pay compensation promptly, so that the starting of a chain of debts arising from the need to find alternative accommodation will be avoided. Given some such arrangement, it would be reasonable to suppose that there would arise a greater willingness to invest among people of moderate means. So much remains to be settled, and in particular the all-important question of the premium payable, that there is so far no basis for more than the most general adjustment of values.

Nine Months' Capital Issues

Figures of capital issues for the third quarter of 1940 continue the story of the market's subjection to Government requirements which was apparent from the half-yearly

CAPITAL ISSUES — JANUARY - SEPTEMBER, 1940

TABLE I.—TOTAL BORROWING (Million £)

First Nine Months of Each Year	British				Empire	Foreign	Total Issues	Indices
	Government	Home Corporations*	Others	Total Home				
By Direct Public Offer (Old Basis)								
1928	84.3	10.0	117.3	211.6	52.2	26.9	290.7	100
1938	76.8	24.9	30.4	132.1	20.7	2.8	155.6	54
1939	Dr. 4.1	12.1	26.5	34.5	15.9	0.3	50.7	17
1940	768.2	Nil	1.3	769.5	0.1	Nil	769.6	265
Including "Permission to Deal" (New Basis)								
1935	1.8	51.5	151.8	205.1	19.6	1.4	226.1	100
1938	76.8	26.7	64.2	167.7	47.2	2.9	217.8	97
1939	Dr. 4.1	12.1	50.2	57.2	25.3	2.2	85.7	38
1940	768.2	Nil	16.0	784.2	1.0	Nil	785.2	347

* Including county and public board loans.

TABLE II.—TOTAL COMPANY ISSUES (Million £)

First Nine Months of Each Year	Old Basis				New Basis			
	1937	1938	1939	1940	1937	1938	1939	1940
Debentures	14.7	16.1	10.1	Nil	22.2	24.3	16.5	1.2
Preference	16.5	9.2	2.7	0.1	26.3	15.4	8.1	1.5
Ordinary	47.9	19.5	10.9	1.2	176.4	64.6	32.6	14.2
Total	79.1	44.8	23.7	1.3	224.9	104.3	57.2	16.9

figures. The total of new capital issues exceeds the previous year's figure by approximately £7,000,000. In the current year, £768,213,500 out of a total of £785,160,100 is represented by British Government loans, whereas in 1939 the Government's part for the first nine months was limited to a net repayment of £4,050,000. The increase in private issues during the third quarter has been even more negligible than is suggested by the total of non-Government loan at close on £17 millions. For the first six months of the year, the total of private issues amounted to £15,929,000. The increase of approximately £1,000,000 is distributed between iron and steel undertakings, public utilities and other miscellaneous enterprises. By its very insignificance, it bears evidence to the completeness with which the new capital market has been laid at the disposal of the Government. In the campaign to mobilise the nation's savings for the conduct of the war, the Government is encountering no competition from this field.

Great Boulder Liquidation

The passage of another week has only served to confirm the belief that Mr de Bernal has succeeded in securing that the liquidation of the Great Boulder Proprietary Company shall proceed and that he and his fellow directors shall obtain the very generous compensation for which they asked. It has unfortunately produced no development at all in the more important matter of the publication of the McIntock reports on the companies of the Commonwealth Mining and Finance group. It is true that Sir Andrew Duncan, then President of the Board of Trade, promised publication, at least to the shareholders, of these reports, but he gave no time limit, and the utmost efforts of those interested have so far failed to impress upon the retiring board of Great Boulder the need for haste. There is no doubt that these reports should be given the fullest publicity practicable at the earliest possible moment. It would also be all to the good if a ruling could be made which would ensure that, whatever changes might have occurred in the direction of a company in the meanwhile, those responsible for the subject of the Board of Trade investigation should be present to give an account of their stewardship. It is to be hoped that the changes at the Board of Trade will not prevent this matter being followed up with expedition.

Company Notes

The Affairs of Richard Thomas

Mr E. H. Lever, chairman of Richard Thomas and Company, Ltd., has followed his assumption of office with a circular to shareholders. The greater part of this is devoted to an explanation of the board's reasons for recommending no dividend on ordinary shares. Shareholders are reminded that the company has a substantial amount of useful and efficient

plant outside Ebbw Vale "which must be employed if the various interests are to be properly served and if the transition to improved methods of production is to be carried out in orderly fashion. It was a realisation of these problems that led to the provision of new finance in 1938 being made conditional upon the co-operative development of the new plant, and it is for these reasons that the financial resources of the company need to be conserved." The choice of words is not very enlightening, but, with the memory of 1938 in their minds, the shareholders of Richard Thomas would be foolish to cavil at a conservative financial policy, provided that the industrial and commercial policy of the board is sufficiently energetic. On this Mr Lever says nothing. He does, however, refer to statements made at the recent annual meeting "reflecting on the personal honour of some of your directors" and he informs the shareholders that every member of the board, excepting the deputy-chairman and the managing director (who drew most of Sir William Firth's fire) has "signed a declaration affirming that the accusations were entirely without foundation and placing on record their complete confidence in the integrity and judgment of their two colleagues." Mr Lever adds his own assurance "that you have a competent and loyal board of directors." This will be reassuring to the shareholders, though some of them may think that the two directors in question would have been better advised to seek an exoneration from some tribunal against which no accusation of partiality could lie. But it would be a mistake to regard Mr Lever's circular as a satisfactory ending to the quarrel, either for the shareholders or for the public. He has answered the two minor charges in the indictment—those relating to the personal honour of the directors and to their dividend policy. He has ignored the major question—whether the firm of Richard Thomas is being managed in its own best interest, in that of the community at large or in that of its competitors. Mr Herbert Morrison, when he was asked to institute an inquiry, also chose to ignore this aspect of the matter and to content himself with the statement that he was not interested in capitalists' quarrels. But there is a very large issue of public policy involved, and it must not be allowed to be smothered under a mass of minor matters.

Lever and Unilever N.V.

Especial interest attaches to the statement received from the German Official News Agency via Rotterdam that neither the 3½ per cent. final dividend declared last May by *Lever Brothers* and *Unilever N.V.* nor the preference dividends will now be paid. The announcement is inevitably a disappointment for shareholders of the Dutch company, but shareholders in *Lever Brothers* and *Unilever Limited* will find their dividend position in no way prejudiced. Although the Dutch and British companies are linked by a dividend equalisation arrangement, the liability of the British company is not affected by the failure of the effective authorities in Holland to provide the amount required for the dividends, since ample profits are available out of which they may still be paid. The position as regards the ordinary shareholder in the British company is unchanged from that early in May, when it was announced that a sum of £800,000 out of 1939 earnings had been earmarked for the benefit of ordinary shareholders in the Dutch company after the war, should it then transpire that *Lever* and *Unilever N.V.* had declared no dividend for 1939 or a dividend of less value than the one declared by the English company. Nor will ordinary shareholders in the British company be prejudiced by what would in normal times be the prior claim of Dutch preference shareholders, for the directors hold that failure to pay a preference dividend by *Lever* and *Unilever N.V.* is due solely to enemy action and not to lack of funds which alone could establish a valid claim to rank prior to the ordinary shareholders of the British company. In view of the strong and protected position of shareholders in the British company, it is remarkable that the £1 ordinary stock is at present quoted at no more than 23s.

Wall Paper Manufacturers

Although direct comparison with 1938-39 earnings is invalidated by a change in the company's accounting period, the preliminary statement of Wall Paper Manufacturers shows a very real improvement for the eleven months to July 31, 1940. Total income, after taxation, has risen from £425,305 for the year to August 31, 1939, to £506,969 for eleven months, representing a putative rate of £553,075 on a comparable twelve-month period. The directors are main-

taining the previous year's dividend rates of 10 per cent. on ordinary stock and 6 per cent.—reduced from 12½ per cent. for the five years to 1937-38—on the deferred stock. The equity payment is, however, covered by a generous margin of earnings at the rate of 11.4 against 6.3 per cent. The amount of earnings for deferred stock has risen by nearly £100,000 to £235,160 after an allocation, the first for three years, of £10,000 to staff funds. The saving of one month's dividend charges in the past accounting period has helped the management to make an allocation of £100,000 to reserve, against a payment of £99,500 to investment reserve, and to increase the carry-forward from £209,310 to £220,684. Clearly, the company is not in sight of the record earnings of £765,963 after taxation which were realised in 1936-37, and there is no prospect that shareholders will enjoy a corresponding revival of dividend payments, but at least the limitations imposed by 100 per cent. E.P.T. will not reduce distributions. Last year's recovery in profits is evidence of the steady earning capacity of the company even in very unpromising circumstances, and the financial position is certainly strong. At the current price of 17s. 6d. ex dividend the £1 deferred stock offers the attractive yield of £6 17s. per cent.

United Steel Expansion

The Board of the United Steel Companies are to be congratulated upon securing what is almost certainly a record profit, after E.P.T., and upon an improvement in the presentation of the accounts, which now give the consolidated statement so often asked for by shareholders and present the profit and loss account in a new form. Since there are no comparable figures for the previous year, the change is rather a mixed blessing. The profit is given as £2,440,977 and the fact that this includes gross income of the associated companies instead of dividends received from them as in earlier years is not likely to be a cause of serious discrepancy. The figure is, however, arrived at after provision for depreciation and E.P.T. whereas earlier ones were before

THE STANDARD BANK OF SOUTH AFRICA LIMITED

Bankers to the Imperial Government in South Africa; and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika

CAPITAL Authorised and Subscribed	£10,000,000
CAPITAL PAID UP	£2,500,000
RESERVE FUND	£3,000,000

BOARD OF DIRECTORS

Rt. Hon. Lord Balfour of Burleigh	Bertram Lowndes, Esq.
Stanley Christopherson, Esq.	Horace Peel, Esq.
Edward Clifton-Brown, Esq.	Rt. Hon. the Earl of Selborne, K.G.
Robert E. Dickinson, Esq.	Sir Roderick Roy Wilson
J. F. G. Gilliat, Esq.	Brigadier-General Sir Samuel Herber
	Wilson, G.C.M.G., K.C.B., K.B.E.

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa
R. W. Normand

Assistant General Managers in South Africa
J. F. Gardner W. A. Coombs C. M. Hutchinson J. T. Jurgens

London Manager—Ralph Gibson

Secretary—H. Dale

Head Office: 10 CLEMENTS LANE, LOMBARD STREET

and 77 KING WILLIAM STREET, LONDON, E.C.4

Telegraphic Address: Afrorum, London

London Wall Branch: 63 LONDON WALL, E.C.3

West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2

New York Agency: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

The Bank has over 380 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained, with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

depreciation. After deducting directors' fees and interest, the net figure is given as £2,256,078 against £1,660,426 in the previous year and £2,079,818 in 1937-38. This appears to justify the division between depreciation and obsolescence adopted in the following table. Tax appropriation is greatly increased, from £398,899 to £1,493,000, although E.P.T. was already covered, but the sum taken for obsolescence is the comparatively modest one of £125,000. After this and other normal deductions, the amount available suffices to maintain the 8 per cent. dividend with the barest margin as compared with considerable appropriations in earlier periods. The position for the past three years is set out in some detail below:—

	Year to June 30,		
	1938	1939	1940
Trading profit and divs. of associates before depreciation	2,584,540	1,998,986	Not available
Trading profit after depreciation	2,186,160	1,801,529	2,440,977†
Taxation	847,651	398,899	1,493,000
Depreciation	398,380	197,457	Not available
Obsolescence	276,620	482,124	125,000
Interest and debenture redemption	142,537	178,160	222,366
Fees and staff pensions	155,885	136,663	138,028
Ordinary shares:—			
Earned	763,467	605,683	462,583
Paid	646,198	559,700	461,994
Earned %	11.8	8.7*	8.0
Paid %	10	8	8
Reserve	100,000	200,000	Nil
Carry-forward	591,333	411,600‡	412,189

* Capital increased November, 1938, by 10 per cent. issue to shareholders at par.

† After E.P.T.

‡ After £25,716 written off note issue expenses.

The lack of comparison with previous years is complete so far as the consolidated statement is concerned, but the principal feature of the balance sheet of the parent company is an increase in liquidity. The position shown by the consolidated statement is a strong one. Fixed assets of the group, as valued at June 30, 1937, stand at some £18½ millions, against which there are reserves for maintenance, repairs, depreciation and obsolescence to a total of some £5½ millions, leaving a net value of, say, £12½ millions. Cash and Government securities stand at £2,136,337, and there is

a net excess of these and debtors over creditors of £1,669,208. The other items are stocks of rather over £2½ millions, and investments in, and advances to, associated companies of £2 millions odd. Against these are debenture and other debts of rather over £4 millions, and the capital of the company of £9,650,000. The statement gives the 20s. ordinary shares a value of 29s., as compared with a market quotation of 18s. 7½d., a clear indication of the extent to which the investor discounts destruction from the air and the probability that, in a post-war world, plant will be difficult to employ. The expansion in profits is due in considerable measure to the fact that large increases in capital, share and loan, began to bear fruit early in the accounting year, and no further increase of similar dimension can be looked for.

Higher Shipping Earnings

A substantial improvement in earnings has been realised in the first war year by two companies, each owning a fleet of around a dozen vessels and operating in the case of *Manchester Liners* to the United States and Canada and in the case of *Alexander Shipping Company* to the River Plate. Net profits of *Manchester Liners* have risen from £29,764 to £99,524 for the year to June 30, 1940, the highest figure for more than a decade. The directors have consequently restored the ordinary dividend from 5 per cent. to 7½ per cent., as paid in 1936-37 and 1937-38. The *Alexander Shipping Company* shows an increase in trading profit, before charging taxation, from £79,185 to £103,091 for the year to March 31, 1940, a period including only seven months of war. Although the tax provision is substantially higher at £48,420 against £14,761, the directors have raised the allocation to maintenance reserve from £5,000 to £10,000 and to investment reserve from £3,000 to £5,000. Equity earnings are rather lower than in the previous year at £36,571 against £42,324, representing a rate of 13.8 against 15.7 per cent. The 10 per cent. dividend is repeated and the directors are recommending the distribution of a 2½ per cent. cash capital bonus, free of tax, from capital profits. It is satisfactory that the company's balance sheet position has improved during the past year. The market value of investments has appreciated from £153,463 to £157,701. An expansion in trading is evidenced by a rise in creditors from £58,929 to £113,964, which has been accompanied by a rise in debtors from £52,380 to £190,182. Both companies suffered from the fall in freight rates in 1939, but it is significant that both appear to find the Government requisitioning scheme, under which they have operated since the spring of 1940, tolerably profitable on current account.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

SENTIMENT, which was cheerful and active at the start of the week, tended to become more cautious and gave rise to small losses in certain sections of the industrial market. Dealers were impressed by the Prime Minister's speech, though uncertainty regarding the future of Far Eastern relations checked the recent general rise. The gilt-edged market has been firm on balance and fresh buying has raised home rail prices and some heavy industrials.

An active demand for gilt-edged issues on Monday raised 3½ per cent. War Loan by ½ to 101½ and Old Consols and Local Loans by a similar amount. Among dated issues, 2½ and 2¾ per cent. Funding were also in demand. Later in the week, 4 per cent. Consols, Old War Loan and Funding Fours lost ½, but Victory Fours were bought. In mid-week, there were few changes in quotations, although the tone was firm. The main feature of the foreign bond market was a steady drop in Japanese issues following recent political developments. Chinese bonds showed some improvement, notably 5 per cent. issues of 1912 and 1913. On Wednesday, Chilean issues were strong, and during the week sinking fund buying supported Brazilian securities.

Last week's stagnation in the home rail market was broken by a steady advance, which on Monday centred on ordinary shares and later spread to the senior issues. On Monday, the market was led by gains of 4 points for L.N.E.R. 4 per cent. first preference and of 3 points for Great Western ordinary and L.M.S. 4 per cent. preference of 1923. Southern preferred also rose by 2½ points. Among foreign rails, there was sporadic selling of Central Argentine issues.

Until Wednesday, all sections of the industrial market went ahead. Gains were general in the iron and steel section, though a mid-week reaction saw losses for Dorman Long, Guest Keen, Stewarts and Lloyds deferred and Vickers. Electrical supply and equipment shares were consistently strong, and tobacco leaders gained on the week, though profit-taking caused a late setback in Imps. and B.A.T.s. Among breweries, which generally were a dull section, Mitchells and Butlers were bought. After the announcement of the extension of the Government shipping scheme, some interest was shown in shipping shares, and, in another field, Lever and Unilever steadily advanced on the directors' statement relating to the Dutch company. Traders generally have been encouraged by the announcement of the compulsory war damage insurance scheme.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Oct. 4 ...	1,223	2,765	64.9	120.7
" 7 ...	1,733	2,860	65.6	121.1
" 8 ...	1,480	2,540	66.2	121.1
" 9 ...	1,408	2,690	66.0	121.1
" 10 ...	1,779	2,745	65.9	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).

New York

TRADING on Wall Street has been depressed by the renewal of tension in the Far East, and dealers have been anxious to avoid fresh commitments before the next move of the Axis Powers. Sentiment was encouraged by the strength of London markets, which did not, however, give rise to imitation in New York. On the whole, prices have tended steadily downward, but on Wednesday there was some buying of steel and motor issues. The *Iron Age* estimates steel mill activity at 94 per cent. of capacity, against 93 per cent a week ago. This level of activity equals the peak level of 1929. If maintained to the end of the year it is estimated that it will produce the record annual output of 65,000,000 net tons of ingots.

New York Prices

Total share dealings:—Oct. 2, 770,000; Oct. 3, 780,000; Oct. 4, 470,000; Oct. 5, 200,000; Oct. 7, 390,000; Oct. 8, 500,000; Oct. 9, 450,000.

	Close Oct. 2,	Close Oct. 3,	Close Oct. 4,	Close Oct. 5,	Close Oct. 7,	Close Oct. 8,	Close Oct. 9,
1. Railroads	1940	1940	1940	1940	1940	1940	1940
Balt. & Ohio	45½	45	44	43½	43	42½	42
Chrysler	80¾	80	79	78½	78	77½	77
Eastman Kdk.	134	133	132	131½	131	130½	130
Gen. Elec.	35¾	35	34½	34	33½	33	32½
Gen. Motors	49¾	49	48½	48	47½	47	46½
Inland Steel	85½	85	84½	84	83½	83	82½
Int. Harvest	48¼	48	47½	47	46½	46	45½
Int. Nickel	27½	27	26½	26	25½	25	24½
Liggett Myers	100½	100	99½	99	98½	98	97½
Nat. Dairy	13½	13	12½	12	11½	11	10½
Nat. Distillers	21½	21	20½	20	19½	19	18½
Nat. Steel	66	65	64½	64	63½	63	62½
Proct. Gamble	63½	63	62½	62	61½	61	60½
Sears Roebuck	82¾	82	81½	81	80½	80	79½
Shell Union	85¼	85	84½	84	83½	83	82½
Socony Vac.	81¼	81	80½	80	79½	79	78½
Stan. Oil N.J.	33½	33	32½	32	31½	31	30½
20th Cen. Fox	54	53	52½	52	51½	51	50½
U.S. Steel	60¾	60	59½	59	58½	58	57½
West. Ind. El.	109	108	107½	107	106½	106	105½
Woolworth	33½	33	32½	32	31½	31	30½
Youngstn. Sheet	34½	34	33½	33	32½	32	31½

DAILY AVERAGE 50 COMMON STOCKS

Oct. 3	Oct. 4	Oct. 5	Oct. 7	Oct. 8	Oct. 9
100.50	100.39	100.40	100.35	100.15	100.9

1940 High, 123.7 Jan. 3. Low, 86.7 June 10

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940		Sept. 25, 1940	Oct. 2, 1940	Oct. 9, 1940
	Low June 5	High Jan. 3			
347 Ind'ls ...	80.9	111.4	95.5	95.7	92.8
32 Rails ...	20.7a	30.7	27.3	27.9	26.8
40 Utilities ...	71.2a	89.4	81.0	80.3	79.4
419 Stocks ...	69.9	94.8	82.2	82.3	80.0
Av. yield* ...	6.61% High	4.30% Low	5.86%	5.82%	6.04%

* 50 Common Stocks. a May 22nd.

Capital Issues

Week ending October 12, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs.†	2,878,553	2,878,553	2,878,553
3% Defence Bonds†	2,139,650	2,139,650	2,139,650
2½% Nat. War Bonds†	7,808,480	7,808,480	7,808,480
† Week to October 1st, 1940. ‡ Week to October 8th, making total since June 25th £236,645,815.			

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis) ...	1,159,979,295(a)	807,024,162(a)
1939 (New Basis) ...	1,078,883,151	85,357,209
1940 (Old Basis) ...	1,145,533,791(a)	792,978,658(a)
1939 (Old Basis) ...	71,273,052	49,842,973

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis) 806,039,490(a)	984,672	Nil	Nil
1939 (New Basis) 57,832,529	25,278,948	2,245,732	2,245,732
1940 (Old Basis) 791,636,202(a)	142,456	Nil	Nil
1939 (Old Basis) 33,682,882	15,840,091	320,000	320,000

Nature of Borrowing (Conv. Excl.)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis) 791,373,847(a)	1,513,755	14,166,560	14,166,560
1939 (New Basis) 44,412,640	8,119,649	32,824,920	32,824,920
1940 (Old Basis) 790,437,026(a)	132,500	1,209,132	1,209,132
1939 (Old Basis) 37,058,921	2,688,459	10,919,413	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. (a) Allowing for repayment of £1,200,000 National Savings Certificates during September, 1940.

CONVERSIONS AND REPAYMENTS

Central Mill Company, Oldham.—The directors propose to reduce capital from £50,000 to £40,000 by extinguishing the uncalled liability of £1 per share. On the reduction taking effect, each of the £4 shares is to be divided into four shares of £1 each and the capital raised to £50,000 by creation of 10,000 new £1 shares.

BY TENDER

Swindon United Gas.—This company is issuing by tender at a minimum price of par 54,000 £1 4½ per cent. redeemable preference shares, 1955. Tenders close at noon on October 16th.

Shorter Comments

Company Results of the Week.—Following the general trend of rubber companies, JAVA PRODUCE shows a considerable rise in gross income from £7,530 to £18,470 and in net income from

(Continued on page 470)

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1940

Issued Capital, £1,400,000, in 2,800,000 Shares at 10s. each

DIRECTORATE

DR. H. PIROW (Chairman).
SIR ABE BAILEY, Bart., K.C.M.G.
G. CARLETON JONES.

R. S. G. STOKES.
R. W. FFENNELL.

J. MARTIN.
S. C. BLACK.
MAJOR C. S. GOLDMAN.

Tonnage milled, 2,386,000.

Total Working Revenue	£3,006,016 6 4	Per ton milled	£1 5 2
Total Working Expenditure	1,744,860 8 3		0 14 7
Working Profit	£1,261,155 18 1		£0 10 7
Net Profit for the year	£1,260,921 14 3		£1 10 7
Balance unappropriated at 30th June, 1939	230,918 8 8		230,918 8 8
Forfeited Dividends Account	997 13 8		997 13 8
	£1,492,837 16 7		£1 10 7
This amount has been dealt with as follows:—			
Expenditure on Capital Account	£6,197 9 4		£6,197 9 4
Miners' Pensions—Provision on account of Outstanding Liability as at 31st July, 1939	25,180 12 1		25,180 12 1
Taxation	554,612 3 6		554,612 3 6
	£585,990 4 11		£585,990 4 11
Dividends declared during the year—No. 67 of 25 per cent. and No. 68 of 22½ per cent.	£906,847 11 8		£906,847 11 8
Leaving a balance unappropriated of	685,000 0 0		685,000 0 0
The Ore Reserve was re-estimated as at 30th June, 1940, and is as follows:—	£241,847 11 8		£241,847 11 8

	AVAILABLE			UNAVAILABLE			TOTAL		
	Tons.	Value Dwt. Per ton	Width, Inches.	Tons.	Value Dwt. Per ton	Width, Inches.	Tons.	Value Dwt. Per ton	Width, Inches.
South Reef and Marker	1,466,300	2.4	45.6	148,500	4.1	42.9	1,614,800	2.8	45.4
N.A. 6 and 7	671,100	2.4	42.0	132,000	5.4	42.3	803,100	2.9	42.1
N.A. 3, 4 and 5	345,500	2.4	42.1	94,000	2.7	44.6	439,500	2.4	42.6
N.A. 1 and 2	2,413,000	3.0	49.5	217,400	3.8	48.6	2,630,400	3.0	49.4
Main Reef Leader	1,305,300	4.9	51.4	128,500	4.9	60.6	1,433,800	4.9	62.1
Total	6,201,500	3.2	47.5	718,400	4.2	47.1	6,919,900	3.8	47.5

Compared with the previous year, the total reserve shows a decrease of 404,900 tons, the value and width being lower by 0.3 dwt. per ton and 1.8 inches, respectively. The shaft pillar at No. 1 Circular Shaft has been almost completely mined out and the working of the pillar at No. 2 Circular Shaft has commenced. The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4 London-wall Buildings, E.C.2.

Industry and Trade

Ban on Sales of New Cars

Last July the Ministry of Transport announced that, as it was in the national interest to export all unregistered cars that could be sold abroad, no licences for their purchase by the public would be issued pending a survey of the cars in the hands of manufacturers and dealers. This survey has now been completed and it has been found that all but a few

NEW REGISTRATIONS OF CARS TAXED ON HORSE-POWER (Chiefly Private Cars)

	1939	1940
January	27,326	5,657
February	23,509	3,849
March	39,267	6,611
April	25,615	4,688
May	23,268	3,603
June	26,502	1,891
July	23,967	3,874

of the existing unregistered cars can be exported. It has been decided that in future only persons engaged in work of national importance will be able to secure a licence for the purchase of a new car. This is as it should be, first because we cannot spare the labour and materials to produce cars for the public, even at the reduced rate of sales between January and July, and, secondly, because stocks of second-hand cars, amounting to some 2,000,000 before the war, are large enough to meet all urgent requirements.

Steel Supplies and Distribution

British purchases of iron and steel in the United States have been substantially increased in recent months in order (a) to make good the loss of Continental supplies; (b) to compensate for the fall in domestic output caused by air raids; and (c) to enable the Steel Control to accumulate

stocks against an emergency. The landed price of American products, however, is substantially higher than that of domestic materials, and it is reported that the industry's compensation fund may soon be increased by a further advance in domestic prices. On the whole supplies are at present adequate for essential purposes, but it has been found desirable to amend the distribution scheme, introduced last April, in order to prevent the diversion of steel to unessential purposes. The main provisions of the scheme, which was discussed on pages 688 and 689 of *The Economist* of April 13th, and was designed to provide the machinery for equating demand with supply during quarterly periods, have been left unchanged. The use of Department symbols, period of delivery numbers, and Iron and Steel Control licences is retained. Symbols that can only be authorised by a Government Department, and period numbers, with tonnages, must be quoted by all consumers when placing orders with finished steel manufacturers. When there is no direct authorisation from a Government Department, a licence (which automatically includes a Board of Trade symbol) is required from the Iron and Steel Control; this must be quoted instead of the Department authorisation. The amendments to the scheme are expected to tighten still further the control of supplies.

Retail Trade and Saving

While the volume of retail trade is now running below last year's level, the value of the turnover, as reflected in the Bank of England returns, has shown a steady increase since last June. Since food is a first charge on the family budget, and as food prices have advanced by 20 per cent. since the beginning of the war, an increase in the value of sales was to be expected. In view of the need for a reduction in the consumption of other goods and of the limitations on sales imposed by the Government, their turnover showed a downward trend between March and June. In June and July, it was actually slightly lower than in the corresponding months in 1939. This trend was sharply reversed in August, when

sales of non-food merchandise were no less than 21.0 per cent. higher than a year ago. As the table on page 472 shows, the recovery in sales was widespread, both geographically and by commodities. Even in Central and West End London there was a sharp recovery in August; in July, for example, the value of all sales in that district was 26.1 per cent. lower

INCREASE IN VALUE OF RETAIL TRADE COMPARED WITH 1939

	Food	Other Goods	Total
January	+ 5.4	+ 2.1	+ 3.8
February	+ 3.9	+ 4.7	+ 4.2
March	+ 10.0	+ 17.1	+ 12.8
April	+ 1.3	+ 3.4	+ 2.3
May	+ 6.0	+ 2.9	+ 4.5
June	+ 5.1	+ 1.7	+ 2.1
July	+ 12.0	+ 1.3	+ 5.6
August	+ 5.4	+ 21.0	+ 10.8

than in the corresponding month last year, while in August it showed a decline of only 4.9 per cent. Moreover, sales in August, 1939, were relatively high compared with those of the preceding months. The sudden jump in non-food sales in August may have been due partly to Sir Kingsley Wood's decision to impose a Purchase Tax, announced in his Budget speech in July. But it also suggests that we are not saving as much as we could and should save in order to set free resources for the war effort.

Postal Traffic Receipts

The increase in postal charges introduced by the Budget in April have made the figures of British postal traffic receipts, published monthly by the *Board of Trade Journal*, of particular interest. The figures are of average receipts per working day and exclude telegraph and telephone receipts, savings bank and money and postal order business. The standard charge for letters was increased by 66½ per cent. and that for postcards and printed matter by 100 per cent. on May 1st, but receipts in May were only 20.8 per cent. higher than in May, 1939. The decrease in the volume of traffic was therefore about 30 per cent. and the volume has

BRITISH POSTAL TRAFFIC Average Daily Receipts

	Average Amount of Money Received Daily			The Economist Index 1935=100	
	1939	1940	Change from 1939	1939	1940
January	£1000	£1000	%	112	99½
February	153.3	136.7	-10.8	111½	99½
March	148.2	133.1	-10.2	111½	101
April	152.2	137.6	-9.6	108	105½
May	149.6	145.9	-2.5	108	130½
June	146.9	177.6	+20.8	108	124½
July	148.2	167.5	+13.0	111	131
August	148.4	179.6	+21.0	108½	129
September	143.8	167.1	+16.3	101	
October	137.9			98	
November	142.7			101	
December ..	194.3			105	

remained about that amount below the corresponding months last year. The increase in the charge for parcels and newspapers which came into force on July 1st did not seem to affect the volume of traffic to any marked extent though receipts again increased. Part of the fall in the value of postal traffic between May and June was probably due to smaller numbers of circulars being sent out owing to the necessity for economising in the use of paper. The *Board of Trade Journal* suggests that the fall between July and August was chiefly due to seasonal factors which still have some importance, though it is less than in previous years. That this is largely true is borne out by *The Economist* index of postal receipts which is adjusted for seasonal variations and which fell only from 131 in July (1935=100) to 129 in August.

American Labour Problems

The United States has a larger proportion of the population available for work in connection with the armed forces than the European belligerent countries but the supply of skilled workers is presenting increasing difficulties. The Tem-

porary National Economic Committee estimated that the total labour supply in October, 1938, was 55 millions, of whom about 44,231,000 were employed in industry and agriculture. There were thus about 11 million unemployed. In spite of this reserve of man-power, the metal-working industries, which are expanding very rapidly, are unable to find sufficient skilled mechanics, for during the depression many firms abandoned or greatly reduced their schemes for training apprentices. But an educational programme to help in training apprentices to expand the country's arms industry has now been undertaken again by many firms. A survey conducted by the American Society of Tool Engineers reveals that by the end of the current year 1,260,000 more technicians and skilled workers will be needed by industry (569,000 immediately and 691,000 for expansion projects under the defence programme). It will call for 110,800 tool engineers, 408,000 tool and die makers, and 741,000 skilled mechanics. Production per worker is much greater in the United States than in other countries due to the greater use of mechanical power. In America the average daily expenditure of horse-power per worker is about 13.5 against 6.7 in Britain, 6.0 in Germany and 0.9 in Russia. While the shortage of skilled workers still exists, production by the existing labour force could be considerably increased by an extension of working hours. It is estimated that if restrictions were relaxed to allow a 50-hour week, production could be increased by 25 per cent. while a 60-hour week would give an increase of 50 per cent. As soon as the trained workers are available multiple shift operations can be greatly extended. It seems therefore that though the United States may be faced with immediate labour difficulties, they can all be solved fairly easily in time.

Canada's Growing Oil Production

One effect of the war has been to stimulate interest in Canadian oil production, and plans for intensified prospecting work in various parts of the Dominion have lately been announced. There is every reason to push on with such exploratory work, for Canada already ranks sixth among world oil consumers and, with the speed-up of industrial activity and the progress of the Empire Air Training Plan, demand is likely to show a fairly rapid expansion in the near future. With a population little more than one-fifth that of the United Kingdom, Canada has an oil consumption in the neighbourhood of 37 million barrels a year—almost half as large as that of the mother country. Home production, as the following table shows, registered a remarkable spurt in 1938, following the opening up of the Turner Valley field of southern Alberta, and is now equivalent to about one-fifth of the country's requirements. The balance is covered by imports—largely from the United States—which arrive mainly in the form of crude oil for treatment in Canadian refineries.

CANADIAN OIL PRODUCTION (Barrels)

1929	1,120,693	1938	6,965,457
1931	1,542,573	1939	7,837,503
1933	1,145,333	First half	
1935	1,447,204	1939	3,371,238
1936	1,507,931	1940	3,681,029
1937	2,996,033		

Something like 97 per cent. of the Canadian oil output comes from the province of Alberta, and since production in the Turner Valley is at present drastically curtailed, on account of the limited nature of the local market, it is obvious that a large increase would be possible at short notice. Unfortunately, the Turner Valley field is remote from the principal consuming centres of eastern Canada. Hence, if Albertan crude oil is to compete successfully in these markets with oil from the United States or South America, cheap transport facilities will have to be provided. This means, in effect, that a pipeline must be constructed from the field at least as far as Fort William, at the head of the Great Lakes—a distance of some 1,200 miles. Even then,

SHORTER COMMENTS

(Continued from page 469)

£2,231 to £8,668. A 3 per cent. dividend will be paid against nil. A substantial improvement in earnings is also announced by ASSAM TEA COMPANY, which has raised the dividend from 6½ to 7 per cent. in consideration of a rise in gross income from £149,186 to £210,179 and in net profits from £66,073 to £91,140. W. & H. M. GOULDING, dealers in chemical fertilisers, show a remarkable stability of both gross and net earnings. With net profits at £29,526 against £28,884, the 6 per cent. dividend is maintained. In declaring a 6½ per cent. dividend against nil, TEBBITT BROS., the leather merchants and manufacturers, are announcing the highest payment for a decade. Gross revenue is up substantially from £3,173 to £22,660, and net profits less strikingly from £1,332 to £7,148.

MISCELLANEOUS

Serck Radiators.—Profit, period to August 3, 1940, £57,968 (£58,852). Building reserve, £12,500 (£12,500). General reserve, £20,000 (£15,000). Carry-forward, £10,901 (£11,308). Dividend 15 per cent. plus bonus 7½ per cent. (same).

Trinidad Petroleum Development.—Net profit, year to July 31st, £360,677 (£179,453). Final dividend 10 per cent., making total of 15 per cent. as before.

Barrow Barnsley Main Collieries.—Net profit for year to June 30, 1940, after depreciation of £25,000, £13,547 (£29,212). A.R.P. expenses of £8,015 written off. Carry-forward, £237 (£12,786). No final distribution to follow interim payment of 2½ per cent. (against total dividend of 6 per cent. tax free).

Bushtick Mines.—Gross profit, year to June 30, 1940, £97,059 (£61,576). Taxation, £25,249. Reserve fund, £13,000. Capital expenditure, £7,000. Development

account, £1,847. Dividend of 10 per cent. (7½ per cent.) leaving carry-forward of £4,298.

J. Hepworth and Son.—Profit for year to July 31st, £69,113 (£68,243). Employees' fund, £3,000. A.R.P. expenditure, £4,386. Ordinary dividend 3 per cent. against 5 per cent., but carry-forward increased from £32,177 to £56,417.

Burmah Oil Company, Ltd.—Interim ordinary 5 per cent., as before, less tax at 6s. 4d. on November 1st. The board state that the Burma and Indian subsidiaries continue to operate on a satisfactory basis, but the heavy reduction in the company's revenue consequent on reduced receipts from investments in Shell and Anglo-Iranian must be reflected in the final rate on ordinary. Final dividend and bonus for 1939 were maintained at 10 per cent. and 6 per cent., making 21 per cent., less tax. Investment income was £2,384,997 (£2,657,080 in 1938) and trading profit £1,928,328 (£2,149,533).

York Street Flax Spinning.—Record profit for year to June 30th of £161,659 against £35,109. Taxation, £100,000, leaving net profit of £37,719 (£11,159). Dividend of 5 per cent. (nil). Carry-forward, £32,854 (£17,185).

Allsopp Brewery Investments.—Total income for year to August 31st, £219,570 (£205,100). Debenture interest, etc., £40,286 (same). Directors' fees, £1,582 (£1,369). Taxation, £72,770 (£3,000). Net profit, £104,116 (£159,623). Dividend again 45 per cent., leaving carry-forward of £55,677 (£46,061).

Sheffield Forge and Rolling Mill.—Total profit, year to June 30, 1940, £27,936 (£20,784). Taxation reserve, £13,784 (£4,308). Depreciation, £4,000 (£4,000). General reserve, £5,000 (£10,000). Dividend 15 per cent. Carry-forward, £4,791 (£6,690).

Hurst Nelson and Company.—Net profit (before audit) for year to July 13,

1940, £44,108 (£59,903). Total dividend for 1940, 15 per cent. (10 per cent.).

Riding's Stores, Ltd.—Profit on trading year to June 29, 1940, after charging management remuneration and depreciation, £53,704 (£54,651). Income tax, £19,635 (£12,744). Net profit, £24,094 (£33,609). Ordinary dividend reduced from 35 to 25 per cent. Carry-forward, £42,025 (£31,646).

Canadian Pacific Railway Earnings.—Gross earnings for August, 1940, \$15,513,000 (\$12,655,000). Net earnings, \$2,264,000 (\$906,000). Aggregate gross earnings, January to August, 1940, \$106,201,000 (\$86,121,000). Aggregate net earnings, \$17,305,000 (\$6,883,000).

Ransome and Marles Bearing Company, Ltd.—Trading profit, year to June 30, 1940, after depreciation, £74,695, was £162,653 (after taxation provision). Previous year, £230,818, after depreciation not stated. Taxation provision, £35,000 (£71,034). Special reserve for depreciation, £35,000 (nil). To general reserve, nil (£50,000). Ordinary dividend 20 per cent., as before. Carry-forward, £77,735 (£72,922).

Atkinson-Oates Motors.—Profits, year to June 30, 1940 (including dividends from subsidiaries), £102,701 (£224,100). Preference dividend, £24,000 (£24,000). To taxation, £10,566 (£14,040). Ordinary dividend 10 per cent., against 20 per cent., requires £43,759. To building reserve, £10,049 (£15,000). Carry-forward raised from £198,426 to £212,753.

Roan Antelope Copper Mines.—Final dividend 10 per cent., making 20 per cent. for year against 15 per cent.

Mufulira Copper Mines.—Ordinary dividend 11½ per cent., against 13½ per cent. for preceding year.

(Continued on page 474)

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

the oil would have to be shipped a further 800 miles to Toronto, or 1,150 miles to Montreal. It has been estimated that such a pipeline, together with the necessary facilities, would cost at least \$25 millions. This outlay would not, in itself, be prohibitive, provided its amortisation could be spread over a sufficiently long period. If, as a result of the prospecting work now proceeding, large enough reserves can be proved in Alberta, there would thus appear to be no reason why construction of the much needed pipeline should not be begun. When the necessary transport facilities are in existence, a spectacular increase in Canadian oil production will undoubtedly follow.

Correction

In a note on the increase in the prices of oil products on page 410 of *The Economist* of September 28th, we pointed out that the current retail price of petrol, at 2s. 0½d. per gallon, was not far short of the maximum of 2s. 2d. reached during the last war. Actually, the highest price reached during the last war was 4s. 1d. per gallon. The petrol duty, which was 3d. per gallon at the outbreak of the last war, was raised to 6d. per gallon on September 22nd, 1915, and remained at that level throughout the war. At the beginning of the present war the duty was 9d. per gallon; so far it has remained unchanged.

COMMODITY AND INDUSTRY NEWS

THE Canadian Government has announced that in future export permits for copper will only be granted to British countries and possibly to the United States. The Controller of Metals has decided that all available copper will soon be needed to meet the increased consumption in Canada and British needs. The United States Department of Agriculture has published its fourth estimate of the cotton crop; on October 1st production was estimated at 12,741,000 bales of 500 lb., compared with 12,772,000 bales on September 1st and a final estimate of 11,817,000 bales for the 1939 season. An improvement in the canning industry was noted at a company meeting during the week. Normal trade has increased, and large Government orders have also helped to keep the factories working at full capacity for a longer period than usual.

and in the United States 11,410 tons against 12,740 tons in August.

Metals. The raw material position in the iron and steel industry is now becoming much more satisfactory owing to the expansion of domestic ore production and the increased collection of scrap. Imports from America are also being very greatly increased, and the increased cost which this entails is likely to lead to a further increase in prices. Prices were last raised on July 1st.

Grains. There has not been very much interest in the wheat market during the week and prices have shown a slight decline. It was reported that Russia had purchased 5 million bushels of wheat from the United States, though no details were available. Maize prices have also declined during the week due to lack of interest by consumers. English oats and barley each advanced 1d. per cwt.

Cotton. The maximum rates for both American and Egyptian cotton were fixed at the closing prices of October 7th on the Liverpool Cotton Exchange. A good deal of business has been done in spot cotton during the week. Cloth business is being adversely affected by changes in trading conditions. Supplies of Ameri-

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Sept. 27, 1940	Oct. 4, 1940	Oct. 6, 1939	Oct. 4, 1940
American	22.6	30.0	181	235
Brazilian	5.8	8.5	89	66
Peruvian, etc.	3.2	3.5	42	33
Egyptian	3.7	3.4	53	41
Sudan Sakel	0.6	0.4	38	7
East Indian	5.9	7.4	59	45
Other countries	4.4	5.0	35	31
Total	46.2	58.2	497	458

Source: Liverpool Cotton Association's Weekly Circular.

can cotton have been restricted in order to curtail home trade consumption, but some spinners have complained that they have not been allotted enough cotton for their Government and export contracts. Important Government contracts for both fine and heavy goods have been given, and there has been some demand from overseas markets.

Tin. The improvement in the price of tin continued, and business was more active during the week. It was also thought that the buffer pool was beginning to accumulate stocks again. It was reported that the visible supply of tin was 39,168 tons at the end of September, an increase of 1,495 tons on the month. Stocks in the United Kingdom totalled 3,620 tons, against 2,134 tons at the end of August. Deliveries in the United Kingdom in September were 464 tons against 532 tons,

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Sept. 21, 1940	Sept. 28, 1940	Sept. 30, 1939	Sept. 28, 1940
N. America	367	241	4,542	2,898
Argentina, Uruguay, Australia	293	176	3,737	2,150
Russia	*	*	†612	*
Danube and district	18	16	903	182
Other countries	678	433	†10,118	5,220

* Unobtainable. † 9 weeks. ‡ Incomplete.
Source: The Corn Trade News

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Sept. 21, 1940	Sept. 28, 1940	Sept. 30, 1939	Sept. 28, 1940
Argentina	62	15	10,120	5,186
Atlantic America	48	81	509	1,427
Danube Region	46	42	1,089	678
S. & E. Africa	46	42	2,146	†1,020
Indo-China, etc.	...	...	847	91
Total	156	138	14,711	8,402

† Incomplete since August 24th.
Source: The Corn Trade News.

Oils and Oilseeds. The Control is steadily increasing its stocks by purchases of Indian linseed and groundnuts to meet probable future requirements. It is offici-

ally announced that in the absence of "material and substantial" changes in conditions the prices of oilseeds will be stabilised at the present levels until September 30, 1941. Shipments of Argentine linseed now amount to 740,000 tons, compared with 1,182,600 tons in the corresponding period last season. There are very few purchases despite a further fall in the price. Harvesting is proceeding in the United States, and a crop 50 per cent. larger than last season's is expected.

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

	Average Daily Sales			Stocks (at cost) end Aug.
	June	July	Aug.	
1940				
June				
July				
Aug.				

(a) By Commodities					
	1940	1939	1940	1939	1940
Non-Food Merchandise	26.0	3.1	29.6	59.9	32.6
Piece-goods	10.3	5.9	13.4	30.0	32.6
Women's wear	4.9	12.3	21.5	36.5	36.5
Men's and boys' wear	9.5	13.4	32.1	28.4	28.4
Boots and shoes	14.6	17.6	15.9	35.1	35.1
Furnishing departments	10.9	0.5	13.4	29.7	29.7
Hardware	11.6	1.2	2.8	45.3	45.3
Fancy departments	9.1	10.7	1.1	50.9	50.9
Sports and travel	27.0	36.9	38.0	56.6	56.6
Miscellaneous	1.7	1.3	21.0	39.7	39.7
Total — Non-Food Merchandise	5.1	12.0	5.4	60.4	60.4
Total — All Departments	2.1	5.6	10.8	41.9	41.9

(b) By Districts					
	1940	1939	1940	1939	1940
Scotland	7.2	14.7	12.9	36.7	36.7
North-East	8.4	13.3	11.2	41.7	41.7
North-West	10.3	15.5	12.1	47.2	47.2
Midland & S. Wales	6.6	4.1	9.2	53.4	53.4
South England	38.4	26.1	20.2	34.5	34.5
Central & West End	4.2	6.4	5.4	33.5	33.5
London	...	...	...	...	...
Suburban London	...	...	...	...	...

Source: Board of Trade Journal.

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

	Mar. 31, 1937	Aug. 30, 1939	Sept. 27, 1939	Sept. 17, 1940	Oct. 8, 1940
The Economist Index (U.K.)	93.0	66.9	75.9	94.2	96.4
Cereals and meat	70.4	61.1	66.8	83.0	82.7
Other foods	74.2	54.3	62.6	88.0	88.0
Textiles	113.2	95.4	99.1	120.4	121.0
Minerals	87.0	77.6	81.4	108.9	105.5
Miscellaneous	87.0	77.6	81.4	108.9	105.5
Complete Index	87.2	70.3	76.8	99.9	98.7
1913 = 100	119.9	96.8	105.6	137.5	135.9
Irving-Fisher Index (U.S.A.)	100.4	83.4	88.9	86.3	...

* This figure is the latest available; it relates to August 17th.
† Highest level reached during the 1932-7 recovery.

GOVERNMENT RETURNS

For the 5 days to October 5, 1940, total ordinary revenue was £23,031,000, against ordinary expenditure of £70,990,000 and issues to sinking funds of £262,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,211,157,000, against £340,097,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Oct. 7, 1939	Apr. 1, 1940, to Oct. 5, 1940	Week ended Oct. 7, 1939	5 days ended Oct. 5, 1940
ORDINARY REVENUE					
Income Tax	510,500	57,426	106,755	4,416	11,644
Sur-tax	83,000	9,130	11,890	230	200
Estate, etc.	86,100	40,900	41,400	690	560
Duties	19,000	8,930	7,528	...	...
Stamps	700,000	12,640	11,280	500	350
N.D.C.	...	...	27,542	...	1,160
E.P.T.	...	...	...	...	...
Other Inland Revenue	1,000	390	230	...	10
Total In. Rev.	769,600	129,416	206,625	5,836	13,924
Customs	309,350	138,090	152,543	5,451	7,675
Excise	213,550	62,260	85,900	1,010	800
Total Customs and Excise	522,900	200,350	238,443	6,461	8,475
Motor Duties P.O. (Net Receipts)	13,291	2,554	6,600	Dr200	...
Crown Lands Receipts from Sundry Loans	1,150	650	550	...	...
Mis. Receipts	5,000	3,351	646	...	...
Total Ordinary Revenue	1,360,191	353,467	475,550	15,003	23,031
SELF-BAL. Post Office and Broadcasting	86,222	40,996	42,250	1,450	1,400
Total	1,446,413	394,463	517,800	16,453	24,431

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Oct. 7, 1939	Apr. 1, 1940, to Oct. 5, 1940	Week ended Oct. 7, 1939	5 days ended Oct. 5, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	130,999	131,131	17,114	16,194
Payments to N. Ireland	9,400	3,961	4,046	298	297
Other Cons. Fund Serv.	7,600	3,465	3,442	2	2
Total	247,000	138,425	138,619	17,414	16,494
Supply Serv.	321,970	549,489	154,206	27,973	54,496
Total Ordinary Expenditure	568,970	687,914	292,825	45,387	70,990
SELF-BAL. Post Office and Broadcasting	86,222	40,996	42,250	1,450	1,400
Total	655,192	728,910	335,075	46,837	72,390

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £187,154 to £3,173,901, the other operations for the period (no longer shown separately) raised the gross National Debt by £49,714,000 to about £10,156 millions.

OTHER ISSUES (Net) (£ thousands)	
P.O. Telegraphs	350
Tithe Act	930
Overseas Trade Guarantee	26
Total	1,306

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to October 5, 1940, are:—

Ordinary Exp. 1,681,125		Ord. Revenue 475,550	
Misc. Iss. (net)	5,508	Gross. borr.	1,217,443
Inc. in balances	779	Less—	
		Sinking fds.	5,581
		Net borrowing	1,211,862
	1,687,412		1,687,412

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1939						
Oct. 7	518.0	703.1	47.3	...	...	1,268.4
1940						
June 29	770.0	856.0	36.6	...	...	1,662.6
July 6	785.0	...	...	Not available	...	...
" 13	800.0	...	...	"	...	...
" 20	815.0	...	...	"	...	...
" 27	826.0	906.5	43.6	...	30.0	1,806.2
Aug. 3	831.0	...	...	Not available	...	...
" 10	836.0	...	...	"	...	...
" 17	836.0	...	...	"	...	...
" 24	836.0	...	...	"	...	...
" 31	836.0	1042.6	60.7	...	30.0	1,969.3
Sept. 7	836.0	...	...	Not available	...	...
" 14	836.0	...	...	"	...	...
" 21	836.0	...	...	"	...	...
" 30	836.0	1085.1	91.5	...	124.0	2,136.7
Oct. 5	836.0	...	...	Not available	...	...

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate %	Per Cent. Allotted at Minimum Rate
	Offered	Applied for	Allotted		
1939					
Oct. 6	50.0	97.0	50.0	5. d.	52
1940					
June 28	65.0	110.3	65.0	20 5-22	51
July 5	65.0	110.3	65.0	20 5-10	55
" 12	65.0	112.3	65.0	20 4-97	48
" 19	65.0	118.8	65.0	20 4-45	37
" 26	65.0	125.8	61.0	20 4-44	31
Aug. 2	65.0	122.1	60.0	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
" 27	65.0	131.9	65.0	20 6-33	81
Oct. 4	65.0	122.5	65.0	20 4-63	42

On October 4th 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 October 11th. For the week ending October 12th the banks will be asked for Treasury deposits to the maximum amount of £20.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)			
Week ended	N.S.C.	3% Bonds	2½% Bonds
Sept. 24	3,373	2,422	8,207
Oct. 1	2,879	2,140	10,942
" 8	...	...	7,808
Totals to date	156,487*	155,841*	236,646†
* 45 weeks.		† 16 weeks.	

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, of June 15th; Java, Egypt, of June 22nd; Greece, Yugoslavia, of June 29th; Prague, Roumania, of August 31st; Portugal, of September 14th; National Bank of Bulgaria, of September 21st; International Settlements, of September 28th; Canada, Latvia, Hungary, Japan, Estonia, Lithuania, New Zealand, Sweden and Turkey, of October 5th.

U.S. FEDERAL RESERVE BANKS
Million \$'s

	Oct. 12, 1939	Sept. 19, 1939	Oct. 3, 1939	Oct. 12, 1940
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	19,399	18,756	18,843	18,953
Total reserves	15,050	19,112	19,203	19,293
Total cash reserves	315	344	348	328
Total U.S. Govt. secs.	2,765	2,434	2,434	5,650
Total bills and sec.	2,784	2,463	2,447	2,438
Total resources	18,636	22,527	22,462	22,617
LIABILITIES				
F.R. notes in circ.	4,758	3,396	5,406	5,464
Excess m. bank res.	5,400	6,530	6,542	6,720
Mr. bank reserve dep.	11,739	13,624	13,703	13,800
Govt. deposits	404	790	793	678
Total deposits	12,884	15,964	16,021	16,065
Total liabilities	18,636	22,527	22,462	22,617
Reserve ratio	85.3%	89.5%	89.6%	89.6%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	16,973	21,093	21,166	21,271
Treas. & bk. currency	2,924	3,040	3,041	3,046
LIABILITIES				
Money in circulation	7,346	8,084	8,090	8,172
Treas. cash and dep.	2,642	3,101	3,091	2,972

SOUTH AFRICAN RESERVE BANK
Million £'s

	Sept. 29, 1939	Aug. 16, 1940	Aug. 23, 1940	Aug. 30, 1940
ASSETS				
Gold coin and bullion	28.40	37.48	37.74	37.35
Bills discounted	7.14	1.26	0.74	0.84
Inves. & other assets	18.05	35.50	36.16	24.45
LIABILITIES				
Notes in circulation	20.54	21.58	21.08	23.66
Deposits: Government	2.70	2.20	2.31	1.76
Bankers'	23.28	39.61	39.69	40.62
Others	3.90	6.43	7.12	2.46
Reserve ratio	56.7%	53.2%	53.4%	53.1%

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

	Sept. 13, 1939	Aug. 28, 1940	Sept. 4, 1940	Sept. 11, 1940
ASSETS				
Loans, total	8,315	8,509	8,566	8,665
Investments	14,074	15,548	15,622	15,629
Reserve with F.R. bks	9,686	11,449	11,418	11,471
Due from domestic bks.	2,950	3,291	3,171	3,226
LIABILITIES				
Deposits: Demand	18,288	21,053	20,901	21,079
Time	5,233	5,341	5,358	5,360
U.S. Govt.	538	528	531	527
Inter-bank	8,306	9,074	9,175	9,241

CENTRAL BANK OF ARGENTINA
Million paper pesos

	Aug. 15, 1939	July 15, 1940	July 31, 1940	Aug. 15, 1940
ASSETS				
Gold at home	1,224	1,224	1,224	1,224
Other gold & for. exch.	96	161	151	152
Non-in. Govt. bond	119	119	119	119
Treasury bonds	396	395	395	395
LIABILITIES				
Notes in circulation	1,118	1,216	1,218	1,203
Deposits: Government	221	162	157	197
Banks	375	417	415	392
Certs. of participation	121	148	152	144
Reserve ratio	76.9%	77.1%	76.9%	76.3%

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates were fixed by the Bank of England between October 4th and October 10th. (Figures in brackets are par of exchange.)
U.S. \$ (4.8625) 4.0212-0312; mail transfers, 4.0212-0312. Can. \$ (4.8625) 4.43-47; mail transfers, 4.43-47. Sw. frs. (25.2212) October 4-7, 17.45-55; October 8, 17.40-50; October 9-10, 17.35-45. Sw. kr. (18.159) 16.85-95. A.g. pesos (11.45) 16.90-17.13; mail transfers, 16.90-17.15. Ned. E. Ind. Fl. (12.11) 7.58-62; mail transfers, 7.58-61. Ned. W. Ind. Fl. (7.55-52) mail transfers, 7.58-61. Belg. Congo Fr. (175.24) 92.80-100.25. Portugal Esc. (110) 80-100.25. Panama, \$4.02-04; mail transfers, 4.02-04. Philippine (peso), 8.09-12; mail transfers, 8.09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 34 cent. pm.-par. Canada, 12 cent. pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia, 1½ cents pm.-par.

MARKET RATES

London on	Par of Exchange per £	Oct. 4, 1940	Oct. 5, 1940	Oct. 7, 1940	Oct. 8, 1940	Oct. 9, 1940	Oct. 10, 1940
Budapest, Pen.	27.82	191.5	191.5	191.5	191.5	191.5	191.5
Belgrade, Din.	276.32	155	155	155	155	155	155
Sofia, Lev.	673.66	200(g)	200(g)	200(g)	200(g)	200(g)	200(g)
Helsinki, Mk	193.23	315	315	315	315	315	315
Alexandria, Pt	9712	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pt.	25.2212	371.5	371.5	371.5	371.5	371.5	371.5
Istanbul, L.T.	110	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Athens, Dr.	375	510	510	510	510	510	510
Bucharest, Lei	813.8	515	515	515	515	515	515
India, Rup.	718d.	171.5	171.5	171.5	171.5	171.5	171.5
Kobe, Yen.	124.58d.	137.8-143	137.8-143	137.8-143	137.8-143	137.8-143	137.8-143
Hongkong, \$	147.8-151	147.8-151	147.8-151	147.8-151	147.8-151	147.8-151	147.8-151
Rio, Mil.	15.899d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	95	95	95	95	95	95
Lima, Sol. (s)	17.38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	51d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	28d.	281.5-516	281.5-516	281.5-516	281.5-516	281.5-516	281.5-516
Shanghai, \$	314-316	314-316	314-316	314-316	314-316	314-316	314-316
Bogota, Pes.	64	64	64	64	64	64	64

* 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. (f) Trade payments rate.

(Shorter Comments continued from page 470)

Guaranty Trust Company of New York.—Total resources, September 30, 1940, \$2,584,742,898.05, against \$2,338,871,476.88 September 30, 1939. Deposits, \$2,291,011,486.40 (\$2,027,675,759.45). United States Government obligations, \$1,045,273,926.86. Cash, \$1,031,937,049.23. Capital and surplus, \$90,000,000.00 and \$170,000,000.00 respectively. Undivided profits,

\$15,795,956.93, as compared with \$15,639,400.19 on June 30, 1940, and with \$13,072,759.09 a year ago. The present statement includes the assets and liabilities of the company's London, Liverpool and Paris branches, September 30, 1940, of Brussels and Antwerp branches, August 31, 1940, and the Havre branch, June 30, 1940.

Bibiani (1927).—Profit for September, 1940, £27,845, making profit for year

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Aug. 21, 1939	Aug. 5, 1940	Aug. 12, 1940	Aug. 19, 1940
ASSETS				
Gold and English stg.	16.03	16.08	16.08	16.08
Other coin, bullion, etc.	4.61	8.10	8.26	8.97
Call money, London	16.36	49.09	48.72	44.62
Secs. and Treas. bills	100.88	90.04	89.09	91.40
Discounts and advances	17.54	33.91	33.17	32.39
LIABILITIES				
Notes issued	48.28	61.62	61.62	61.62
Deposits, etc.	88.06	116.43	114.46	113.44

RESERVE BANK OF INDIA
Million rupees

	Sept. 22, 1939	Sept. 6, 1940	Sept. 13, 1940	Sept. 20, 1940
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	756	338	332	330
Balances abroad	159	307	321	329
Sterling securities	595	1,315	1,315	1,315
Indian Gov. rupee sec.	374	496	496	496
Investments	63	87	84	82
LIABILITIES				
Notes in circ.: India	1,914	2,221	2,213	2,189
Burma	101	124	123	122
Deposits: Govts.	122	140	137	134
Banks	178	422	429	457
Reserve ratio	47.9%	67.9%	68.0%	68.1%

BANQUE MELLIE IRAN
Million rials

	May 22, 1939	Apr. 20, 1940	May 5, 1940	May 21, 1940
ASSETS				
Gold	310.7	310.8	310.8	310.8
Silver	406.8	408.8	408.8	408.8
Balances, home & abroad	101.6	327.8	322.9	310.5
Discounts	321.1	405.3	419.7	413.3
Public departments	718.5	1126.3	1116.9	1223.9
Other debit accounts	922.9	517.1	572.6	576.6
LIABILITIES				
Notes in circulation	856.2	987.3	984.6	977.1
Public departments	444.3	519.1	611.2	621.2
Market value:				
‡ 341.2 million rials.				
‡ 306.9 million rials (based on London price and rate).				

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended	Aggregate January 1 to	Week ended	Aggregate January 1 to
	Oct. 7, '39	Oct. 5, '40	Oct. 7, '39	Oct. 5, '40
Working days—	6	6	236	237
Birmingham	2,482	2,595	92,148	88,093
Bradford	1,293	1,697	34,719	66,203
Bristol	1,502	2,258	53,637	72,306
Hull	783	1,626	31,222	30,256
Leicester	897	960	28,064	29,725
Liverpool	5,083	5,604	196,560	224,074
Manchester	13,138	13,730	378,428	448,209
Southampton	137	137	1,377	2,062
* September 30, 1939, and September 28, 1940. † Clearing begun May 14, 1940.				

MONEY RATES, LONDON

The following rates remained unchanged between Oct. 4th and Oct. 10th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½-1½%; Treasury bills: 2 months, 1-1½%; 3 months, 1½%; Day-to-day money, ¾-1¼%. Short loans, 1-1¼%. Bank deposit rates, 1½%. Discount deposits at call, 1½%; at notice, ¾%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

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

Date	Cash	Two Months	Date	Cash	Two Months
Oct. 4	237½	237½	Oct. 9	237½	237½
" 7	237½	237½	" 10	237½	237½
" 8	237½	237½			

NEW YORK EXCHANGE RATES

New York on	Oct. 3, 1940	Oct. 4, 1940	Oct. 5, 1940	Oct. 7, 1940	Oct. 8, 1940	Oct. 9, 1940
London:—						
Cables	403½	403½	404	403½	404	403½
Switzerland, Fr.	23.04	23.04	23.05	23.13	23.17	23.17½
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	40.00	40.00	40.00
Stockholm, Kr.	23.84	23.84	23.85	23.85	23.85	23.84
Montreal, Can. \$	35.375	35.375	35.375	35.375	35.375	35.375
Japan, Yen	23.48	23.48	23.48	23.48	23.48	23.48
Shanghai, \$	5.62	5.62	5.62	5.62	5.62	5.62
B. Aires, Pso. (mk. rate)	23.55	23.55	23.55	23.55	23.55	23.55
Brazil, Milreis	5.05	5.05	5.05	5.05	5.05	5.05

‡ Official buying rate 29.78.

(c) Nominal.

\$392,707 (£167,320). In May the company declared its first interim dividend of 7½ per cent. Previously one dividend payment has been made each year. For 1939 it was 25 per cent.

Lines Brothers.—Record trading profit for year to June 30, 1940, of £115,990 (£81,167). Dividend, 30 per cent. on ordinary shares, a rate which has been paid each year since 1937.

(Continued on page 475)

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
Iron, Coal and Steel		£	£	£	£	£	£	%	£	£	£	£	%
Tinsley Rolling Mills	June 30	17,017	2,000	3,657	8,142	1,020	2,300	10	...	+ 337	8,356	7,797	8
United Steel Cos.	June 30	2,256,078	...	462,583	874,183	...	461,994	8	...	+ 589	1,660,426	579,967	8
Rubber													
Java Produce	Mar. 31	18,470	1,500	8,668	10,899	...	6,093	3	...	+ 2,575	7,630	2,231	Nil

BRITISH WHOLESALE PRICES

Oct. 1, Oct. 8

GRAIN, etc.		CEREALS AND MEAT		1940		1940	
Wheat—				s. d.		s. d.	
No. 1, N. Mt. 496 lb. f.o.b. St.J.		33	0	32	9		
Eng. Gaz. av., per cwt. (c)		14	8	14	8		
Flour, per 280 lb.—							
Straights, d/d London		25	6	25	6		
Barley, Eng. Gaz., av., per cwt.		20	3	20	4		
Oats		14	2	14	3		
Maize, La Plata, 480 lb., f.o.b.—		12	4½	12	11		
Rice, Burma, No. 2, per cwt. f.o.b.		12	6	12	3		
MEAT —Beef, per 8 lb.—							
English long sides		4	8	4	8		
Imported hinds		5	4	5	4		
Mutton, per 8 lb.—English		4	4	4	4		
Imported		8	0	8	0		
Pork, English, per 8 lb.		4	4	4	4		
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	93	2	99	2			
Imported	93	2	99	2			
COCOA (per cwt.)—							
Accra, s.f.	35	0	35	0			
Grenada	55	0	54	0			
COFFEE (per cwt.)—							
Santos supr. c. & f.	...	Nom.	...	Nom.			
Costa Rica, medium to good	68	0	68	0			
Imported	95	0	95	0			
EGGS (per 120)—English—	30	0	32	6			
LARD (per cwt.)—Imported	64	0	64	0			
POTATOES (per cwt.)—							
English, King Edward	7	0	...				
	8	6	...				
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	38	0			
	41	6	41	6			
TOBACCO (per lb.)—							
Indian, stemmed and unstemmed	0	7	0	8			
Rhodesian, stemmed and unstemmed	1	0	1	2			
	2	6	2	6			
TEXTILES							
COTTON (per lb.)—							
Raw, Mid-American	8	30	8	13			
Giza, F.G.F.	13	06	13	18			
Yarns, 32's Twist	14	99	14	92			
40's Twist	16	24	16	17			
60's Twist (Egyptian)	27	00	27	00			
Cloth, 32 in. Printers, 116 yds. 16 x 16, 32's & 50's	s. d.	s. d.	s. d.	s. d.			
	24	3	24	3			
(a) + 5s. per ton net paper bags or jute sacks, charged							
(d) Including import duty and delivery charges.							

(a) Interim dividend.	(b) Final dividend.	(c) Last two yearly dividends.	(d) Worked on 9% basis.	(e) Allowing for exchange.	(f) Flat yield.
Worked on 22½% basis.	Annas per share.	Yield worked to average redemption—end 1960.	Yield on 1-523% basis.	Based on redemption at per m	1966.
Yield based on 75½% of coupon.	Including bonus of 5% tree of tax.	Yield on a 2½ per cent. basis.	Worked on 65% basis.	Free of income tax.	1939.
cash dividend 10 per cent. out of capital reserve.					

Oct. 1 Oct. 8

	1940	1940
COTTON —continued.		
Cloth, 36 in. Shirtings, 75 yds., 19 x 19, 32's & 40's	35 3	s. d. 35 3
„ 38 in. ditto, 38 yds., 18 x 16, 10 lb.	13 3	13 3
„ 39 in. ditto, 37½ yds., 16 x 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, 42"	26/0	26/0
JUTE (per ton) — Daisie 2/3, c.i.f. Dundee, Oct.-Nov. (new)	22/10/0	22/10/0
Common 8-lb. cops.	s. d. s. d.	
SISAL (per ton)—African, Oct.-Dec. —No. 1	£ s. £ s.	
SILK (per lb.)— Japan	14 0	14 0
China fil	15 6	15 6
WOOL (per lb.)— Lincoln wethers, washed	d. d.	
Selected blacked, greasy	19½	19½
Australian scd. fleece, 70's	19½	19½
Cape scd. average snow white	24	24
N.Z. scd. 2nd pieces, 50-56's	24	24
Tops — 64's warp	45	45
56's super carded	39	39
44's average carded	31	31
44's prepared	29½	29½
MINERALS		
COAL (per ton)— Welsh, best Admiralty	s. d. s. d.	
Durham, best gas, f.o.b. Tyne	28 9	28 9
IRON AND STEEL (per ton)— Pig, Cleveland No. 3, d/d	120 0	120 0
Bars, Middlebrough	302 6	302 6
Steel rails, heavy	255 6	255 6
Tinplates (home, i.e. 14x20)	62 0	62 0
NON-FERROUS METS. (per ton)— Copper (c)—Electrolytic	26/0	26/0
Tin—Standard cash	256/0 0	257/10 0
Three months	257/0 0	258/0 0
Lead (d)—Soft foreign, cash	260/0 0	259/15 0
Spelter (d)—G.O.B., spot	260/5 0	260/5 0
Aluminium, ingots and bars	25/0 0	25/0 0
Nickel, home delivery	25/15 0	25/15 0
Antimony, Chinese	110/0 0	110/0 0
Wolfram, Empire	90/0 0	90/0 0
Platinum, refined	195/0 0	195/0 0
Quicksilver	90/0 0	90/0 0
GOLD , per fine ounce	92/0 0	92/0 0
SILVER (per ounce)— Cash	2/10 0	2/10 0
9d., credited 1s. 6d. on return.	0/0 0	0/0 0
(a) Average weeks ended September 28th and (b) Higher Pool and Average weeks ended September 28th and	50/0 0	50/0 0
	54/10 0	54/10 0
	s. d. s. d.	
	168 0	168 0
	1 117/6	1 117/6

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

AMERICAN WHOLESALE PRICES

	Oct. 2, 1940 Cents	Oct. 9, 1940 Cents			Oct. 2, 1940 Cents	Oct. 9, 1940 Cents			Oct. 2, 1940 Cents	Oct. 9, 1940 Cents
GRAINS (per bushel)—				METALS (per lb.)— <i>cont.</i>				MISCELLANEOUS (per lb.)— <i>cont.</i>		
Wheat, Chicago, Dec.	81 7/8	82 1/4		Spelter, East St. Louis, spot ..	7-25	7-25		Petroleum, Mid.-cont. crude	102	102
Winnipeg, Oct.	58	58 1/2		MISCELLANEOUS (per lb.)—				per barrel	19 1/2	20
Maize, Chicago, Dec.	41 3/4	32 1/8		Cocoa, N.Y., Accra, Oct.	4-03	4-05		Rubber, N.Y., smkd. sheet spot	19 1/2	20
Oats, Chicago, Dec.	45 3/8	44 3/8		Coffee, N.Y., cash—				Do. do. Oct.-Dec.	19 1/2	20
Rye, Chicago, Dec.	39 3/8	39 3/8		Rio, No. 7	5 1/4	5 1/4		Sugar, N.Y., Cuban Cent.,		
Barley, Winnipeg, Oct.				Santos, No. 4	7-00	7-00		96 deg. spot	2-80	2-76
METALS (per lb.)—				Cotton, N.Y., Am. mid. spot	9-91	9-87		Sugar, N.Y., 96 deg., No. 4,		
Copper, Connecticut	12-00	12-00		Cotton, Am. mid., Oct.	9-56	9-60		f.o.b. Cuba, Dec.	0-80 1/2	0-80
Tin, N.Y., Straits, spot	51-37 1/2	51-37 1/2		Cotton Oil, N.Y., Oct.	5-41	5-30		Woody's Index of staple com-		
Lead, N.Y., spot	5-00	5-00		Lard, Chicago, Oct	4-42 1/2	4-57 1/2		modities, Dec. 31, 1931=100	160-8	161-5

TRANSVAAL GOLD OUTPUT

Statistics for September, 1940 (on basis of £8 8s. Od. per fine ounce)

Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz.	Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz.	Mine and Group	Tons Milled	Value or Output	Profit	Working Costs per fine oz.
<i>Anglo-Amer. Corp.</i>		£	£	s. d.	<i>Cent. Mng.-Rand M.</i> — <i>cont.</i>		Fine ozs	£	s. d.	<i>"Johnnies"</i>		£	£	s. d.
Brakpan	135,500	252,822	96,038	104 2-9	New Modder	195,000	29,748	97,177	103 2	E. Champ D'or ...	34,000	69,991	36,307	81 3
Daggafontein	161,500	391,757	221,005	73 3-2	Nourse	82,000	16,321	34,619	125 7	Gov. Areas	235,000	403,200	185,029	92 3
East Daggafontein	72,000	159,530	63,511	101 2-1	Rose Deep	84,000	12,820	27,305	125 6	Langlaagte	114,000	126,559	10,048	156 4
S. Af. Land	112,500	260,191	144,954	74 5-3	Transvaal G.	31,200	4,987	5,640	143 5	N. State Areas	119,000	248,566	134,286	78 6
Springs	165,000	372,619	198,125	78 9						N. State Areas	390,000	453,701	133,761	119 10
W. Springs	94,000	168,197	66,104	102 0	<i>Gen. Mining</i>		£			Randfontein	104,000	123,006	27,141	131 10
<i>Cent. Mng.-Rand M.</i>		Fine ozs			Van Ryn	62,000	58,354	7,507	150 2	Van Ryn	87,000	102,527	17,241	141 10
City Deep	110,000	25,859	77,023	108 7	W. Rand Cons. ...	233,000	361,911	161,277	96 3	Witwatersrand ...				
Cons. M. Reef	203,000	31,940	71,309	123 8	<i>Goldfields</i>		Fine ozs			<i>Union Corp.</i>		Fine ozs		
Crown	363,000	84,017	329,798	89 10	Venterspoort	107,000	21,254	50,284	120 9-9	E. Geduld	156,000	44,866	248,350	57 4
Durban Deep	191,000	34,838	101,588	109 8	S. and Jack	154,000	29,763	86,411	110 1-1	Geduld	113,500	26,369	115,728	80 6
E. Rand Prop.	217,000	45,146	124,069	113 5	Robinson Deep ..	125,000	27,469	95,853	98 4	Grootvlei	105,000	27,502	110,351	87 10
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Modder East	130,000	21,706	75,917	98 3	Luitpaards Vlei ...									

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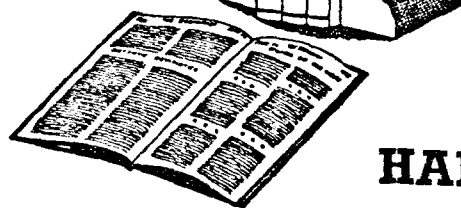
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THE ECONOMIST

Vol. CXXXIX

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The Nation's Health

THIS week the Commons have discussed the nation's health. The debate was timely, for the season of epidemics is at hand. Another and probably more dangerous attack than the *Blitzkrieg* is imminent in the shape of increased sickness and disease. The first winter of war was not unfortunate in this respect. Influenza, diphtheria and measles all took their toll, but the total of casualties stood comparison with peacetime figures. For the coming months, until the spring, possibilities are graver. Until the Battle of Britain began, life here was little changed from before the war. The foundations of good health, food, clothing and shelter were scarcely weakened, and even the problems arising from the crowded billeting of evacuees were limited by the relatively small scale which the migration ultimately assumed.

Now the situation has changed. Food supplies are still abundant, and there is no shortage of clothing or other necessities. But the new factor of continuous intensive bombing has brought in new dangers. Throughout the raided areas there is crowding in the hours of darkness; households herd together in their shelters or lower rooms; flat dwellers congregate to sleep in basements; endangered families in a few districts flock into communal shelters and Tube stations. At home and in public places there is perilous congregation in ill-ventilated conditions, and there is no way of keeping the healthy and the infected apart. Evacuation, public and private, is being speeded up; house-room has to be found for a small minority of homeless people; there is a great Army to be lodged in barracks, huts and billets for the winter. A major problem in the maintenance of national health is bound to be this question of living space, as well as that of sleeping room.

The British health services, for all their flaws, can be an unrivalled bulwark against the spread of sickness. But in the next few months of lowered resistance there will be the need to shore up and extend them. In some places bombing has somewhat disrupted the network of hospitals, clinics and centres for advice and special treatment. Moreover, most of the services are based upon place. When people move they do not take their medical defences with

them, and when schoolchildren are evacuated it is seldom easy to give them their former medical care and aid in feeding; the closing down of certain cripples' centres and other such places is a sad setback. A paramount aim is to adjust the range of State-aided care and treatment to the redistribution of the population, and to ensure that these services are at least no less efficient than in peacetime.

Then there are gaps to be filled. This week the Commons debated national health insurance. The failing of this system is that, while it assists the wage-earner, it neglects the family. At this time of new dangers to physical and nervous well-being, the case for extending insurance to dependants demands recognition. It is the family unit that will have to withstand and cope with the perils of life under fire, and every member of the family requires all possible aid and education in health matters.

The focus of the problem is the shelter. In public shelters special measures to ventilate, heat and disinfect them are imperative, and a special system of close supervision by medical officers and nurses has already been mooted. The private shelter cannot be dealt with so simply; though appreciable, its dangers, to health at least, are much smaller. Here the responsibility of health precautions must rest upon the individual and the household. Free inoculation for all, free or cheap gargles and disinfectants, prompt care for every man, woman and child infected; above all, urgent and convincing propaganda about the unseen perils—these are indispensable defences against the dangers of shelter life. And there is the added peril of broken water mains and disturbed sewage.

The biggest barrier to success will be the apathy of ordinary individuals, for the State's part can easily be done; it is no more than a matter of prompt organisation, intelligent anticipation and generous finance. It should be made quite plain that disease is a far sterner opponent than the *Luftwaffe*, that every facility is available for wise people to protect themselves, and that, in epidemics as in air raids, "dispersal is the sovereign remedy against heavy casualties."

The Atlantic Link

THIS year's Presidential election is by no means the first that has turned on the relations between the United States and Great Britain. But it is the first in which the familiar issue has emerged as a competition between the two candidates in promising aid and assistance to the British Empire. To the Englishman it seems so natural that the American people should see how deeply they are themselves involved in the issue of the war that he is apt to underrate the revolution in thought that has been accomplished in the United States in the past six months. The fact that Congress could be induced to pass a Conscription Act within a month or two before the election—the registration of some 16,500,000 men began on Wednesday—has been described in these columns as a minor miracle. The fact that Britain is popular is hardly less surprising. Both reversals of form are products of the fact that America is conscious, as never before, of living under the shadow of imminent war.

It is the pressure of events that has thrust the two English-speaking peoples together. They both find themselves in a position where principle and expediency unite in dictating a policy of the closest co-operation; the logic is so strong that it overrides even the most rancorous traditional hostilities. So far as principle is concerned, the idealistic American people has not always considered British policy beyond suspicion. Particularly in the era of appeasement, there was an understandable tendency to scoff at Great Britain's claim to be the champion of democratic methods and international decency. Even in the first six months of the war there was a persistent scepticism whether Great Britain could be relied upon not to barter her principles in an immoral bargain with Hitler. But since the spring these doubts have disappeared. It is no longer possible to doubt that we are fighting. And whatever we may be fighting for, we are certainly fighting against what America most loathes and fears. Great Britain may not be, in American eyes, the perfect figure of the stainless crusader, but she is the only champion now in arms for the cause which America with every one of her instincts knows to be her own. The blackness of what Hitler stands for would in any case make what Britain stands for white. In all that concerns the ideals and aspirations of Western man, the Atlantic Ocean does not divide, it unites; and the great barrier runs through the English Channel and the North Sea.

Expediency follows principle; for even if it were the British political philosophy, not the German, that was repugnant to American ideals, it is not by Britain that America is strategically threatened. The last six months have brought proof that Hitler's war is a war on the world, that Europe is only a springboard for further conquest, and that no nation and no continent can count itself secure until Nazi aggression is scotched. The various elements in that realisation—the collapse of France, Hitler's control of the North Atlantic seaboard, the menace to North Africa, the Dakar incident—were finally confirmed by the transformation of the Axis into the Triangle and the demonstration to all the world that if peace was indivisible so, too, were the forces of aggression.

Thus Ribbentrop has obligingly provided the final proof that the narrow, selfish interests of Great Britain and the United States coincide. Our confidence of winning the war rests on the assurance of American help. America's hope of avoiding a single-handed war on three fronts lies in our victory. Under the ruthless pressure of war, it is discovered that it is not only the island of Great Britain that is of value to America as a bastion of democracy. Many of those British colonial chestnuts which we were always supposed to be asking America to pluck out of the fire for us are now seen to have their value. West Indian islands are welcome as naval bases; Singapore becomes something more than a mere outpost of British im-

perialism. Now that the resistance of the R.A.F. has banished the defeatism bred of the French collapse, the necessity of helping Britain as a matter of "selfish security"—in the words of Mr Stimson—has passed beyond the region of party dispute.

History and geography have always combined to prevent America and Britain from seeing clearly their own dependence on each other. We owe to the crushing pressure of a world crisis the present sudden spell of clear sight, as unusual on this side of the Atlantic as on the other. Peace may bring back the old disinterest and the old candour in mutual criticism which springs perhaps from friendship but does nothing to advance it. Indeed, this will happen unless, in both countries, we have the statesmanship to distil from this moment of real perception, before it vanishes, some lasting essence. What is needed is a close analysis of the traditional obstacles to Anglo-American co-operation and a joint effort, while the mood is on us, to reduce or remove them. One British contribution might well be to exorcise the American fear that close association with Britain will drag the United States into a variety of commitments whose only purpose is to serve narrow British interests, that in any such association America's rôle will be to give and Britain's to take. We are proving at this moment that it is not so. We have given much in the past to the common heritage. The way of life, which is our deepest link with the United States is, after all, a projection of the traditional values of European culture, coupled with the political genius of the English people, into a young and expanding transatlantic society. We gave the Americans their religious faith. We gave them what has proved the surest safeguard of the "free and legal man"—the Common Law. We gave them—unconsciously and, at the crucial moment, unwillingly—the passion for freedom and responsible government which caused them to break away from our tutelage. Nor are all our contributions in the past. We are to-day giving our blood and our property for a cause that America acknowledges to be her own. We have pledged ourselves to endure, if need be, all the horrors of Nazi occupation and to blockade our own island for the same cause. We do not come empty-handed to the creation of a new world. But to demonstrate that the integrity of the British Commonwealth is an American interest is not sufficient foundation for the conclusion that the United States ought automatically to support every detail of British policy. If the general principle of a community of interest is accepted, we shall have to learn that we must consult the American Government at every stage of our diplomacy. On no other basis can we expect to receive even sympathetic consideration.

If, in the cause of Atlantic collaboration, Britain's freedom to act will have to be curtailed, then the American contribution that can properly be asked for is a similar limitation of her freedom to be inactive. In the last analysis, as this war is proving, Great Britain cannot undertake any commitment for which American support will not be forthcoming. And in the same last analysis, as this war is also proving, America cannot cling to isolationism or even to a one-hemisphere diplomacy. The line of advance for both countries is to accept in time of peace what they are compelled to admit in time of war.

The question of leadership or dominance need hardly arise. If any permanently closer association of the two nations is achieved, an island people of less than 50 millions cannot expect to be the senior partner. Britain might well retain the initiative by sheer force of geography—just as, in the present emergency, the whole of England necessarily takes its cue from what happens in Kent—but the centre of gravity and the ultimate decision must increasingly lie in America. We cannot resent this historical development. We may rather feel proud that the cycle of dependence, enmity and independence is coming full circle

into a new interdependence which may yet, in a world freed from predatory aggression, set an example in free international relationship, comparable to the example of free citizenship which the Western world has already achieved.

These, however, are aspirations. British opinion is ready for them, but only American action can turn them into facts. What is clear is that a world-wide process is at work compelling Britain and the United States—in the words of the Prime Minister—to become "somewhat mixed up together in some of their affairs for mutual and general advantage." Mr Churchill undoubtedly chose his vague and rather colloquial metaphor with intention, for although the fact of growing collaboration is as "inexorable and irresistible" as a Mississippi flood, it is so far also as formless and as careless of institutional expression. Formal engagements are neither country's way—we have none even with our Dominions. What can be done is to seize this opportunity for permanently widening the channels of consultation. We need a policy of "minds across the sea." The foundation for it lies in rapid and easy communication. It is a pity that the very embryonic direct air service has now been withdrawn; even in the middle of war—perhaps then more than ever—a few aircraft assigned to fly an Atlantic service are a magnificent strategic investment. The new North American service of the B.B.C. has not come before its time. But air services and broadcasting will be of little avail without free confidence between Governments. The appointment of Lord

Lothian as Ambassador to Washington was a recognition that his post was not one of ordinary diplomatic importance. It is of more moment than all but a very few Ministries; the Ambassador at Washington should certainly be a member of the Cabinet when the full peacetime system is restored, and there should be a definite attempt by this and other means to educate political leaders in the opportunities and the difficulties of Anglo-American relations. The effort should extend to the Civil Service (which, incidentally, is one of the strongholds of that British "superiority" which is so rightly resented by Americans). Much good has been done, though on a small scale, by the Commonwealth Fund in making it possible for individual members of the British Civil Service to spend a year in the United States. When it becomes possible once more for Civil Servants to have holidays, the Government might adopt and extend this system as their own policy.

More than any such institutional devices, however, what is wanted is a new attitude of mind in both countries. The new attitude exists to-day, in America as well as in Britain. It is an Atlantic vision, for it is based on the realisation that our mutual security rests on our joint sea power. The Atlantic is the seat of our strength, it is the great link between us. In its wide freedom, in its united diversity, it is the symbol of the way of life we have both developed and we both defend. In this century, as in many before, the Atlantic must not be a barrier; it must be a pathway to new worlds.

The Service Trades

THERE is some danger that a familiar and persistent misconception of the nature of a modern economic organism is leading to mistakes being made in the nation's organisation for war. This misconception lies in a very considerable underrating of the importance of the service trades. The man in the street is apt to think of the occupied population of a country like Great Britain as being predominantly engaged in making things. By a natural extension of ideas, the problem of organising for war is conceived in terms of the transfer of men and women from making one set of things to making another set of things.

Actually, the days are long past when manufacture was the chief means of earning the living of the British people. For several decades past, the typical British worker has been one engaged in some form of service occupation—that is, not in making things, but in transporting and selling finished goods and in the various forms of personal and professional services that are rendered directly to the consumer. It is a perfectly natural tendency for the service trades to grow, and their steady increase is a sign and measure of the waxing wealth of the community. As Mr Colin Clark has recently pointed out, economic progress is accompanied by a steady transfer from primary production (agriculture and mining) to secondary production (manufacture), and from secondary to tertiary production (services). As the standard of living rises, there is a universal tendency for people to spend an increasing proportion of their incomes on services rather than on things.

The extent to which the service trades have become the typical occupations of a modern community can be easily illustrated from one or two statistics. Let us select from the Occupation tables of the Census of England and Wales eight of the largest service categories; they are Transport and Communications; Commerce, Finance and Insurance; Personal Service; Clerks, Draughtsmen and Typists; Warehousemen, Storekeepers and Packers; Entertainers; Professional Occupations; and—a border-line case—Printers and Photographers. These eight—which do not make up a complete list—comprised in 1931 just short of 9 million persons out of a total occupied population of nearly 19 millions. Moreover, the proportion is rising. The proportion borne by these eight to the total was 42 per cent. in 1921 and 46 per cent. in 1931; if the 1941 census were taken in peacetime conditions, the proportion would

probably be about half, since there is plenty of evidence that these occupations have continued their proportionate progress in the last decade.

The community whose resources have to be adapted to the waging of war must, therefore, be thought of as one in which more than half the working population earn their livings by performing services. Wartime production involves a certain reversal of the normal tendencies. It is true that the Navy, the Army and the Air Force set up a large demand for a certain variety of services; but there is an even larger demand for increased manufacture. The munition industries find it easiest and most convenient at the outset to draw their labour from the most similar peacetime occupations—that is, from manufacture. But as soon as large-scale transfer of labour is required, it is inevitable that the service trades should be heavily drawn upon. It is not only inevitable, but desirable also, for two outstanding reasons. The first is that the service trades, precisely because they are the product of a higher standard of living, are less necessary and more easily dispensable for a brief emergency. If, to produce munitions, we forgo temporarily the gains in our standard of living of the last quarter-century, then the labour represented by that abstinence will be predominantly in the service trades. The second reason is that the men and women in these occupations have a standard of intelligence, and therefore of adaptability, above the average. Except in the case of the heaviest labour, this will more than offset their unfamiliarity with manual labour.

A belligerent community should therefore seek by all the means in its power to transfer labour from the service trades to munitions production. There the largest reservoir is to be found and the categories of labour that can be spared with least damage to the consumption of necessities. In our much larger proportionate reserve of service labour, it may be added, lies one of our greatest ultimate advantages over Germany.

Here, however, is where the misconception clouds our vision. Since the numerical importance of the service trades is so generally misunderstood, public policy tends to ignore them. Two examples of this may be quoted. One of the avowed purposes of the Purchase Tax is, by restricting the consumption of the people, to set resources of labour and capital free for war work. But it is not levied on the

public's consumption of services. According to the estimates made by the authors of "The Home Market," the average British family in 1937 spent 29s. a week on direct services (excluding rent) and only about 28s. a week on goods now to be subject to the Purchase Tax. Moreover, of the 28s. spent on goods, some 9s. must have represented the services of retailing, which are not subject to the tax. Broadly speaking, then, it can be said that the tax ignores a field of consumption twice as large as that which it attacks and at least twice as worthy of compression in wartime.

Similarly, when the Board of Trade sets out to restrict the public's consumption by direct limitation, it confines itself to restricting the making of goods; it does not touch the rendering of services. It is true, of course, that a restriction of retail sales of textile goods will affect the draper's shop as well as the textile mill; but it is among the makers of the restricted goods that unemployment is created in direct and greater degree. There is little or no reason to believe that operatives in the textile trades, concentrated as they are in particular districts, are more suitable recruits for the munition factories than those now employed in service occupations.

The failure to appreciate the possibilities of the service trades is responsible for the recurrent tendency (now once more in evidence) to argue that shortage of labour will

necessarily limit the scale of the war effort to something not much greater than what has already been achieved. This is economic defeatism. It would, of course, be ridiculous to rush to the other extreme and assume that the whole of the labour force of the service occupations can be put at the disposal of the war effort. Some of these occupations—transport, for example—are even more necessary in war than in peace. But it is not inherently impractical to suggest that we could manage, for the duration of the war, to get along with the standard of services that was actually in existence in 1921. The reservoir of available labour, in other words, can be provisionally estimated at the increase since that date. Between 1921 and 1931 the increase in the numbers occupied in the eight categories specified above was 1,750,000. No accurate figure can be given for succeeding years, but the annual censuses of persons insured against unemployment establish that the rate of increase has tended to rise. Making allowance for this and including Scotland and Northern Ireland, we can safely conclude that the increase in service occupations as a whole in the last twenty years has been something like 4½ millions, of whom about 2½ millions are men. Not until a sustained effort has been made to plan and organise the mobilisation of this great reserve of labour can we say that the fullest use has been made of our man-power.

South Africa and the War

THE Union of South Africa is at war with both Germany and Italy by its own independent choice, freely and democratically made. South African soldiers and airmen are on active service in East Africa. In a year, starting with grievous deficiencies, a system of defence, to protect South African harbours and to man the Union's "defensive boundaries" beyond its actual frontiers, has been made real. At the base is a small but growing war industry and all South Africa's riches in materials and foodstuffs; and South African opinion, Afrikaans and English-speaking, has steadily responded to the leadership of General Smuts.

Yet the Opposition groups in the Union Parliament, General Hertzog's fraction of the old United Party and Dr Malan's Nationalists, are still pledged publicly to an immediate separate peace and neutrality; and they command some three-sevenths of the votes in the House. Three times the issue has been put to the vote. In September, 1939, 67 members voted for neutrality against the 80 who supported General Smuts's bid to bring the Union into the war. General Hertzog resigned from the Premiership, and his alliance with General Smuts ceased. In January this year, when the war still lacked movement, General Hertzog's motion for peace forthwith was beaten by 81 votes to 59; and as late as last August 65 members of the House supported another motion for peace with the Axis against 83 who backed General Smuts and the war.

The present Government's majority has not fallen away; neither has it grown very much. In September a year ago it was 13; in January it was 22; in August it was 17. The brutal conquest of Holland, the intervention of Italy, the fall of France and the jeopardy of Britain—none of these have shaken the Opposition factions in their stand. The view that war in Africa would bring about a change of mind has not been borne out—in the Union Parliament.

In the Union at large it is different. It would be grossly wrong to infer from these divisions in the House that nearly half the 2 million white people of South Africa wish to stand aloof from the war. Parliament no longer mirrors the true balance of popular opinion; and wartime by-elections, both to Parliament and the provincial councils, have shown that even the 1,200,000 Afrikaans-speaking voters for whom the Opposition claim to speak are divided in roughly equal halves in their attitude. This time there has been no armed protest against the war as there was 25 years ago.

On the other hand, the political cleavage in the Union cannot be explained away. It is very real and hampering.

The point is that it is not the war but past history which determines the shape of politics in South Africa, just as it does in Ireland and India. Seven years ago, when Generals Smuts and Hertzog came together in the United Party to end racial strife and to fuse Afrikaans and English elements in a common South African cause, it seemed that the final fruits of a generous pacification were already ripening—only a bare generation after the bitter South African War. Only Dr Malan's Nationalists, with fewer than one-fifth of the seats in Parliament, remained hostile to the new solidarity. Then on September 4, 1939, General Hertzog broke away. He claimed independence of action for the Union in the war, and proposed neutrality to prove that independence. He did not take his stand on recriminations. He gave full due to British statesmanship for the constitutional freedom given to South Africa and rejected racial separatism.

It was to prove that constitutional freedom, then, and not to help Hitler or hinder Britain, that the first proposal for "benevolent neutrality" was made. It was the same position as that taken up by Eire and by the Congress Party in India; the acid test of independence, the argument runs, is liberty to decide war or peace. General Hertzog approved the maintenance of the Simonstown base for the British Fleet; and although he claimed the right of the Union to maintain friendly relations with the Third Reich, he offered Britain South Africa's goodwill. With Dr Malan he maintained that the war was "England's war" and no concern of the Afrikaans people, but, unlike the Nationalist leader, he did not attack Britain. The retiring Prime Minister was confused and unrealistic but honest.

General Smuts won the day, not only in Parliament, but in the country. The Opposition could no longer take their stand on the principle of independence, for the Union had quite independently decided against them and chosen to go to war. The small Dominion and Labour Parties supported the new Premier, and General Hertzog and his followers were left "in the air." Their opposition seemed academic and they lost ground among the intransigent minority to Dr Malan's extremist policies. General Hertzog drew nearer to the Nationalists, who wanted a united party of Afrikaans-speaking South Africans pledged to work for the establishment of an independent republic outside the British Commonwealth. He was still opposed to politics on the basis of racial or linguistic differences, and regarded the republic as a chimera. But he was losing ground too quickly

to have much choice. The sober facts that General Smuts was giving out in reply to his critics—the dependence of the Union on the British connection and the British Fleet for its security, the reliance of its producers upon British buyers, the stake of every South African in his country's honour and the reality of the British Commonwealth in world affairs—told so powerfully that his opponents were compelled to seek a common platform in extremism. The majority of South Africans, even though three-fifths are Afrikaans, were against them, and they were driven, by the course of the war and by this movement of public opinion, to vehement self-justification.

The two leaders, General Hertzog and Dr Malan, were united only in their opposition to General Smuts and active participation in the war. The former did not want secession, and his quarrel was not with Britain, but with the British "jingoism" among the South African people. Together, they commanded the support of those rural Boers who felt more than ever that they were being overruled by the British; and they capitalised the widespread belief that "slim Jannie" was not to be trusted. But between themselves they could not agree for months on what they wanted; and the majority still went with General Smuts.

The feeling spread that, despite all subtleties of argument, the Union was in fact fighting for survival—that a victorious Germany would certainly annex South Africa. Good farm prices bolstered by British purchases soothed the farmers. In January, General Hertzog tried to turn the tide. In the peace or war debate, he tried to prove that the Union was in no danger, that Germany had been ill-used and that Hitler was not seeking world domination. He shocked the whole country, and after failing in the parliamentary vote, gave way at last to Dr Malan's overtures. In the debate, Dr Malan had argued simply that South Africa was unconcerned with the rights and wrongs of the war, which did not affect the Union; and the new Opposition Party was based upon this principle of independence and separatism. In name, it was republican. In practice, it was purely obstructionist, fighting every war measure step by step with no alternative policy and no wide popular backing.

In May, the invasion of Holland horrified South Africa, but both General Hertzog and Dr Malan announced that their opposition to the war still held. In June, the intervention of Italy brought the conflict right up to the Union's northern outposts, but General Hertzog condemned the declaration of war against the new enemy and called for a separate peace. Finally, the defeat of France and the German assault upon Britain gave the Opposition new grounds for intransigence. They became defeatist: the Allies had no chance to win, and if they fought on South Africa would lose everything.

This is pure politics. First neutrality and now defeatism

become vehicles for Dr Malan's campaign for an independent republic. A cynical political expediency reaches its peak in the Nationalist leader's speeches. He compares the British landing in Iceland with the Nazi annexations. He speaks of equal aggression by both sides in Norway, and declares of Holland that it was only a question of which belligerent would strike first. He proclaims that Britain has helped none of the small States she has incited to resist, and forecasts a British defeat. The choice for the Union, he says, is between "a republic or Hitler," between making an independent peace now or being part of the spoils of a German victory later on.

Meanwhile, the South African war effort marches past the politicians. Practically every member of the fighting forces has agreed to serve anywhere in Africa, and volunteers are enlisting in services overseas. The first troops sent to Kenya were only the advance guard of a larger force. The war Budget has been trebled. The fall of France and Britain's peril did perhaps slow down the swing-over of opinion to General Smuts, for momentarily the situation appeared hopeless—just as it did for a space in the United States, where the movement for aid to the Allies was briefly checked because the end of it all seemed near and inevitable. Now the defence of Britain has stiffened the hearts of the South Africans as it has the hearts of the Americans, and the tide continues to ebb away from General Hertzog and Dr Malan.

The situation is still not simple. General Hertzog has spoken of the Afrikaanders taking matters into their own hands. There is a ceaseless barrage of able propaganda from Germany. There was a Nazi plot on the fringes of the Union a year ago, which was only put down by General Smuts's rapid action, and there is widespread espionage now. The internment of aliens and suspected Fifth Columnists has aroused bitter feelings, and on South Africa's borders there are ex-German colonies—10,000 Germans out of 30,000 white people in the South-West Mandate and 3,000 out of 7,000 in Tanganyika. But, though there still may be troubles, there is no real danger. The majority of Afrikaanders have already taken matters into their own hands by supporting General Smuts; and the attitude of the United States (cited often by South African Nationalists in support of isolation) is a strong influence. This is not just "England's war"; it is America's, let alone South Africa's.

The South Africans used their independence in order to choose quite freely to fight this war. The politicians may wrestle and manoeuvre. There may be obstruction and bitterness—if only because the old clash between the sturdily independent Voortrekker and the upstart Uitlander is still not concluded. But General Smuts is safe in the saddle at the head of an independent nation, willingly and actively at war.

NOTES OF THE WEEK

Germany's Roumanian Base

The German hold on Roumania is complete. Although the Antonescu Government still clings pitifully to the claim that the German forces are only "instructional units," the "instructors" already number anything up to 60,000 trained troops and some estimates put the forces which Germany intends to station in Roumania as high as ten divisions. With the help of their willing confederates, the Iron Guard, the Nazis are putting the Roumanian house "in order." Banditry, thuggery, arrests without warrant, detention, third degree are now the accepted procedure for the conduct of home affairs. On the economic front, Germany's control of all Roumania's oil output and the establishment of a German-controlled rationing system are reported. Finally, the military preliminaries to turning Roumania into an advance post of German aggression are going rapidly ahead. The oilfields are occupied and strong anti-aircraft units are to be established. Reinforcements have been sent to the Bessarabian frontier, the harbour of Galatz is mined, work on the transformation of Constantza and Nanaia into strong Axis naval bases, is said to have begun, and Germany has certainly sent submarines down

the Danube to operate in the Black Sea. Roumania is, in short, a German colony in which the continued presence of a British Minister is an absurd anomaly. However, the Legation is doing useful work in the evacuation of British residents and among those evacuated there are at least one or two of the men recently arrested on the charge of sabotage. The presence of Sir Reginald Hoare is possibly a guarantee of the safe departure of those of our citizens who still remain, but clearly the British mission should not remain a day longer than these humanitarian activities demand. The day for diplomacy is long passed in Roumania.

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The Balkans Under Fire

Germany's intention to absorb the other Balkan States on the Roumanian model is obvious enough. Only the schedule of aggression remains in doubt. Hungary's status is already decided. The German divisions occupying Roumania appear to have passed across Hungarian territory with the full consent and co-operation of the Hungarian authorities. Hun-

gary has thus given an open demonstration of what has long been an accomplished fact—her total subservience to Germany. Bulgaria is obviously listed as the next victim and between the devil of German infiltration and the deep sea of Communist agitation, it is unlikely that King Boris will be able to preserve much longer the genuine neutrality which he has consistently defended hitherto. The police, the press censorship and sections of the Army are strongly pro-German and from them the King can turn for support only to the peasants and some of the intellectuals who are strongly pro-Russian. And, since the King is the only man with authority to preserve neutrality, his weak position makes it almost certain that the Nazi flood which has engulfed Roumania will flow on to Sofia, Varna and Turkey's European frontiers. It is doubtful whether German troops have entered the country but hordes of "tourists" are crossing the frontier, German U-boats are reported to have been sent down the Danube to Bulgaria, new financial arrangements signed last week complete Germany's stranglehold on Bulgarian trade, Dr Rust, German Minister of Education, has arrived on a mission to Sofia, and M. Badrianoff, the Bulgarian Minister for Agriculture, has left for Germany with an entourage whose size and composition suggest a wide range for the exchange of views in Vienna, not excluding the possibility of staff talks. This concentration of Axis attention on Bulgaria has left Yugoslavia in comparative peace, but the lull is due in part to Italy's direct interest in the Yugoslav problem, in part to the fact that the essential preliminary to Axis encroachments, internal disintegration, has not yet gone as far as Germany could wish. The pro-German Frankovici are active in Croatia, the Serb Patriarch is attempting to incite Orthodox Serbia against Catholic Croatia, the German and Italian minorities are at work and there is an undercurrent of Communist agitation. So far, however, Yugoslavia presents a united front to the Axis advance and has even issued a stern warning to potential aggressors. But with German divisions in Carinthia, Hungary and Roumania and Italian troops in Albania, Yugoslavia is almost completely encircled. This does not mean, however, that the Serbs would not fight.

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Russia's Dilemma

Germany's advance into Roumania, the seizure of bases on the Black Sea coast and the likelihood that Bulgaria will pass under German control are bitter pills for the Russians to swallow, especially since they come at the end of a period during which Russo-German relations have steadily deteriorated. Russia's protest at her exclusion from the Conference on Danube shipping and transport was simply ignored by the Nazis; then Russia issued a sharp denial of the German statement that she had been informed in advance of the occupation of Roumania. Now with the German legions on the Black Sea, Russia is reinforcing the Bessarabian frontier, mining her harbours and sinking at sight foreign ships which enter Russian territorial waters. That one ship so sunk had members of the Russian Technical Commission to Roumania on board is a measure of Russia's state of perturbation. The tension now is great enough to raise the question whether an open breach can be avoided, and the likelihood of a military agreement between Russia and Turkey is being constantly affirmed and as constantly denied. A breach is, however, most unlikely. The Triple Alliance, although it may have been primarily an attempt to warn off the United States, is a very powerful check on any Russian action. If Russia were to oppose the German advance eastwards, she would risk Japanese action against her in the Far East at a time when Japan's reorientation towards the South is relieving the pressure on Russia's Far Eastern frontiers. Again, in Europe the balance of forces does not permit of war between the great Dictatorships. Russia expected the war to immobilise the German Army for years in a titanic struggle with the armies of France and Britain. Instead of this, Europe has fallen and Hitler has divisions and to spare for use on his Eastern frontiers. On the other hand, Germany expected a knock-out blow in the West and time and leisure to plan her campaign against the Ukraine. Instead, Britain is unconquered and the shadow of American intervention falls across the struggle. Thus neither Russia nor Germany can risk a war, and the Nazis will have to offer concrete compensation to the Kremlin for every step they take into Soviet spheres of influence. It is Turkey's only fear that such a bargain is in process now for, needless to say, the compensation will be at others' expense.

A New Phase in the Near East

It becomes more and more likely that the Axis plan for the Near East is an enveloping movement round the coasts of the Eastern Mediterranean and that the Italian attack is delayed because the preliminaries on the European side—the occupation of Greece and, if possible, the intimidation of Turkey—are not yet complete. Italian pressure on Greece is already strong, and once Germany is established in Bulgaria, combined Axis pressure on the Albanian, Macedonian and Thracian frontiers of Greece will, according to the Axis calculation, shake General Metaxas from his firm stand, permit the influx of "tourists" and facilitate the establishment of naval and air bases from Salonika to the Piræus and on any convenient Greek islands. The importance of such an extension of Axis control to the campaign in the Near East is obvious enough. Italy's singular lack of success on sea and in the air—of which the brilliant action of H.M.S. *Ajax* in sinking three Italian destroyers is the latest example—might be counteracted if more bases, nearer Alexandria and the Egyptian coasts, were placed at the disposal of the Italian forces. For example, less time would be wasted making for port if the ports were nearer the scene of action. But Greece's significance to the Axis plan of campaign may well be more important from the German end. That Germany is planning a winter campaign across the frozen hills of Anatolia is highly unlikely. The obstacles Turkey can offer to an advance towards the Middle East include not only her frontier fortifications, but the Chatalja line guarding the Straits, miles of trackless hill country in the interior and finally the formidable barrier of the Taurus Mountains. Moreover, the Turks are fighters, and the Nazis are not given to adding unnecessarily to the strength of the forces ranged against them. Yet if an enveloping movement is the accepted strategy, somehow or other Germany must reach the frontiers of Palestine and Iraq. It is, therefore, possible that a repetition of the Norwegian campaign is under consideration. Once in control in Greece, the German air force would possess on the islands and in Crete stepping stones for an air offensive against Syria; and the seizure of Syria without any attempt to take the land route of Anatolia would spare Germany the embarrassment of fighting Turkey and the danger of raising the question of the Dardanelles with Russia.

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Thus Syria may be the focus of the next stage in the Near-Eastern campaign. It is unhappily likely that a German and Italian air attack would meet with little resistance from the demoralised French armies. Although M. Puaux and General Fougère have resisted the efforts of the Italian Armistice Commission to secure disarmament, they have created conditions in which disarmament is hardly necessary. In fact, Syria is probably the finest example extant of "moral disarmament." Anti-British propaganda, pressure on soldiers and civil servants with families in France, axing of the better and more steadfast army officers have done their work. Better propaganda on our part, combined with some military success, might counter the mood of defeatism, and it is therefore welcome news that the Free French movement is gathering strength in Egypt and that General de Gaulle's followers are setting up a big propaganda centre at Cairo. If we can hold our ground in the Western Desert and continue to deliver shrewd blows against the Italian air and naval fleets, we may still rally these dispirited men. However well Vichy's anti-British propaganda has done its work, it still remains true that the Italians are not only unpopular but also despised.

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Property Insurance

The Government's Bill for the insurance of property against air-raid damage has not yet been issued, but the Chancellor of the Exchequer has given some indications in two speeches of its contents. The most definite of these hints was the statement that while insurance is to be compulsory on buildings, plant and machinery, it is to be optional on furniture and personal effects. Moreover, in this latter case, the new scheme is not to replace the existing arrangement by which compensation is paid without previous insurance to families with less than a given amount of income. This limitation of the field will very considerably reduce the practical difficulties. For furniture and personal effects, the simplest course would be to provide Government reinsurance of the war risk for existing fire and damage policies. Sir Kingsley Wood's references to the wider problems of an insurance scheme, such as were discussed in an article in *The*

Economist last week, were not very informative. "An essential feature" of it, he said, "will be adequate and substantial contributions from owners of property—aided in certain eventualities by the State—by way of a charge on property, coupled with arrangements for the collection of premiums on account." This seems to suggest that though the scheme is to be mainly self-supporting, the actual collection of the sums required from property owners will be spread over a period larger than that of the war itself, in which case, of course, the annual premium could be much smaller. There is no means of telling whether the words "owners of property" are to be taken in their narrower and precise meaning or as extended to cover all those who have a beneficial interest in property. It would be neither fair nor practicable to put the whole burden on the owners alone.

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The New A.R.P.

The time has gone when air raids were something to take precautions against. They are now, for London and other cities, a way of life, and civil defence policy has had to be widened and modified accordingly. It is no longer a question, as in the hectic weeks of September, 1938, and August, 1939, of distributing gas masks, digging trenches, and filling sandbags. Now, the whole of civilian life in the bombed areas has to be adapted to a background of raiding; and the Government's task is to ease the process of adaptation—though the form it takes naturally depends upon the civilians themselves. Some find it easier to lead as normal a life as possible and take the minimum of precautions; others want to evacuate either themselves or their families; the majority want to stay, but want also to be assured of safe sleep at night, and it is the welfare of the large section of this class which flocks to public shelters every evening that constitutes A.R.P.'s most urgent problem. In the months before the raids started, it never seems to have occurred to the civil defence authorities that the public shelters would be slept in. But the Government's rational policy of dispersal—whether by evacuation or by giving Anderson shelters to families—is completely opposed to the herd instinct which makes people leave their home shelters, their street shelters and even their own districts, and crowd into the Undergrounds. Whether the Government likes it or not, and whether it is wise or not, large deep shelters, in which people can sleep, must be provided. Civil defence in the provinces, which was debated last week in the Commons, should learn this lesson at least from London. All over the country, the local authorities by a new defence regulation now have power over business shelters at times when they are not being used by the employees concerned and over the basements of any houses, subject to the approval of the Regional Commissioner; and the Home Secretary is considering taking powers, to be exercised through the Regional Commissioner, to step over the head of a local authority which does not take action in this matter. The Government's call to the civilian population over air raids has changed from "Take Cover" to "Live Dangerously." The people are willing to take risks. But they have a right to ask that no local red tape or dilatoriness should be allowed to stand in the way of giving them, when they are not at work, the utmost protection, combined with comfort and hygiene, that can be provided.

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More Light on the Purchase Tax

Although the debate in the House of Commons this week was strictly speaking only on the date of its coming into force, most speakers found an opportunity of pointing out objections to the tax itself. The chief objection was that the tax will penalise the poor, and, in particular, the poor who at this time are having to replace their possessions lost in air raids. The argument that immediate compensation in full is paid for essential furniture and clothing does not alter the fact that the compensation is now far from adequate for replacing all replaceable possessions, and neither compensation nor insurance will evidently take the tax into account. Nor does the argument hold good that stocks in the hands of retailers are large and must not, under the Prices of Goods Act, be written up to the price of goods which have borne the tax, for in bombed areas stocks have been rapidly bought up, and petty profiteering goes on in spite of the Central Price Regulation Committee. Moreover, the administrative difficulties for retailers displaying two prices for the same goods will be great. They have, however, at least been given a definition of a schoolchild some of whose clothes are to be exempt from tax. A schoolboy's neck must not exceed 14 inches if his collar is to be exempt, nor must a

schoolgirl wear frocks longer than 36 inches, though her dressing gown is allowed to be 2 inches longer than a boy's. Both of them can only have tax-free blazers if their chests measure 35 inches or less. Even more complicated is the definition of a child's feet, which can have tax-free shoes to a maximum size of 5½ for a boy and 3 for a girl, but only if in the former case they are made "on lasts not exceeding 10½ inches in length" and in the latter "on lasts not exceeding 9½ inches in length, and if the heels when measured at the centre of the side of the heel, including the sole, do not exceed 1½ inches in height." And, in case this definition leaves room for tax evasion, it is expressly stated that lasts are to be measured "with the heel of the last flat in the size stick."

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War Expenditure

On Wednesday the Chancellor of the Exchequer asked for a further vote of credit of £1,000 millions. The vote given in July will be exhausted by November and, according to present estimates, the new vote will not last beyond early March. The present rate of expenditure, Sir Kingsley Wood said, was £9 millions a day, or roughly the average daily rate assumed by the Chancellor in July in his revised estimate for the financial year. Until July the rate was much below this level; in July and, still more, in August it was well above; in September it fell away somewhat, and as the current rate is no more than the average required for the year, much greater efforts by the supply departments are immediately needed to realise the output budgeted for. Actually, we will not be making the fullest possible use of our resources if by March war output does not considerably exceed the programme envisaged in July. It is well known that appreciable resources, both of plant and labour, have still not been pressed into use—as a leading article on page 481 suggests—but the Chancellor gave no hint this week that either expenditure or taxation would be revised upwards between now and the end of March next year. Meanwhile, even with present expenditure, the prospect of inflation grows, and the case for a wide scheme of compulsory saving grows stronger every day.

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Japan Looks Two Ways

The United States has made it abundantly clear that there will be no appeasement in the Far East as a result of Japan's "line-up with the aggressors." President Roosevelt's Dayton speech, in which he roundly declared that "no combination of the dictator countries of Europe or Asia will halt us in the path we see ahead . . . or will stop the help we are giving to almost the last free people now fighting to hold them at bay," has been followed up by concrete action—Conferences on Philippine defence, warnings by the United States Minister to Thailand that the United States was concerned to see the *status quo* upheld, the despatch of anti-aircraft units to Hawaii and the arrival of the Chief of the Netherlands Indies Air Force in Washington. Even more significant are the conversations in progress between the White House and Mr Casey, Australian Minister to the United States, which may well be a preliminary to some new joint defence move in the Pacific. Japan has, therefore, to realise that America will in no circumstances "back down."

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in the Far East, and that any attempt to realise a "South Seas" sphere of influence at the expense of the democracies brings with it the threat of war. Japan's reaction has been primarily an attempt to modify the impression created by the Triple Alliance. Official spokesmen declare that Japan "has not committed her destiny into Hitler's hands," for Article 3, which appears to make Japanese intervention inevitable in certain circumstances, is governed by the interpretation Japan chooses to put on the word "attack." At the same time, the Japanese are anxious to secure their back door against Russia should war break out in the South Seas. Lieutenant-General Tatekawa, the new Japanese Ambassador to Moscow, a buoyant personality with a real liking for the Russian people, whose "openness and honesty" he prefers to British "double dealing," explains his mission as an attempt to secure a *rapprochement*. That Russia will be persuaded to abandon Free China in return for a Soviet sphere of influence in China is a rumour circulating in Japan. Moscow's reaction is, as usual, one of complete silence.

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Hiding the Workless

A week ago the Minister of Labour forecast a change in the publication of the numbers of insured persons out of work. For a long time it has been contended in many quarters that the published total of the unemployed was misleading since the figure included many workers actually passing from one job to another, many more idle for seasonal reasons and many more incapable by age or poor physique of steady work. It did not really measure the reserve of unused labour, and Mr Bevin's statement was taken to mean that a more precise count was to be attempted. Now it seems that the problem is to be solved much more simply. In effect, according to credible reports, the publication of unemployment figures is to cease, as the publication of employment figures did when the war broke out. No figures of unemployment in separate industries are to be given, and the total of the unemployed will probably be given quarterly. The case for the change is the necessity not to give information to the enemy about the war effort or about the effects of enemy action upon particular industries or areas. Unfortunately, the consequence of the change will be to withhold vital information from the British public, and to withhold it precisely at the moment when anxiety is reaching a peak about the continued delay in pressing all available labour resources into essential war work. The test of our war effort at this stage is simple. How much labour is still idle? How much labour is still being used where it could be dispensed with? From now on, there will be no current answer to these questions, and it is a moot point, to say the least, whether we or the enemy will suffer most from this secrecy.

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Air Offensive

The demand for more short-range bombers, more dive bombers and more escort fighters against the day when the Allies advance against the enemy on his own ground is realistic. The use of these machines by the Germans to break through to complete victory in France left no doubt about the strategy of the offensive in modern battles. The parallel demand that a separate Air Force should be formed to serve the Army is not realistic at all. No High Command has co-ordinated the separate military arms with more success than the German, and the *Luftwaffe* is a single entity. In the House of Lords on Wednesday, this point was strongly made against a suggestion to set up an Army Air Force which was rejected; and it was further urged, notably by Lord Trenchard, that the work of the R.A.F. in all departments, in defence, attack, convoy and patrol, had been too conspicuously successful for schemes of reorganisation to merit much notice. The fear of the critics really relates not to the battle but the months before. They are afraid that, in the production of aircraft, the needs of home defence and the master plan of distant bombing will obscure the requirements of the Army. But an entire new force with its own hierarchy of command and organisation is surely not

needed to ensure that the claims of common sense will prevail in the Cabinet's production plans. Concentration on defence would indeed be a disaster, but even a separate Army Air Force would not enable us to turn out more machines of all categories than the physical resources at present available will allow.

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Mr Menzies and Labour

The recent Australian elections, after all, produced a stalemate. Mr Menzies, who even with the support of the Country Party has a majority of only one in the House of Representatives, cannot continue his negotiations for a National Government with a feeling of confidence in the country's support for him. Nor, on the other hand, can Mr Curtin allege that the country has given him any mandate to form an alternative Government. Labour is by far the biggest single party in the House; but it would still depend for a majority on the breakdown of the coalition between the United Australia and the Country parties, and a Labour Government would consequently be in as precarious a position as Mr Menzies. The latter has also strengthened his political position this week by a reconciliation with Sir Earle Page, former leader of the Country Party, who is again standing for the leadership. At present, he and Mr McEwen have the same number of votes—either will be a better support for Mr Menzies than Mr Cameron, who is a strong opponent of Labour. Mr Curtin, himself, has given no definite indication of his own intentions. He has stated that there should be nothing but unity in the political life of Australia on the conduct of the war; but his followers, especially the industrial wing of the party in New South Wales, are hostile to a National Government—or at least a National Government which is not led by Labour. It is, however, possible that a compromise may be reached, by which, as in New Zealand, all parties will be represented on an executive War Council. In the meantime, while all these political negotiations are going on, important decisions may be postponed—although Australia's crucial lot in the war is thrown into relief now that Japan has openly signed on as an ally of the Axis. It is, at any rate, a trifle anomalous for Australia to cry out for an Imperial War Cabinet when her politicians cannot even agree to form a united Government in their own country.

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Charity in Total War

It is notorious that among the "military objectives" destroyed by the German air force in its attacks on London, hospitals and churches have held pride of place. More than twenty hospitals have now suffered from aerial bombardment, and while not all have been rendered uninhabitable, there is more than one hospital from which evacuation has been complete. The immediate reaction in the public mind is comment on the barbarous nature of Germany's conduct of the war, but these daily assaults on medical and ecclesiastical buildings are also highly significant from the economic point of view. The religious and medical services in England are "supported almost entirely by voluntary contributions." Private charity has been sufficient in the last twenty years to do little more than maintain a running concern with a good deal of skimping on such items as the salaries of nurses and curates. It has been by no means sufficient to maintain these services in ideal condition. And there appears to be little doubt that in the post-war world, almsgiving will be unequal to the task of repairing present damage. Before the present war, suggestions were afoot that medical services should be financed by the State; it now appears that the *Luftwaffe* has forced the pace. Moreover, the question has a wider aspect of even greater importance. Little attention has been given to the functions and limitations of private charity in total war. Sir Robert Kindersley's campaign for the mobilisation of the nation's surplus spending power for the purchase of defence bonds does not only compete with expenditure and investment alternatives; it also competes with almsgiving. The income of all those institutions which, perhaps anomalously, still to-day rely upon voluntary subscription, would logically be eliminated by the attainment of a full war economy. Will it be possible to put the clock back after the war is over? If not, it would appear that those essential services which previously relied on private donations may become a charge on the public purse—a transition which should attract the attention not only of the bodies in question, but also of the Treasury, and one which it is hard to believe would not bring much more gain than loss.

A Curiosity of Control

The governing principle of the wartime raw material controls—namely, that industries can control themselves—has already led to an extraordinary collection of economic curiosa. Generally, of course, the combination of a seller's market with a restriction on importing has led to extreme forms of protectionism. To this rule there is, however, one outstanding exception in the oil industry. Alone of European nations, Great Britain has never refined at home more than a fraction of her requirements of oil. The onlooker might have supposed that the combination of strategic requirements and foreign exchange considerations would have led to a reversal of this policy for the duration, just as so many other things that we have previously imported are being made, often uneconomically, at home during the war. But the policy of the Petroleum Board has been distinctly hostile to domestic refining. Even for aviation spirit, we rely on foreign refineries, in spite of the accumulating evidence that the United States will not have enough high-octane petrol for its own needs in a year's time. There is an obvious connection between this policy and the fact that the Petroleum Board is dominated by firms whose refineries are located overseas. The extreme is reached, however, in one of the Board's offshoots, the White Oil and B.P. Petroleum Jelly Pool, which has recently been reconstituted. The six members of the Pool are all agents of foreign producers. There is a small but growing output of these products in this country, but the domestic refiners are not represented. They have to sell their output to the Pool without participating in the quite considerable profits of re-sale and distribution. They cannot receive more than the import price which is determined between the foreign producers and their agents, the members of the Pool. This is one more item added to the list of those aspects of wartime economic policy that cannot be explained, except on the theory that the Government has no raw materials policy and that Ministers do not care what happens provided they have to take no decisions themselves.

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Tory Reforms

The success of a Conservative rebellion last May changed the destiny of England by bringing Mr Churchill into power. Its repercussions in the Conservative camp are still being felt. The rigid hierarchical order which kept the party's leaders aloof from their humbler followers, and bestowed upon its permanent taskmaster, the Chief Whip, almost exclusive power to propose and dispose alike, was rudely shaken. Conservative back-benchers have now seized upon the coming of Mr Churchill to call for closer co-operation between Ministers and the rank and file, and strong criticism has been voiced of the high pretensions of Captain David Margesson, though he is not to lay down his Whipship. These complaints are not new, except that they now come from loyal Conservatives, and not merely from outcast rebels and critical observers. The docility of Conservative politicians under this system, which seriously straitened the channels of democratic procedure by placing much of the power of decision, in matters both of policy and appointment, in the hands of a single party's organisers—one in Parliament, the other at Central Office—and the rest in the hands of their leader and his ill-chosen individual advisers, nearly proved a national disaster. The Prime Minister, their new leader, has proclaimed his affinity to the true roots of English Conservatism, free, flexible, and democratic. If when a Churchill comes in, not only the Chamberlains, but the Margessons, the Balls and the Wilsons go out, there may indeed be a revival among the Tories which may bring no less benefit to their country than to their party.

* * *

Education in the Blitzkrieg

Perhaps the biggest blow struck by the war against our national life has been the disruption of our educational system. The evacuation of schoolchildren—in the days before serious air raids—should have been designed, not merely to place the children in safety, but also to enable their schooling to be carried on. Actually it did neither. The makeshift and uncomfortable device of billeting, far more suitable for adults than for children, combined with parental qualms to keep a majority of the children *in situ*, while in both the towns and the reception areas education tended to become congested, part-time, inefficient or even non-existent. After Easter, when the partial failure of evacuation was accepted, education in the vulnerable areas was to some extent re-

stored and more shelters provided at schools, and schooling in the reception areas improved. Now, when the situation for which evacuation was devised has arisen, the position has grown worse again. It is true that in the towns, the attempt to keep the schools going is being kept up manfully, in spite of sleepless nights and frequent warnings; and the Board of Education has very practically asked that the older boys should be taught first-aid. But London, for instance, is no place for schoolchildren just now, and parents are at last realising it. More and more children are being evacuated and sent into the old under-equipped half-time schooling that was a blemish on official evacuation at the start; in some country places there is just no school-room at all for them. They are reasonably safe, which is the first consideration, but most of them are not really being educated, and one is left to reflect again on the oddity of a scheme for evacuating schoolchildren which left out the schools. It is not possible at this juncture to provide the emergency boarding schools in camps and large buildings which would have solved the billeting and schooling problems at a single stroke. There are the homeless of London and the new Army to house. But it should at least be realised that such a serious loss of educational efficiency represents an appreciable defeat.

Shorter Notes

The number of German and Austrian civilians who have been interned is approximately 22,200—1,700 in Category A, 5,000 in Category B, 13,200 in Category C and 2,300 who were not classified by tribunals. Of this total, about 4,400 have been transferred to Canada and 2,200 to Australia, and some 4,600 have been released. There are, therefore, about 11,000 still interned, but there is still no improvement in the conditions of the internment camps.

*

This has been a great week for the Navy. Apart from H.M.S. *Ajax*'s successes in the Mediterranean, the Admiralty also announce the sinking of an entire German convoy of seven vessels, one of them a merchantman of 7,000 tons.

*

Discussions have been going on for some weeks between the Ministry of Economic Warfare and a Swiss delegation as to how Swiss trade difficulties can be relieved without helping Germany or Italy. The British Government has now decided to grant navicerts and export licences to enable not more than a two-month stock to be held of the more important commodities useful for war purposes.

*

Further increases in the social services allowances have been announced recently as a result of the increase in the cost of living. Dependants of members of the three Services are to have a general increase of a shilling a week, but, in order to help families with children, the increase is to be 1s. 6d. for each of the first two children, 2s. for the third child—in order to correct an existing anomaly—and 1s. for each other child. Unemployment assistance allowances are also raised. The allowance for a husband and wife is increased by 2s. a week, for persons over 16 by 1s. a week, and for children under 16 by 3d. a week for each child.

BANKING SUPPLEMENT

Owing to the delays in communications caused by the war, and the consequent difficulty in verifying figures, *The Economist* Autumn Banking Supplement, which would normally be issued this week, has been unavoidably postponed for a few weeks.

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

THE WORLD OVERSEAS

The Presidential Campaign

(From Our Washington Correspondent)

THE daily newspapers of almost any day show what has happened to the political campaign. Page one gives the highlights of the day's international news, where the bombs fell, what new theatre of war is apt to open up in the Middle East or the Orient, how Russia appears to feel about it. Page two prints the day's communiqués, in a box, with some surrounding columns from correspondents in which hopes and events are mingled. Page three shows an item or two of progress in the defence programme, complete with pictures of airports, cantonments, national guard units, factories. On pages four and five one finds what Mr Willkie and Mr Wallace said at various points in their swings around the circle.

Mr Roosevelt does not appear on page five as a candidate; he appears on page one as a President. That is why at the pit of the Willkie slump in September there was talk that the bets might go as low as five to one against him.

There are a certain number of other reasons. The Republicans originally had four issues on which to campaign: Mr Roosevelt's flouting of the no-third-term tradition; the record of successive unbalanced budgets and the persistence of economic doldrums in spite—or because—of these tremendous Government expenditures; the defeatist mood of the nation, and especially of the nation's youth; and—on the positive side—the need for industrial experience to do a re-armament job that is essentially industrial in nature.

A Congressional Committee is now taking evidence on the merits and demerits of a third term, and the lapels of numerous coats sport campaign buttons denouncing it. Because of it, the Republicans will attract the votes of a certain number of conscientious objectors—and a good many Democrats dislike the situation heartily. But as an issue for these times, it is too legalistic for a nation of pragmatists.

Average Federal expenditures during the last five years have been around \$9,000 millions a year. Money authorised for the defence programme so far this fiscal year is \$15,000 millions. That disposes of the budget as an issue for this November.

Non-agricultural employment, owing largely to the demands of defence, rose by 433,000 from July to August; at 35,986,000 it was 1,130,000 over August, 1939. That confuses the idle money, idle men issue, and the resulting combination of hope and purchasing power is creating a mood in the industrial areas that perhaps opportunity does exist in the United States after all.

The Republican Platform

The main reliance of the Republican bid for power, and a reliance that promised much from the Philadelphia con-

vention to the Elwood acceptance speech, was that here was a man who had run a big business himself and who understood the mechanism of business; who had the confidence of other such men and could command their quick co-operation for a major economic effort. And a man, moreover, who knew where he stood and had a breezy forthright way of saying where that was.

Since Elwood, doubts on this latter point have impaired the forcefulness of the claim of Willkie, the executive. He has contradicted himself too often. Votes were lost when he "misspoke himself" about Czecho-Slovakia. Votes were lost again when he took time to attack \$7,500 of imported Argentine beef. (From the American side, it was probably good politics to cast the destroyer-base exchange in the economic formula of a horse trade rather than in a less specific and more political framework of broad strategy; but the need for a broad strategy is known to be there.) Moreover, the Republican mechanism creaks. If Mr Willkie as candidate cannot forge a united party and give direction to it, could he as President give direction to a united country? That is a question which even Republicans are privately asking.

But, in the main, the present tide has turned in Mr Roosevelt's favour because he is strategically well placed. The first of the Canadian conversations came on the day of the Elwood speech. The destroyer-base exchange followed soon after. The German-Italian-Japanese pact came next. All these pushed domestic issues into the background; all these pushed forward Mr Roosevelt the President.

Industry and Appeasement

The acceptance speech of Mr Wallace was likewise pitched so as to put a political twist on the international situation. It had previously been said that Willkie was running against Roosevelt, while Roosevelt was running against Hitler. Mr Wallace, and other Democratic campaigners, speaking subsequently, have been making the charge that the Republican Party is a party of appeasement, and thereby conveying the inference that a vote for Willkie is a vote for Hitler. They do not make the charge that Mr Willkie is himself an appeaser, rather that the Republican Party is the party of industry, of an industry with heavy direct and indirect investments in Europe and important export interests there; if elected, Mr Willkie would be under a deep obligation to these interests, and the record of comparable interests *vis-à-vis* Hitler on the Continent is not one to establish confidence in a firm attitude.

This attack on the international intentions of industry has been paralleled by an attack on its domestic intentions. Mr Willkie's acceptance speech accepted most of the New Deal legislation—that of his running mate, Mr McNary, added public power development to the list! But the real attitude of industry to the New Deal's labour legislation, particularly to the National Labour Relations Board, has been open to Democratic question. It was the main point of Mr Roosevelt's recent speech to the Teamsters' Union, a speech which he acknowledged to be "political." (The dilemma of the broadcasting companies in deciding which of the President's speeches are political and should therefore be balanced by time for the other side, and which are exclusively related to national policy, is one of the minor comedies of the situation.)

With four weeks still to go the campaign is by no means over. But this is how it looks to-day.

October 1st.

Canada's War Effort

[FROM OUR OTTAWA CORRESPONDENT]

THE end of the first year of the war finds the Canadian people resolute in their determination to prosecute it with all their resources until victory is achieved; and the King Ministry has been reminded from various quarters that, while the recent Canadian-American pact and the creation of a Joint Defence Board are useful moves, their effect upon the immediate future of the war will be inconsequential. The most important task is the marshalling of Canada's full powers to make sure that the Battle for Britain will be won.

Ministers at Ottawa now seem to be alive to the seriousness of the struggle which is proceeding, and in a speech delivered at Toronto on September 4th Mr Howe, the Minister of Munitions, was able to give an encouraging review of the national effort during the first year of the war. He declared that Canada, which at the outbreak of the war had only some 4,500 men in her permanent army, had now enlisted an active service force available for service anywhere, numbering 155,000 of all ranks; that in addition some 60,000 draftees, who are only liable for home service, would receive military training before the end of this year; that the strength of the Navy had been increased from 15 to 120 ships, with 100 more vessels on the stocks or projected, while its personnel had been augmented from 1,700 to 10,000; and that the strength of the air force had risen from 4,000 to about 25,000.

Mr Howe gave a heartening account of the progress of the Commonwealth Air-training Scheme, asserting that by the end of this year some \$60 millions would have been expended on the construction of aerodromes and ancillary establishments, 120 projects in all. He stated that the difficulty about training planes, of which 5,000 were required for the scheme, was being rapidly overcome, largely by an intensive stimulation of domestic production of aircraft, which was expected to reach 360 planes per month early in 1941. He also explained that arrangements are being made to terminate the dependence of Canada's aircraft plants upon imported aeroplane engines, propellers and instruments.

The Canadian Arsenal

Moreover, as soon as machine tools now in process of manufacture are ready, an output of 30 Mark 3 tanks per week will be possible, while Canadian engineers have also designed a light tank which can be mass produced. Mr Howe claimed that even at present 400 units of automotive military equipment were daily rolling off the assembly lines of Canadian factories; that the production of guns, shells and ammunition was rapidly increasing; and that articles needed for the war, like optical glass, fire-control and sound-detecting apparatus, which had never previously been made in Canada, were now being produced.

Summing up, he said that the total commitments of his department for the first year of the war were about \$600 millions, comprised of \$300 millions for purchases on account of the Canadian Government, \$120 millions for British purchases and \$165 millions allocated to the construction of new plants for the manufacture of explosives and munitions. An announcement of plans for three more of these new plants was made last week-end; one of them will manufacture small arms, another anti-aircraft guns, and the third, which will be erected in Alberta, will produce ammonium nitrate from the gas output of the oilfields of Southern Alberta.

Shortage of Skilled Labour

The latest employment bulletin of the Bureau of Statistics shows that during July there was a gain of 2.6 per cent. in employment, and that on August 1st the employment index at 127.9 slightly exceeded the previous high record figure of 127.8 established in August, 1929. In certain industries a serious shortage of skilled labour has developed, and it will be made worse by the decision of the military authorities to ignore the recommendations of the National Labour Supply Council and refuse exemptions from the operation of the draft to men engaged in essential war industries. Industrial leaders, however, are demanding a reversal of this decision.

A survey made by the Bureau of Statistics of business conditions in Canada during the first seven months of 1940 places the index for the physical volume of business during this period at 138.6, a gain of 18.7 per cent. over the figure for the same period of 1939. The largest contribution to this rise came from a sharp gain in manufacturing production, for which the index was 137.2, compared with 110.2, a gain

of 24.6 per cent. In individual items the most notable gains were as follows: pig-iron production, 81.3 per cent.; steel production, 63.1 per cent.; raw cotton consumption, 76 per cent.; exports, 54.5 per cent.; imports, 35.1 per cent.; hog slaughtering, 48.9 per cent.; new construction, 46.5 per cent.; sugar production 24.6 per cent.; newsprint production, 25.9 per cent.; and mineral production, 13.3 per cent. In recent weeks there has been little change in the level of the weekly economic index of the Bureau of Statistics:—

Week ending	Car loadings	Wholesale Prices	Bank Clearings	Weekly Index
Sept. 9, 1939 ...	89.1	75.9	125.3	107.7
Aug. 10, 1940 ...	92.4	82.2	84.3	103.1
" 17, 1940 ...	93.3	82.3	91.8	104.4
" 24, 1940 ...	90.2	82.6	91.0	104.1
" 31, 1940 ...	85.0	82.7	97.0	104.3
Sept. 7, 1940 ...	82.4	82.8	94.1	103.9

The monthly volume of war orders now being distributed from Ottawa is not expected to diminish during the coming months; and as the numerous new plants now being erected for the manufacture of munitions, for which the capital expenditures allocated are now given as \$222 millions, come gradually into operation, industrial activity in Canada during next winter should surpass all previous records. The enlargement of purchasing power produced by the industrial boom found reflection in the sales of Canadian department stores in August, which were up by 25 per cent. in value, compared with August, 1939.

September 15th.

Unemployment in Eire

[FROM OUR DUBLIN CORRESPONDENT]

ALTHOUGH the possibility of invasion appears more remote than it did during the summer, intensive preparations continue to be made for military and civil defence. It is remarkable how the threat of national danger has drawn together all political parties and social classes. The party truce has been loyally observed, and, apart from a small body of extremists, the business of defending the country is being conducted with complete unanimity. Although Eire has happily escaped the horrors of actual warfare, there is plenty of useful work for bodies such as the Red Cross. One problem that threatens to increase in magnitude is that of the refugees from England. Large numbers of women and children of Irish origin arrive daily and are in need of attention and care. If this influx continues at its present rate the unemployment problem will be still further increased.

Indeed, the principal effect of the war in Eire has been the growth of unemployment. The normal emigration has ceased, there has been a considerable influx of refugees from England, and some important industries, especially building, have slowed down their activity. The Government is apparently determined to deal drastically with this really difficult problem. A measure is about to be introduced that will empower the Minister for Local Government to compel local authorities to undertake public works of a kind calculated to give employment. The principal works undertaken will doubtless be on the roads. In order to prevent such works from being rendered unduly expensive, local authorities have been forbidden to increase the wages of road workers. Any local authority that disobeys this order will forfeit the Government grant in aid of rates. As a further aid to the solution of unemployment, the Government has formed a Construction Corps for young men, who will wear uniform and be under military discipline, but will be engaged in non-combatant work—for example, the erection of

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coast defences. The members of this Corps will receive a basic wage of one shilling a day and a sum of £10 on their discharge after a year's service. Some of the benefits, such as physical culture and adult education, secured in other countries by the organisation of labour camps, will be provided for members of this body.

A Missed Opportunity

The surplus of meat supplies in Great Britain has led to a temporary restriction on the export of fat cattle and sheep. Until further notice, not more than 2,000 fat cattle are to be exported weekly, and the export of sheep is to be allowed only under licence. While this restriction will, no doubt, cause a fall in the price of livestock, the fall will probably prove to be temporary. Farmers have been advised by the Department of Agriculture to retain and feed their cattle in the expectation of an improvement in prices next year. The reduction of the butter ration in Great Britain is a reminder that Irish farmers have missed a wonderful opportunity of profiting by war conditions. For years past, every expert on Irish agriculture has been clamouring for the intensive development of winter dairying, but the development has not proceeded sufficiently rapidly, with the result that we are now unable to supply the British market with butter at a time of unusually urgent demand.

The announcement that the Dublin Dockyard, which has been closed since 1937, is to be reopened is welcome for several reasons. The facilities for ship repairs in the port of Dublin will be increased, and employment will be given to a number of skilled workers. Shipbuilding is one of Dublin's oldest industries, but it was practically destroyed in the beginning of last century by the unreasonable demands of the trade unions. Belfast has a worldwide repute as a great centre of the shipbuilding industry, but the Belfast yards are less than a century old, and ships were being built in Dublin when Belfast was still a small country town. There is no reason why the industry should not flourish in Eire. Indeed, it appears far more naturally suitable for an island possessing many excellent ports than some of the newly protected industries.

October 1st.

PUBLIC INVESTMENT AND THE TRADE CYCLE IN GREAT BRITAIN

By

R. F. Bretherton and F. A. Burchardt
30s. net

Fluctuations in business activity present one of the most difficult peacetime problems to economic and social policy. As a remedy against this apparent instability of the industrial system, a counteracting policy of public works has been widely suggested and applied with varying degrees of success. This book discusses how public and semi-public investment affected the trade cycle in Great Britain between the two world wars. The methods and conclusions of the book should be important for the period of reconstruction after this war.

OXFORD ECONOMIC PAPERS No. 4

Edited by R. F. Harrod; H. D. Henderson; C. J. Hitch; R. Opie and E. L. Hargreaves

5s. net

OXFORD UNIVERSITY PRESS

British Goods in Portugal

[FROM OUR LISBON CORRESPONDENT]

CLASSIFIED statistics of imports by countries of origin are not to be had in Portugal nowadays. One must therefore be guided solely by observation and inquiry when assessing the nature of her present imports. There is, even judging by this rough and ready method, a clear indication that imports from the United Kingdom are increasing in both the volume and variety of the merchandise supplied. Rough goods and heavy goods, coal, iron, steel in rods and in piping—all these things now come from Britain, with secondary supplies from the United States of America. Probably there is no increase in Portugal's total consumption of such materials; it is merely that British goods have perforce been ordered instead of the items formerly obtained in Germany, the Netherlands, Belgium, Luxemburg and France.

In the Lisbon shops there is a gratifying increase in the number of those articles which, classed as "bazaar goods," were looked on as so specifically German as to be beyond British competition owing to deft manufacture and keen cut wholesale quotations. Smallwares in compositions and celluloids, plywood, enamelled tinware, hollowware, small castings and moulded articles—all sorts of things on which one instinctively looked for the "made in Germany" or the D.R.G.M. marks, are now "made in England." And while prices are but little above what the market was accustomed to with Czech, German and Japanese goods, the quality and durability are recognised on sight as far better. In photographic materials also, British products are more to the fore, and so are high-grade sweets and chocolate bonbons. Fine stationery and colour prints for framing also call attention to their origin; in short, the shop windows of Lisbon make an effective appeal to "buy British" in the most practical manner possible, that is, by stocking and displaying the goods.

October 7th.

Shorter Notice

"Among the Balance Sheets." By the Editor of "Finance and Commerce" in *The Accountant*. Gee and Co. (Publishers) Limited. 155 pages. 17s. 6d.

The Accountant has established a reputation for analyses and constructive criticism of company balance sheets in recent years. This book brings between stiff covers some of this work. It is not a cheap book and, since it contains a large number of reprints of company balance sheets, it is necessarily intended for specialist readers. The average investor—who will probably have a number of the balance sheets already in his files—will nevertheless appreciate the pointedness of the comment on the reports. It argues the case for greater disclosure in company accounts with shrewdness and good humour.

Books Received

German Economy, 1870-1940. By Gustav Stolper. (London) Allen and Unwin. 295 pages. 7s. 6d. net.

Excess Profits Tax, 1940. By W. Miller. (London) Eyre and Spottiswoode. 392 pages. 35s. net.

The Gold Rushes. By W. P. Morrell. (London) Adam and Charles Black. 427 pages. 18s. net.

The Official Year Book of New South Wales, 1938-39. (Sydney) Thomas Henry Tennant, Government Printer. 1052 pages. Cloth 7s. 6d.; paper 5s. net.

Statistical Abstract of British India, from 1928-29 to 1937-38. (Delhi) Manager of Publications. Rs. 6-2.

The Structural Basis of Indian Economy. By H. Venkatasubbiah. (London) Allen and Unwin. 156 pages. 7s. 6d. net.

Modern Banking in India. By S. K. Muranjan. (Bombay) New Book Co., Hornby Road. 422 pages. Rs. 7-8-0.

Oxford Pamphlets on World Affairs.—No. 36. *The Gestapo.* By O. C. Giles. 32 pages. 3d. net. No. 37. *War and Treaties.* By A. D. McNair. 32 pages. 3d. net. (Oxford) Clarendon Press.

THE BUSINESS WORLD

Fixed Interest Investments

THE argument from experience suggested to the investor, prior to the outbreak of war, that Government expenditure—on a scale never previously contemplated—would inevitably lead to some inflation, and that the safest hedge against its ill-effects consisted in the purchase of a good mixture of industrial equities, with or without a fair sprinkling of short-dated bonds. To hold irredeemable stocks or those which, by reason of their low cost to the borrower, would certainly not be repaid, was to court disaster. In the past, both prices and interest rates had soared at such times. There was good reason to suppose that control of the market would prevent any run-away in the latter, but it was, and is, much less sure that a marked price rise will be avoided. The change is already from 75.8 to 106.4 in the year to the end of August, according to *The Economist* wholesale price index, and from 94.6 to 114.0 in the Ministry of Labour cost-of-living figure. By general consent it is only now, when the country is at last making a genuine attempt to exert its full power in the factory as a preparation for a larger effort in the field, that the danger of an inflationary rise in prices is a very real one. Evidently, to be sure of maintaining the real value of capital, something more than a sacrifice of income by the purchase of fixed-interest bonds of short date is desirable. The usual remedy of a purchase of equities has been in part banned by the imposition of E.P.T. at 100 per cent. and the adoption—so far—of a very inelastic conception of what should constitute grounds for exemption from the usual basis of assessment. It is probably not true that the effect of this, and other legislation, in destroying the merits of equities as a hedge against inflation is as complete as many suppose, but there is no doubt that a very large body of investors—even when not tied by trust deeds or other instructions—prefers at present to restrict new purchases to fixed-interest stocks.

It is idle to pretend that any selection of fixed-interest stocks will do much more than assure the holder that the money value of his holding will be reasonably maintained. It is, however, one of the inevitable effects of war that there should be some consumption of capital, and no one has the right to be left in a position to maintain his own holding intact. Even so, there is no reason why the individual should not do his best to secure himself. Far from this being unpatriotic, it is by the resultant adjustment of market values that the scene is set for successful Government issues, if the Exchequer has the wit to use its opportunities. Even the most cursory survey of fixed-interest yields suggests that there are ample opportunities for profitable investment. Table I given below shows the yields of the *Actuaries' Investment Index* at a number of critical dates over the past two years, with those of December, 1937, as a basis. (At that time, only the "alarmists" were talking of war as a virtual certainty in the not distant future.) It is a tribute to the success of those who control the capital market that at the end of last month the yield on Old Consols was actually less than at any intervening period, except the preceding April, and almost down to that of December, 1937. It is true that 2½ per cent. Consols paint the picture in rather rosy tints; but the corresponding comparison for 4 per cent.

Funding, based on average yields of the month, as shown by the Bank of England statistical summary, tells a very similar tale.

The investor is perhaps less concerned with the change over a period than with the movements to which his holding has been subject in the interim, and as the yield on Old Consols had, within a year, varied by some 9 per cent. either side of the mean, no great stability can be claimed for the stock. It is, however, much less liable to movements than most of the others listed, for even where there is no particular trend, as in the case of Australia 3½ per cent., the fluctuations have been larger.

The change in the market's assessment of the relative merits of different stocks is more easily seen in Table II, showing the change in "spread" between the yields on the various stocks covered by this index. Canada and New Zealand respectively offer examples of wise and hazardous investment over the period covered. The explanation of the change is found in the attraction of the dollar in the one case and in perilous finance in the other. But, with less obvious influences at work, the spread in Home Corporations has doubled and is still quite near its greatest, while there is an appreciable relative depreciation in the credit of the Union of South Africa. The yields given by the Index may be taken as representative, but only by a careful combing of the complete list of stocks available is it possible to obtain the full benefit from movements in relative yields. It is almost certain that the average return on British Municipal stocks is now too high. It is true that many are exposed to unexampled risks, but all have, as never before, the credit of the central Government behind them. When they are affected by enforced Government evacuation they will be assisted free of interest. When they need cash for capital purposes, the Government either permits them to raise it privately in mortgages, or if the sum required is, in the circumstances, too substantial it makes the necessary advance itself at market rates. There remain, of course, a number of hazards. But such as are left of the ratepayers continue to shoulder the burden, and should their efforts not suffice it is improbable that the authorities would allow the whole market in this type of security to collapse. To do so would involve a definite discrimination against the stockholder whose claim to be satisfied out of municipal revenues ranks high enough to have justified the grant of trustee status to the stocks.

Yields to redemption range from a little over 3½ per cent. on Sheffield 1953 stock at par to almost 3½ per cent. on Birkenhead 3 per cent., at 92; or, if non-trustee stocks are included, from £3 13s. 6d. on Weymouth 3 per cent. 1960-65 to 4½ per cent. on Brighton 5 per cent. 1950-60. All these are before allowing for taxation and the difference is reduced to a few pence on the last two after deduction of tax.

The general position of holders of Dominion stocks must, of course, vary with the soundness of local finance and the market's assessment of any "political" risk involved. There is, however, a fairly general assumption that this country will continue to take large amounts of raw materials and foodstuffs from the Empire. Luxury imports into the Dominions will be curtailed, and unless war imports are to

ACTUARIES' INVESTMENT INDEX

TABLE I—FIXED INTEREST YIELDS

End of month figures	Dec. 1937	Sept. 1938	Dec. 1938	Apr. 1939	May 1939	Sept. 1939	Apr. 1940	June 1940	Sept. 1940
2½% Consols	3.36	3.75	3.56	3.81	3.60	4.04	3.39	3.53	3.39
Home Corporations ..	3.53	3.89	3.64	3.91	3.86	4.08	3.63	3.79	3.77
Australia 3½% 1964-74	3.75	3.99	4.20	4.88	4.18	4.91	3.73	3.89	3.86
Canada 4% 1953-58 ..	3.34	3.80	3.30	3.59	3.44	3.74	3.08	3.07	2.88
India 3%	3.79	4.13	3.98	4.51	4.07	4.55	3.68	3.77	3.80
N. Zealand 3% 1952-55	3.78	4.35	5.18	5.24	5.00	6.03	4.08	4.32	4.28
S. Africa 3% 1954-64	3.31	3.50	3.41	3.77	3.76	4.17	3.43	3.58	3.45
Industrial Debentures	4.06	4.22	4.15	4.36	4.32	4.79	4.25	4.58	4.58
Industrial Preferences	4.33	4.77	4.65	4.78	4.66	5.26	4.66	5.52	5.43

TABLE II—CHANGES IN "SPREAD."

End of month figures	Dec. 1937	Sept. 1939	June 1940	Sept. 1940
2½% Consols	100.0	100.0	100.0	100.0
Home Corporations ..	105.1	103.7	107.3	111.2
Australia 3½%	111.6	106.4	110.2	113.8
Canada 4%	99.4	101.3	86.7	84.9
India 3%	112.8	110.1	106.5	112.1
N. Zealand 3%	112.5	121.3	122.4	126.2
S. Africa 3%	98.5	93.3	101.4	101.8
Industrial Debentures—				
Production	128.6	120.0	131.7	140.4
Distribution	115.5	112.9	130.3	131.3
Miscellaneous	121.7	119.5	126.1	129.8

be large enough to counteract the increase in exports and the fall in luxury imports the Dominions should tend to buy their own stock in London as a means of reducing their sterling balances. Once this starts, its effect is cumulative, and it is a matter of some doubt whether the relative depreciation of Southern Hemisphere stocks during the first year of the war is justified. Among other advantages claimed for a mixture of Dominion stocks and municipal securities with gilt-edged is the fact that holdings can be found carrying a high nominal rate of interest. The favourite is, perhaps, Australian 5 per cent. 1945-65, and most of this type have a short date, so that the real yield after allowing for capital loss on a purchase at, say, 105, is small if repayment at the earliest date may be assumed. These stocks, however, appeal for mixing as a hedge against a rise in the rate of interest, and if such a hedge should prove justified the yield would rise as the life was prolonged. It is far from clear that such a hedge is really necessary. Despite the admitted association of high interest rates with rising prices in the past, it is not likely that the means available will be insufficient to keep

down rates for the duration of the war. Whether it will prove feasible to carry out the necessary reconstruction after the war without giving private initiative its due reward in cash is problematical. It is, however, reasonably certain that, unless the war lasts much longer than most people suppose, the attempt will be made to effect the necessary changes from the centre and with Government finance. The prospect is so far from clear that it is impossible to say that the hedge should not be adopted against this post-war rise, but it is doubtful whether now is the time. It is, however, possible to obtain yields net of tax of over 2½ per cent. on Commonwealth stocks, with nominal interest of 3 per cent. gross and several years to run. Possibly, however, a more useful haven is provided by a mixture of good industrial debentures which are now giving returns of 4½ to 5 per cent. gross. The cover of the latter increases with every improvement in earning power, despite E.P.T. at 100 per cent., and a judicious choice would also go some way to covering the possibility of a post-war rise in interest rates since increased cover would raise the status of the stock.

Finance and Banking

Credit Basis Contracted

Although there was a further return of £3,614,000 of notes from circulation during the past week, the total of bankers' deposits at the Bank of England fell by £6,151,000 to £109,147,000. The offsetting movements were an aggregate reduction of £8,587,000 in the holding of securities in the Banking department and a net increase of £766,000 in Government deposits. The main item in the reduction of assets was a fall of £7,230,000 in Government securities, which indicates either the repayment of Ways and Means advances, or the non-renewal of maturing bills. There has been no recent evidence of open market sales of bills to the banks. Despite the contraction in the credit basis, there has been an ample supply of funds in the short loan market. Loans from non-clearing banks have been readily available at ½ per cent., while the banks have been eager buyers of bills at 1 per cent. The banks lent the Government a further £30,000,000 this week in the form of Treasury deposits and it is the payment of this sum which has evidently dominated the movements of funds between bankers' and public deposits revealed by the Bank return.

* * *

£115 millions Jump in Bank Deposits

The September clearing bank figures reveal the biggest expansion in deposits in any month since the outbreak of the war—*ergo* in the history of British banking. The actual increase is of £115,408,000, and carries the total of clearing bank deposits to the record figure of £2,596,697,000. The rise in this item is exaggerated to the extent of £34,961,000 by an increase of that amount in the total of cheques in

(In £ millions)

	Sept., 1939	May, 1940	June, 1940	July, 1940	Aug., 1940	Sept., 1940
Capital and reserves	138.8	139.3	139.7	139.7	139.7	139.7
Acceptances, etc.	125.7	120.2	123.2	122.8	118.6	119.0
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,278.1	2,413.4	2,469.4	2,454.0	2,481.3	2,596.7
Total liabilities	2,544.0	2,674.3	2,733.7	2,717.9	2,741.0	2,856.8
Cash	267.4	257.0	269.6	262.0	273.3	288.2
Cheques, balances, & items in transit	86.7	78.8	123.3	87.6	75.5	110.4
Money at call	145.6	143.7	166.1	145.8	147.6	143.7
Discounts	236.2	408.7	384.1	415.3	430.1	401.3
Treasury deposit receipts				26.0	26.0	91.5
Investments	602.9	633.2	636.2	657.8	682.1	697.1
Loans and advances	1,010.9	964.3	962.5	931.9	919.0	936.8
Investments in affiliated banks	24.2	23.5	23.6	23.6	23.6	23.6
Cover for acceptances, premises, &c.	170.1	165.1	168.3	167.9	163.8	164.2
Total assets	2,544.0	2,674.3	2,733.7	2,717.9	2,741.0	2,856.8

course of collection and other transit items. This movement is the combined result of the incidence of most of the monthly returns towards the close of the quarter, when the circulation of cheques is high, and of the removal of a further part of the Town clearing to Stoke-on-Trent. The consequent element of duplication in the total of deposits has

thus been increased. On the other hand, it is safe to assume that the expansion in deposits would have been greater than that shown had the individual bank returns, which go to make the collective statement, all shown the position at, or near, the end of the month. The detailed figures published by the Bankers' Clearing House indicate, for the first time, the dates to which the individual returns apply. They vary from September 17th in the case of Lloyds Bank to September 30th in the case of Barclays and Coutts. The main factor in the expansion of bank credit during the month was the amount lent to the Treasury on six months deposits, and this item was increasing steadily throughout the month. The collective figures show these Treasury deposits at £91,500,000, compared with £26 millions a month previously. Yet on September 30th there were £124 millions of these Treasury deposits outstanding and the London clearing banks' share of this total was probably about £110 millions, or some £20 millions more than the figure shown in the September statement. Therefore any tendency to exaggerate the expansion in deposits provided by the increased clearing delays was largely offset by the differences in the various banks' making-up days.

*

The other contributory factor in the increase in bank credit last month was a further rise of £14,910,000 in investments. This last movement may be taken to reflect purchases of National War Bonds, for the most part undertaken by branches in support of local War Weapons weeks. Advances show an increase of £17,773,000, thus reversing a trend which had persisted for the previous six months. No undue significance need, however, be attached to this recovery since it is largely due to the figures of one particular bank and is more likely to be the reflection of an exceptional transaction than of a reversal in the forces which have been making for a reduction in bank advances over recent months. Short loans and bills discounted are down by £3,893,000 and £28,760,000, respectively, both movements reflecting the change of emphasis in favour of Treasury deposits in the Government's short-term borrowing. The cash holding is up by £14,905,000 to £288,180,000, the highest level ever recorded for this item. The authorities are thus taking good care to provide a cash basis fully adequate to support the swelling superstructure of credit.

* * *

Interest on Foreign Accounts

The question of interest paid on foreign sterling accounts is again coming under consideration. As matters stand at present, the rate of interest paid on such accounts is limited, by agreement among the banks, to 1 per cent. In most cases the rate paid is no more than the deposit rate of ½ per cent. Under the exchange regulations, such interest, until this week, could be credited to the account in question—whether it was a special, or registered, or a free sterling account. The sterling thus credited was free to be converted into foreign currency: in the first two cases at official rates, in the last case at whatever the free rate in question might be. The amount involved may be small, but in this

matter an important principle is at stake; and, fortunately, the authorities have taken a step in the right direction by deciding that interest must not be paid on registered accounts. This interest represents a loss of exchange for which there is at present no justification whatsoever. The sum thus paid over is in large part that accumulating on the registered accounts opened here on behalf of United States banks. British banks have for some years past received no interest on their dollar balances, and, conversely, American banks should have no cause for complaint now their own balances in London are to receive the same treatment. There has been some suggestion that the interest paid on registered and special accounts should not be eligible as credits to such accounts, but should be credited to what would in fact be blocked accounts. This procedure would unnecessarily complicate what is a simple issue. The proper solution of the problem is to stop paying interest altogether on foreign accounts. Individual British banks no longer gain anything by competing for foreign deposits through the offer of tempting rates of interest. Needless to say, this treatment should not be meted out to balances maintained here on behalf of members of the sterling area. The accumulation of such balances is an inevitable result of the changes in balances of payments within the Empire which have occurred since the outbreak of the war and which are likely to persist for the duration. The readiness of members of the sterling area to allow their short-term assets in London to expand is a most helpful factor in the present situation. It eases the problem of the Treasury in obtaining "hard" currencies, particularly dollars, and it is a powerful contribution to the financing of the Budget deficit. On no account should this willingness to hold sterling funds be discouraged—especially as their accumulation on behalf of sterling-area countries involves no loss of essential foreign exchange.

* * *

Blocking Roumanian Assets

Steps have been taken by the Treasury this week to immobilise all Roumanian assets in this country. The move may seem somewhat belated coming at least two months after the Roumanians began expropriating British owners of oil properties and shipping in their country, and nearly a week after the United States Treasury put a "stop" on all Roumanian dollar assets. But appearances are in this case deceptive. This week's official instructions merely confirm an attitude of extreme caution which British banks have maintained for some weeks past in obeying instructions from their Roumanian customers for disposing of assets held by them here. As for the authorities themselves, they have taken good care not to allow certain important Roumanian assets in this country—and especially a holding of some £3,000,000 of gold—to leave, despite persistent attempts made by the owners over the past two months to have them shifted from London. We are learning—very slowly, it is true—to adjust ourselves to the methods of political and financial thuggery in which the Roumanians have proved such adept pupils under their new German masters. We shall at least have something to set off against the property of which British investors are being robbed in Roumania. The Treasury instructions to British banks refer specifically to bank balances, securities and gold held here on Roumanian account and to credits opened on behalf of Roumanian clients. The disposal of securities and gold is forbidden. Banks may pay cheques, bills or drafts drawn on Roumanian accounts, provided the presenter became a holder for value prior to October 11th. Unconfirmed credits to Roumanian clients are to be cancelled forthwith, but banks will honour their obligations under confirmed credits opened before October 11th. The total amount to be netted by the immobilisation of private Roumanian assets in this country is thought to be extremely small. The amount involved by the corresponding measures taken a week earlier by the United States Treasury was estimated to be in the neighbourhood of \$1,000,000.

* * *

More Support for the Chinese Dollar

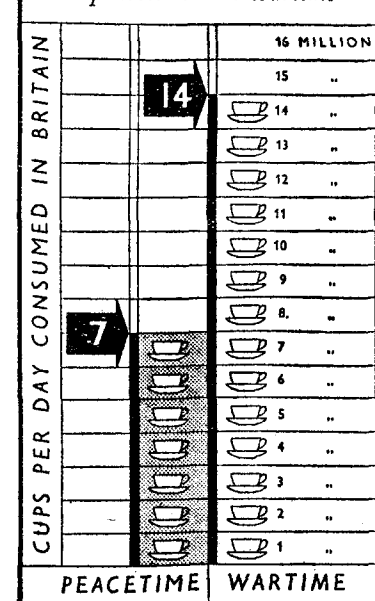
The Chinese dollar has been a particularly firm market during the past week. From 3½d. the rate, as quoted in the Shanghai market, has hardened to 3½d., and though it has not held the whole of this advance, the past week has nevertheless been the best enjoyed by the Chinese currency since the outbreak of hostilities in Europe. The reasons for the recovery have been partly psychological, partly material. The conclusion of a military alliance between Japan, Germany

HOW COCOA CONSUMPTION HAS DOUBLED SINCE THE WAR

14 million cups a day is now estimated figure

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 home front, the services, and the defence personnel have seemingly turned to it with one accord. It is estimated that, on an average, no less than 14 million cups of cocoa are drunk in Britain every day, as compared with 7 million in peace-time. *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 recognizes that, penny for penny, cocoa gives more food value and staying power.

Diagram showing comparative daily amounts of cocoa consumed in peacetime and wartime



COCOA

is helping to feed the country

and Italy is not likely to favour Japan in her Chinese campaigns. On the contrary, the United States' reactions to this move and Britain's decision to reopen the Burma road have been regarded by the foreign exchange market as bull points for the Chinese cause, and therefore for the National Chinese dollar. More specific in its contribution to the strength of this currency has been the announcement that the United States had granted a further credit of \$20 millions to the Chungking Government. This development was also an immediate result of the Japanese-Axis move, but its significance from the point of view of the Chinese dollar market was obviously more emphatic than the other considerations of broader strategic character. The Chinese Stabilisation Fund, whose resources will thus be considerably strengthened, continues to function from Hong Kong, and is far from having reached the end of its exchange resources. It is evident, however, that the position which is now developing along the South China coast and in the Colony of Hong Kong is causing some difficulties in the operations of the Committee of Control. Until now, whatever official intervention has been needed in the Chinese dollar market has been administered in the main through the Shanghai market. But it is not difficult to foresee circumstances under which other and less obvious methods of operations may have to be called into play. They are no doubt being prepared.

Investment

The Funds Advance

The movement of recovery in the Funds, which has been in progress ever since early June, subject to numerous interruptions and not a few setbacks, has gathered a new strength during the past week. So much so that it has wrested the leadership of the general upward swing from industrial equities. The improvement in $3\frac{1}{2}$ per cent. War Loan on the week is well over a point, and some other long-dated stocks and "irredeemables" show similar advances. The shorts, however, remain insensitive to the stronger tone, and there is little doubt that the rise reflects a popular movement, mainly by individuals, to invest savings more fully than in the recent past. How far this renewed demand arises from the propaganda for increased saving, or from a desire to emulate the clearing banks is doubtful. It is more likely to be based on the latest victory for British interests, namely the American reception of Japan's attachment to the Axis. Certainly there is little other news which can be said to be encouraging. Whatever the reason, the result is highly satisfactory, but it would be a mistake to regard the growth in the volume of demand as really substantial as yet. It is as true of gilt-edged stocks as of any other market that the jobber has been short of stock for months past. The rise in quotations is large enough to have encouraged talk of an early offer of stock to the public. For a number of reasons given in *The Economist* of September 14th, such an issue seems desirable, but it is doubtful whether demand has recovered sufficiently as yet to yield very large sums.

Need for a Forum

Another week of frequent interruptions from "alerts"—the daytime "alarms" have been fewer—has established two facts concerning inter-office dealing by telephone. Communications are fully sufficient for the moderate demands made upon them and a reasonable proportion of orders is fulfilled, but the adjustment of prices to the change in demand is painfully slow and takes place largely by increasing the jobber's margin, unless the deal tends to close a position. This is just what was to be expected from normal after-hours business done in the same way. The market in all but a few dozen leaders is anyhow none too free, and the lack of a meeting place makes it worse. To drive home the lesson which the Committee seems loath to learn, the very fact that made the "house" so unsuitable during raids, namely excess of glass, has now—by a freak of blast—deprived members of much of their protection from the weather with the result that they are likely to have to meet below stairs for the time being. This is an inconvenience, but both jobbers and brokers are by now sufficiently convinced of the advantages of a place of meeting to see that the fullest use is made of the accommodation available. A good effect of the development is that it has brought into everyone's mind the only official alternative to the present building, namely a departure to Denham. It has scarcely got as far as the lips of a single member for what was in any case never more than a very

Japanese Banks in London

Most of the Japanese banks represented in this country are to close their London offices. The move is sufficiently concerted to indicate official dictation by the Japanese Government. The amount of business transacted by these offices had in any case dwindled to insignificant proportions in recent months, and the military alignment of Japan with the enemy was bound to complete the trading and financial estrangement between that country and the Empire. For a time at least, the Yokohama Specie Bank will maintain an office in London, though even this solitary representative of Japanese banking will, in the staff it employs and the business it will transact, be but a shadow of its former self. Sterling accounts held by other Japanese banks will be transferred to the Yokohama Specie Bank. As this bank transacts the foreign business of the Japanese Government, it will presumably maintain some kind of London representation as long as the two countries are nominally at peace. Hitherto, the contact between Japan and the Bank for International Settlements has been maintained through the London management of the Yokohama Specie Bank. It will be interesting to see whether the recent alignment of Japan with the Axis Powers will cause any change in these arrangements.

poor expedient, only to be adopted if conditions became impossible in London, is now regarded as less acceptable than anything that can be imagined possible. In these circumstances, it seems even more necessary that an option should be obtained on alternative premises within the square mile. It is the duty of the Committee to let nothing stand in the way of creating a free market. Another direction in which, it is to be hoped, the Committee is using its best endeavours is the restoration of dealings in S.I.B. stocks. So far a number have been removed from the list and thus are restored to full liberty, but most of them are not dealt in. Also holders of Canadian stocks with registers in both countries may sell, although their securities are held here. Neither of these developments, however, helps the main body of the S.I.B. stocks, whose holders are still deprived of their rights.

Argentine Agreement

Although the report is now almost a week old, there is still no official confirmation of the agreement between this country and Argentina for what appear to be very substantial purchases of materials to be paid for, as to 50 per cent., by the delivery of Argentine bonds held in London. The sole effect in the market has been a sharp jump in stocks of the Argentine Government, on the assumption that these are likely to be requisitioned. There is, of course, also the further assumption that the Treasury will pay the market price. In the absence of more definite information, no valid conclusion can be drawn. It is, however, the fact that some mobilisation of the loans of the Argentine Government, if not of the provinces, has long seemed probable, although one school of thought favours the alternative of Argentina buying out British equity holders in the republic. The figure mentioned in the despatch was 160 million dollars, and if this means United States dollars, and the 50 per cent. basis is correct, then some £20,000,000 of stock would be called for. There are quoted in London some £33,500,000 of Argentine Government stocks, taken at par, of which not much more than £1,000,000 has so far been called for registration, as payable in currencies other than sterling. The principal loan is some £12,000,000 odd of 4 per cent. sterling bonds last dealt in at around 87½, following a rise of some points on the announcement. The senior loans stand eight to ten points higher, so that there is ample stock, taken at market price, to cover this demand. The value of the stock must, however, depend on what the Argentine authorities are prepared to pay for it. Argentine railway equities have failed altogether to respond to the news, partly because a block purchase of Argentine food products had been anticipated, and in part on account of the expectation that the impending accounts will make a very poor showing.

Victory Bond Registration

A further step in the process of converting holdings from bearer to registered was announced during the week in the form of facilities for the registration of Victory Bonds,

2½ per cent. National Defence Bonds and 4½ per cent. guaranteed bonds of the Government of Northern Ireland as to interest as well as to principal. In pre-war days, these were all money market securities and as such were more conveniently dealt in as bearer. Now, however, the danger of loss makes it highly desirable that there should be a record of holdings, and this advantage far outweighs the trouble of executing transfers, rather than effecting a simple delivery. With the huge amounts of stock that have to be dealt with changes take time, and it is satisfactory to learn that the Bank of England is now prepared to pay interest on these three bonds by dividend warrant instead of only against surrender of coupons. It is even possible that the step will help, in a small way, to remove the prejudice which undoubtedly exists against short bonds. The next coupons fall due in March for the first two bonds and on May 1st for the Ulster issue. Holders have in each case to lodge bonds and coupons for registration some thirty-three days before payment is due if they wish to take advantage of the offer. Early registration will, however, ease the Bank's task.

Company Notes

Tube Investments Dividend

In announcing a final ordinary dividend of 13½ per cent., making a total of 23½ per cent. for the year to October 31st, Tube Investments are maintaining the rate of distribution which has been paid for the previous three years. The decision is based on the preliminary statements of subsidiary companies after full provision has been made both for current and retrospective taxation and for A.R.P. expenditure. It may be surmised that gross income of subsidiaries has attained record levels in the course of the past year. Mr Chamberlain, speaking at last year's general meeting, pointed out that rising taxation would take a large slice of future profits. He held out to shareholders the hope that increase in public and private demand would keep pace with rising costs and taxation, and would enable the company to maintain stable dividend payments. There is indeed little hope that shareholders will profit from the present activity of the group by the receipt of higher dividends, but there is every probability that the directors will manage to maintain present levels of distribution. Further analysis must wait on the publication of the report. The £1 ordinary stock at 8½s. 3d. offers a yield which, at £5 16s. 9d. per cent., approaches gilt-edged industrial levels.

Hawthorn, Leslie—Continued Progress

The practice of striking the profits figure after depreciation and taxation obscures the considerable rise in gross revenue which must have been realised by Hawthorn, Leslie for the year to June 30, 1940. Net profits, at £162,736, against £162,015, have continued the rise of the past three years despite higher taxation charges. Last year's dividend of 10 per cent. less tax plus a 2½ per cent. tax-free bonus is maintained and is covered by an even higher rate of earnings than in the previous year—43 against 40.7 per cent. The management is maintaining its previous practice of stabilising the equity distribution and financing the company's expansion from undistributed profits. £85,000 against £80,000 is put to reserve, and the carry-forward is nearly £10,000 higher at £51,167. The following table provides an analysis of the company's profits over the past three years:—

	Years ended June 30		
	1938	1939	1940
Profit after tax and depreciation ...	78,577	162,015	162,736
Directors' fees	1,200	1,200	1,200
Ordinary shares:—			
<i>Earned</i>	77,377	160,815	161,536
<i>Paid</i>	48,367	67,176	67,176
<i>Earned %</i>	16.4	40.7	43.0
<i>Paid %</i>	9*	12½†	12½†
General reserve	24,137	80,000	85,000
Carry forward	28,169	41,808	51,167

* And 50 per cent. capital bonus; dividend payable on higher capital (£537,413 against £358,275).

† Of which 2½ per cent. bonus tax free.

The balance sheet suggests that a considerable expansion in production took place in 1939-40, and it may be inferred

that a number of ships were laid down. After comparative stability in the previous year, the value of stocks and work in progress rose from £2,192,076 to £3,703,715. The company's creditors, which are up from £3,124,650 to £4,556,471, continue to finance a high proportion of business, and with a rise from £33,292 to only £47,142, debtors still represent an inconsiderable element in the assets. As in the previous year, the market valuation of Hawthorn, Leslie's holdings of British and Colonial Government securities stands above the balance sheet value at cost. At market prices on June 30, 1940, the figure is £1,021,562 against £759,435 in the previous year, and the rise more than meets a fall in cash holdings of rather over £200,000 to £299,893. The 10s. shares, which are to be converted into stock units of the same denomination, now stand at 19s.

* * *

United Dairies' Revenue

The fall in total income of United Dairies for the year to June 30, 1940, from £604,728 to £527,404 is mainly due to a decline in revenue from dividends receivable by nearly £100,000 to £121,660. Income from the balance on management account and from interest receivable are both higher, while a loss on the sale of temporary investments amounting to £643 has been replaced by a profit of £3,568. The holding company is fortunate in being able to report a rise in aggregate profits of subsidiaries, investments in which constitute more than half the company's total balance-sheet assets of £8,055,594. The surplus available for ordinary dividends—including the windfall profit from the sale of temporary investments—shows a moderate fall from £387,653 to £310,095, representing a rate of 12.6 against 17.5 per

Consolidated Main Reef Mines & Estate, Limited

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1940

Capital, £1,247,602 in 1,247,602 Shares of £1 each (all issued)

DIRECTORATE

DR. H. PIROW (Chairman). SIR ABE BAILEY, Bart., K.C.M.G.
R. S. G. STOKES. G. CARLETON JONES. MAJOR C. S. GOLDMAN.
A. G. PETTY. A. A. AURET. W. H. A. LAWRENCE.

Tonnage Milled, 2,244,000

		Per ton milled.
Total Working Revenue	£2,948,682 7 1	£1 6 3
Total Working Expenditure	2,145,636 11 3	0 19 1
Working Profit	£803,045 15 10	£0 7 2
Total Profit for the year	£811,160 3 5	
Balance unappropriated at 30th June, 1939	265,801 8 8	
Forfeited Dividends Account	204 15 9	

This amount has been dealt with as follows:—

	Capital	
Expenditure on	£34,481 18 6	
Miners' Pensions—Provision on		
<i>account of Outstanding Li-</i>		
<i>ability as at 31st July, 1939</i>	3,260 0 2	
Taxation	306,428 0 3	
		344,167 18 11

Dividends declared during the year:—

No. 60 of 15 per cent., and No. 61 of 15 per cent. ...

Leaving a balance unappropriated of

	Tons	Value, Dwt.	Stopping Width, Inches.
Main Reef	885,400	3.7	61.3
Main Reef Leader	3,581,000	4.2	52.2
South Reef	2,728,600	4.1	49.1
Bird Reef	3,525,000	3.0	75.5
Total	10,698,000	3.7	57.9

In addition there are 1,482,200 tons of payable ore, valued at 4.0 dwt. per ton, contained in shaft and safety pillars not at present available for stopping.

Compared with the previous year, the available reserve shows a decrease of 548,200 tons, the estimated stopping width is higher by 0.7 inch, and the value is 0.2 dwt. lower.

The additions and alterations to the reduction plant during recent years have greatly increased its capacity, which now exceeds 200,000 tons per month. During the first half of the year under review a severe shortage of native labour rendered it difficult to maintain a full supply of ore, but since January the native labour position has improved, and the plant has operated at its full capacity.

The Full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., No. 4 London Wall Buildings, London, E.C.2.

cent. Thus the ordinary dividend, which is maintained at the traditional 12½ per cent., is somewhat narrowly covered, though, in the absence of any allocation to reserve, the carry-forward is rather higher at £170,071 against £167,976. The directors are able to state that additional provision has been made for the higher rate of tax on last year's profits and that A.R.P. expenditure exceeding £50,000 has been covered. The most striking balance sheet change is a rise in investments other than in subsidiary companies from £217,300 to £512,359—after allowing for an increase in investment reserve from £20,000 to £45,000. The rise is concentrated on an increase in holdings of British Government securities at cost from £75,496 to £275,654 and of municipal loans from nil to £120,000. On the liabilities side, general reserve stands at £1,100,000 as before, but creditors are up from some £400,000 to £681,383. It is clear that taxation and the middle man are absorbing a high proportion of potential United Dairies' profits, and a company with such considerable real property in London must expect much milk to be spilt in the course of air raids. But from the stockholder's point of view, liquid resources are very considerable and there is every inducement to the company to maintain its status as a "gilt-edged equity" by adhering to the traditional 12½ per cent. payment. The £1 ordinary stock stands at 43s. 9d. ex dividend and offers the moderate yield of £5 14s. per cent.

Television Prospects

Television transmission is a field of commercial experiment which has necessarily been prohibited by the war. In the long run, however, its potentialities remain as great as ever, and war may even stimulate research. Thus, there is every reason why the shareholder who can afford to take the long view should look favourably upon the recent efforts made by *Baird Television* and *E. K. Cole* to maintain in cold storage current schemes for television development. Speaking recently at the general meeting, Mr W. S. Verrells, chairman of *E. K. Cole*, pointed out that the cessation of television transmission during 1939 had left the company with a considerable stock of receivers, but that the decision to include these at cost price in the balance sheet was subject to revision. Meanwhile, the company is fortunate that the television associate, *Scophony, Ltd.*, in which a substantial interest was acquired in 1935, has secured sufficient Government work to remain in operation. *E. K. Cole, Ltd.*, is itself now working to capacity on a war basis and is in a good position to carry its television interests until more propitious times. *Baird Television* has, of course, got all its eggs in one basket, and it is satisfactory that judicial sanction has now been obtained for a scheme of arrangement between the company and the loan stockholders—94 per cent. of the stock is held by *Gaumont British* and its subsidiaries—by which finance is to be provided for amalgamation with *Cinema Television*, a competing company with a capital of £250,000. The object of the amalgamation will be to maintain a nucleus of real assets and staff against the resumption of television transmission and to effect, if possible, further amalgamations in the same field. Clearly, the attainment during the war of something like a merger of television interests has a very substantial future importance for *Gaumont British*, and it is probable that the eventual return will be commensurate with the present risk and delay.

A. C. Cossor Profits

The second annual report of A. C. Cossor, Limited, shows a striking rise in total profits from £87,878 for the previous thirteen month period to £136,027 for the year to March 31, 1940. This sum is still very much below the level of some £200,000 which was regularly earned by A. C. Cossor (Holdings), Limited, prior to the registration of the existing company. Last year's profits have, however, been sufficient for the directors to step up the ordinary dividend from 6 to 15 per cent., despite a rise in income tax and

N.D.C. from £26,540 to £55,941. After meeting the preference dividend, equity earnings are up by some £33,000 to £51,794, and represent a rate of 19 against 8.8 per cent. The directors state that the accounts include the profit of one subsidiary company, and that the loss of Sterling Cable Company, Limited, has been written off. The sharp fall shown by the balance sheet in the value of the company's holdings in subsidiaries from £120,103 to £58,624 is explained by the sale of holdings in Surety Trust, Limited. During the past year, A. C. Cossor has acquired the Sterling Cable Company, which has now been reorganised, and the negotiations connected with Sterling Batteries, acquired in 1938, have been completed. The consolidated statement shows evidence of active trading. Stocks and work in progress stand at £325,973 against £226,567, and cash holdings have fallen from £109,389 to £36,802. The reserves of the group still appear to be inadequate. With total assets of £1,318,802, the general reserve has actually declined from £30,557 to £26,544, though taxation reserves have risen from £11,210 to £21,300, and the carry-forward by a similar amount. In extending its activities to the wider fields of electrical supply, the company is tapping a rising market and one which has recently been marked out by investors even in *Blitzkrieg* conditions. Given sound management, the 5s. ordinary shares, which now stand at par, should be worth watching.

Rand Results

Since January, 1940, the price of gold allowed to the South African mines has been 168s. per ounce as against a fixed price of 150s. per ounce for some time previously. The companies have therefore generally made higher profits, although subject to increased taxation. The annual reports of the mines of the Central Mining Group, whose years end on June 30th, are now available. Most of these mines suffered from a shortage of native labour in the first half of the financial year, but the position subsequently improved. The *Modderfontein East* report, at first glance, appears satisfactory. Tonnage milled has increased, and owing to the higher price of gold and lower working costs, profits are substantially higher, with dividends at 40 as against 37½ per cent. Development in the eastern portion of *Modderfontein East* has been poor for some time past, and is likely to continue so in the future. The main development of the mine is almost completed to all boundaries, and showed a decline of 9,178 feet to a total of only 39,944 feet for the financial year. Ore reserves show a further decline of 0.2 dwts. in value to 3.9 dwts., representing an increase of 378,000 tons to 6,847,000 tons. Though satisfactory dividends may continue for many years, the development position in this mine should be carefully watched. The *Consolidated Main Reef* dividend is also higher at 30 against 27½ per cent., and mining profits show a substantial increase. The underground development position is less satisfactory. There was a decline of 520,000 tons of new ore developed, and, compared with the previous year, ore reserves are down by 0.2 dwts. in value and by 548,000 tons to 10,698,000 tons in volume, averaging 3.7 dwts. *New Modderfontein* paid 47½ against 50 per cent. for the previous year. The ore reserve has fallen by 405,000 tons and by 0.3 dwts. to 6,920,000 tons, averaging 3.3 dwts. A limited amount of development on the black reef gave some values, but little ore of importance is likely to be developed on this reef or on the Kimberley Reef. A continued fall in ore reserves both in grade and in value must be expected. While the investor gets a very high yield at present share prices, dividends represent largely a return of capital owing to the shortness of the life of the mine. *Nourse* experienced a satisfactory year, and dividends were increased to 22½ per cent. against 21½ per cent. The ore reserves show an increase of 276,000 tons to 4,251,000 tons, averaging 4.4 dwts., the same value as for the previous year. The major development is now in the somewhat limited eastern portion of the mine, and the company has in all probability reached its peak of production. Dividends, nevertheless, are likely to be maintained for many years to come.

THE STOCK EXCHANGES

London

DESPITE the temporary mid-week interruption in dealings caused by enemy activity, the strong advance in the funds has continued. Argentine bonds also enjoyed a striking recovery, and interest in Japanese bonds revived. Turnover at home

rails showed an upward movement, and the industrial market continued the firmness of the previous week. Commodity markets were everywhere dull and interest in Kaffirs much reduced.

Buying of gilt-edged, which continued from the end of last week throughout Monday and Tuesday, was led by a rise

in 3½ per cent. War Loan daily to new high levels since 1938. The striking advance of ½ point on Tuesday brought the price to 102½, followed by a rise to 102 on Wednesday, while 3½ per cent. Conversion and Local Loans put on ½ on Tuesday. Funding issues were in demand and Old Consols also closed ½ higher on the same day, sentiment being assisted by President Roosevelt's

week-end statement. On Wednesday, 3 per cent. Conversion jumped by ½. In the foreign bond market, rumours of a possible Far Eastern understanding led to renewed buying of Japanese bonds. The 4 per cent. issue of 1899 and 6 per cent. bonds of 1924 gained ½ point daily until Tuesday, when the latter put on 1 point. On Monday, Argentine securities rose sharply on the reported Anglo-Argentine food agreement, and gains of 3 points were realised by 4½ per cent. Conversion, by 4 per cent. bonds of 1900 and by 3 per cent. "C" securities.

The home rail market, which was somewhat dull over the week-end and on Monday, revived on Tuesday, when the scale of turnover improved, and there were a number of price rises, notably of ½ point in Great Western ordinary and of ¼ point in London Transport "C" stock. A number of senior issues were also marked higher. In mid-week, quotations were a shade lower. The foreign rail market showed little change, and Argentine rails did not rise in sympathy with Government stock.

The industrial market enjoyed considerable activity. Last week's rise in heavy industrials was well maintained, with gains for Dorman Long, Guest Keen, Hawthorn Leslie and Babcock and Wilcox. A tendency of the electrical group to turn dull on Friday was corrected by rises early in the present week in supply shares, including Crompton Parkinson and G.E.C. In the motor and aircraft section, prices have ruled mainly steady, but Fairey Aviation, Handley Page, Ford and Triplex were a better market. The long-standing rise of Associated Portland Cement and London Brick continued, and tobacco leaders were bought. Elsewhere in the market, Marks and Spencer attracted some attention, and I.C.I. and Lever and Unilever went ahead.

Interest in Kaffir shares was at a low ebb at the end of last week and on Monday, but Cape buying on Tuesday encouraged a better tone. Gains were mainly restricted to developing mines, among which were Western Holdings, Western Reefs and Libanon Gold. Copper prices were dull on balance. Interest in rubber shares showed no signs of reviving, and for the most part quotations were untested. On Tuesday, Allied Sumatra gained a few pence and Anglo-Dutch fell back fractionally. The undertone of the oil market turned weak, and there was some selling of Anglo-Iranian preference issues, while Burmah ordinary lost 1s. 10d. on Tuesday. The week-end rise in Trinidad Petroleum Development was not maintained.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Oct. 11 ...	1,421	2,780	66.2	121.1
" 14 ...	1,009	2,805	66.3	121.2
" 15 ...	1,810	2,920	66.5	121.3
" 16 ...	(a)	3,225	66.5	121.4
" 17 ...	(a)	3,180	66.5	121.4

* 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). (a) Not available.

New York

TRADING on Wall Street made an irregular showing this week. Markets opened firm, but no great buying enthusiasm developed. Gains were cautious under the leadership of steel, copper and motor issues. Later in the week prices turned dull, though some fractional rises were reported in mid-week, said to be inspired by belief that Mr

Willkie's campaign was making progress. The best prices of the day were not generally held, but copper shares were consistently firm.

New York Prices

Total share dealings:—Oct. 9, 450,000; Oct. 10, 380,000; Oct. 11, 400,000; Oct. 12, 400,000; Oct. 14, 400,000; Oct. 15, 550,000; Oct. 16, 660,000.

	Close			Close	
	Oct. 9,	Oct. 15,		Oct. 9,	Oct. 15,
1. Railroads	1940	1940	1940	1940	1940
Balt. & Ohio...	4	4½	Celanese of A.	29	29
Gr. Nchn. Pf.	26½	27½	Chrysler	78	80¼
Illinois Cent.	8	8½	Curt. Wr. "A"	26½	26½
N.Y. Cent.	14½	14½	Eastman Kd.	131½	131½
Northern Pac.	6¼	6½	Gen. Elec.	33½	34½
Pennsyl. Rl.	22½	22½	Gen. Motors	48½	49½
Southern	12½	13	Inland Steel	84½	86
2. Utilities, etc.			Int. Harv.	47	47
Amer. Tel.	162½	160½	Int. Nickel	26½	27
Amer. Wks.	8¼	9	Liggett Myers	99½	99
Pac. Light	39	39½	Nat. Dairy	13½	13
Pub. Sv. N.Y.	33½	33½	Nat. Distillers	21¼	20½
Schn. Cal. Ed.	26½	27½	Nat. Steel	65	65
United Gas	11½	11½	Proct. Gamble	63	62½
3. Commercial and Industrial			Sears Roebck	79½	78½
Amer. Metal.	15½	16¼	Shell Union	8½	8½
Am. Roll. Ml.	11½	12	Socony Vac.	7½	7½
Am. Smelting	39½	41½	Stan. Oil N.J.	32½	32
Anaconda	22½	23¼	20th Cen. Fox	5¼	5¼
Briggs	20½	21½	U.S. Steel	57½	60½
			West'he Elm.	103½	106½
			Woolworth	33½	33
			Yngstn. Sheet	33¼	35¼

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940		Sept. 25, 1940	Oct. 2, 1940	Oct. 9, 1940
	Low	High			
347 Industrials	80.9	111.4	95.5	95.7	92.8
32 Rails	20.7a	30.7	27.3	27.9	26.8
40 Utilities	71.2a	89.4	81.0	80.3	79.4
419 Stocks	69.9	94.8	82.2	82.3	80.0
Av. yield*	6.61% High	4.30% Low	5.86%	5.82%	6.04%

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

Oct. 3	Oct. 4	Oct. 5	Oct. 7	Oct. 8	Oct. 9
100.50	100.39	100.40	100.35	100.15	100.9
1940 High, 123.7 Jan. 3. Low, 86.7 June 10.					

Capital Issues

Week ending October 19, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	3,114,241	Nil	3,114,241
Nat. Savings Certs.	2,335,500	Nil	2,335,500
3% Defence Bonds	14,610,000	Nil	14,610,000
2½% Nat. War Bonds	14,610,000	Nil	14,610,000

† Week to October 8th, 1940. ‡ Week to October 15th, making total since June 25th £249,855,300.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	1,180,039,036	827,083,903
1939 (New Basis)	1,07,683,674	85,157,732
1940 (Old Basis)	1,165,593,532	813,038,391
1939 (Old Basis)	71,023,052	49,592,973

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis)	826,099,231	984,672	Nil
1939 (New Basis)	57,633,052	25,278,948	2,245,732
1940 (Old Basis)	812,895,935	142,456	Nil
1939 (Old Basis)	33,432,882	15,840,091	320,000

Nature of Borrowing (Conv. Excl.)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis)	811,403,588	1,513,755	14,166,560
1939 (New Basis)	44,162,640	8,189,172	32,824,920
1940 (Old Basis)	811,696,759	132,500	1,209,132
1939 (Old Basis)	36,806,921	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

This Week's Company Results.—**HILTON MAIN COLLIERIES** has maintained the 10 per cent. dividend despite a fall in gross earnings from £45,691 to £35,974 and in net profits from £31,559 to £11,158. The company has made a provision of £10,445 for additional taxation. **KAYSER, ELLISON** has also maintained the previous year's dividend at 17½ per cent. though both gross and net income are higher at £111,767 against £98,686 and at £71,767 against £70,176. **PARSONS MARINE STEAM TURBINE** continued the steady rise in net profits with an increase from £71,383 to £78,211 and the 10 per cent. dividend is repeated. Despite only a moderate advance in gross and net earnings from £15,323 to £17,818 and from £13,218 to £16,633, respectively, the directors of **AIRE WOOL** are sufficiently satisfied with present prospects to raise the ordinary dividend from 9 to 20 per cent. **LEETHEMS (TWILFIT)** net earnings show a satisfactory rise from £33,196 to £38,834 and the 9 per cent. dividend is maintained. Despite a lower income from investments, **CABLES INVESTMENT TRUST** earned a higher gross income and a rise in net profits from £219,259 to £228,222, thanks largely to a refund of income tax. The 5 per cent. dividend is repeated. With a rise in net earnings from £42,391 to £48,812, **BRITISH PISTON RING** has raised the dividend from 17½ to 20 per cent. Disappointing results and a rise in tax provision from £70,000 to £103,500 are responsible for a fall in **SIR LINDSAY PARKINSON** net profits from £127,385 to £56,223 and a reduction in ordinary dividend from 18½ to 13½ per cent. **GEORGE WARD (BARWELL)** has realised an increase in gross income from £31,877 to £58,834 and in net earnings from £17,939 to £29,401. The 15 per cent. dividend is paid as before. A substantial recovery for **NEW ZEALAND AND AUSTRALIAN LAND** with a net profit of £77,313 against a net loss of £581 permits the payment of a 2 per cent. dividend against nil.

MISCELLANEOUS

Associated London Properties.—Income from rents year to June 24, 1940, after deducting ground rents, etc., £166,043 (£170,354). Net revenue, £39,373 (£58,601). Debenture and mortgage interest, £123,060 (£106,162). To taxation reserve, £25,000 (£15,000). No ordinary dividend, against 4 per cent. Carry-forward, £19,910 (£16,306).

Eastwoods Lewes Cement.—Net profit year to June 30, 1940, £9,385 (£12,342) after transfer of £5,000 to depreciation as before. To taxation reserve, £4,500 (£2,500). Ordinary dividend raised from 4 to 5 per cent. Carry-forward, £7,201 (£7,690).

New Zealand and Australian Land.—Profit on working year to March 31, 1940, £243,920 (£42,566). Net profit, £77,313 (loss £247). To contingency fund, £30,000 against £30,000 taken from contingency fund. Ordinary dividend 2 per cent. against nil. Forward, £12,284 (£11,471).

Cables Investment Trust.—Net revenue, after debenture interest, year to June 30, 1940, £228,222 (£219,259). Ordinary dividend 5 per cent. as before. Carry-forward, £135,955 (£97,733).

Keystone Knitting Mills.—Gross profit, year to June 30th, £89,587 (£45,203). War risks insurance and A.R.P., £54,672 (£34,011). Depreciation, £15,610 (£5,633). E.P.T., £10,000 (nil). Net profit, £9,304 (£5,560). £8,000 to write off advertising expenditure. Carry-forward, £2,666 (£1,362).

Herbert Morris, Ltd.—Profit for year to July 31, 1940, £153,750 (£193,951). Reserve, £10,000 (£20,000). Carry-forward, £82,476 (£81,761). Total dividend, 25 per cent., tax free (comparable figure for 1939, 28½ per cent., tax free).

(Continued on page 498)

Industry and Trade

More Unemployment

The intensification of air raids at the beginning of September has inevitably caused some slowing down in industrial activity, not so much through actual destruction as through delays. There is, therefore, all the more reason why no effort should be spared to expand the basis of our munition industries by recruiting for them the plant and labour that is still either engaged on unessential work or unemployed. While the monthly unemployment returns no longer provide more than a rough measure of changes in employment, especially as the publication of figures for individual industries has been suspended, the fact that the total number of persons on the registers of the employment exchanges in Great Britain rose by 31,000 between August 12th and September 16th is, nevertheless, somewhat discouraging. True, as the table on page 501 shows, the increase in unemployment was confined to persons stopped temporarily, for the number of wholly unemployed remained virtually unchanged. But, at this stage, we cannot afford the luxury of unemployment. We need every available pair of hands and every brain in the munitions and other essential industries; the encouragement of unemployed persons to report for work in the clearing of debris resulting from air raids is a step in the right direction. But much more remains to be done.

* * *

Training Industrial Workers

The problem of training workers, not only for skilled occupations but also for semi-skilled and even simple repetition work, is of vital importance. As new factories for war production are built or converted from other uses, the difficulty of manning them increases; but there is a flow of labour power from industries catering for civilian consumption, a flow which would be much more rapid if we all took our individual responsibilities as seriously as we ought. Air-raid damage must be accelerating this flow to some extent, and it is essential, in the interests alike of national production and of the individuals thrown out of work, that these workers should be absorbed as quickly and as effectively as possible into work of strategic importance. The National Institute of Industrial Psychology has published a pamphlet* of a commendably simple and practical character, containing suggestions on how this can best be done. The pamphlet lays stress on the vital importance of discarding old ideas of the time required to train workers, and quotes instances to illustrate the possibility of reducing it from weeks to days without any loss to the quality of the work. It is pointed out that any effective training must fall into two parts: first, a background

* "Training Industrial Workers." National Institute of Industrial Psychology, Aldwych House, W.C.2. 3d.

of knowledge about the job, its processes, materials and technical terms; second, training in the actual movements involved. The first, which in skilled work such as weaving covers a considerable amount of ground, is best given away from the shop, by a person who is temperamentally suited for teaching, and according to a systematic plan. Leaving the novice to learn by trial and error is slow, wasteful and discouraging; moreover, it is unlikely to result in his ever evolving the best possible methods. The traditional method of letting him learn by watching an experienced worker has several drawbacks: the teacher, if not actually jealous of imparting his knowledge, is at any rate more concerned with his own production than with teaching, for which, in addition, he may be unsuited. He is not likely to cover the whole ground and his methods may not be the best. If a systematic course of instruction be planned, the novice can be taught more about the job in a few days than he would pick up from years of such watching. Training in correct movement is at present rarely given at all. The learner either invents his own or copies them from an old hand. It is a well-established fact that people who work out their own movements commonly violate the most elementary labour-saving principles, and learning by copying is little better, since, even if the model practises correct movements himself, he is often unaware of his own processes and unconsciously changes them when he tries to demonstrate them at a slower speed. A simple "job analysis" will provide the basis for the drawing up of a standard procedure directed towards securing the maximum economy of effort, and when the worker has learned to perform this naturally and easily, speed will follow of itself.

*

It should be realised that this suggested method of training has little in common with the complicated systems of "scientific management" which the idea of time and motion study at once brings to mind. Though the basic principle is the same—that the best way of doing anything is in the end the easiest—it is here applied in a simple form that should not be beyond the reach of any firm, and the instances quoted seem to guarantee quick results. One example given is that of a department of a munitions firm which, owing to the difficulty of obtaining and keeping experienced solderers, only produced 1,000 good shell-cases a week, with several thousand rejects. After the introduction of a systematic training scheme and certain other changes, some of them proposed by the Institute of Industrial Psychology, the number of rejects began to decline, and after a few months the output of good cases reached 20,000 weekly. All those concerned are satisfied that the training scheme played a large part in the increase in output, and there seems to be no doubt that the national effort would be immensely helped by the widespread following of this example.

SHORTER COMMENTS

(Continued from page 497)

Transvaal Gold Output, September.—(Fine ounces) Witwatersrand, 1,136,354; other districts, 29,798; total, 1,166,152. August total, 1,199,699. Native labour employment at September 30th: Gold mines, 356,208; coal mines, 18,403; total, 374,611.

Electrolytic Zinc of Australasia.—Net profit, year ended June 30, £448,782 (£405,756), after depreciation and amortisation, £100,000 (£145,000) and taxation, £163,396 (£125,417). Total dividend on preference and ordinary capital, 14 per cent. (15 per cent.).

William Doxford and Sons.—Profit, year to June 30, 1940, £232,899 (£247,381). Taxation, £100,000 (£85,000). General reserve, £50,000 (£100,000). Ordinary dividend, 12½ per cent., as before. Carry-forward, £31,072 (£25,673).

Blakey's Boot Protectors.—Trading profit, after E.P.T., year ended June 30, £40,141 (£37,660). Income tax, £19,424 (£12,975). Net profit, £17,109 (£20,750). Ordinary dividend, 15 per cent., as before. Carry-forward, £24,901 (£19,212).

Lines Bros.—Net trading profit, year to June 30, £115,990 (£81,166). Taxation, £40,607 (£9,396). Net profit, £84,437 (£79,989). General reserve, £15,000 (£5,000). Carry-forward, £18,537 (£24,089). Ordinary dividend maintained at 30 per cent.

Odhams (Watford).—Total revenue, year ending March 31, £115,173 (£94,730). Net profit, £47,655 (£44,420). Preference dividend, £21,450, written off licences and patents, £6,300; balance of £19,905 as part repayment to Odhams Press in respect of past preference dividends.

Foister, Clay and Ward.—Total profit, year to June 30, 1940, £103,460 (£6,336). Taxation, £60,000 (nil). Depreciation, £15,350 (£10,360). Net profit, £26,860 (net loss, £5,424). Carry-forward, £27,634, including £9,190 reserves no longer required (debit, £8,416).

Odhams' Properties.—Total income, year to March 31, £152,712 (£170,129). Net profit, £78,762 (£92,263). Total dividend for year maintained at 12 per cent., leaving carry-forward £889.

Clifford Motor Components.—Profit (after income tax) for year to May 31, £180,846 (£90,806). E.P.T. £160,000;

net profit, £19,846 (£90,806). Reserve, nil (£45,000). Carry-forward, £21,391 (£22,051). Dividend, 20 per cent. (20 per cent. and bonus 10 per cent.).

Ocean Coal and Wilsons.—Net profit 15 months to March 31, 1940, before debenture interest, £331,423 against £158,388 for previous year. Debenture interest, £13,569 (£10,855). Preference dividend, £106,100. Ordinary dividend, 5 per cent., against 1½ per cent. for 1938. Carry-forward, £218,803 (£214,429). Consolidated balance sheet shows fixed assets £5,281,784 (£5,323,338). Floating assets, £3,098,169 (£2,685,577). Bank overdrafts, £181,440 (£399,602). Creditors, £908,433 (£683,753). Provisions for taxes, insurance, pensions, etc., £725,419 (£427,628).

Leyland and Birmingham Rubber.—Profit for year to June 30, 1940, was £19,128 higher at £142,777, after providing for taxes. Net profit, £118,734, an increase of £19,601. Distribution on ordinary again 12½ per cent. £10,000 (£7,500) to reserve. In addition, £10,000 is put to a special reserve for foreign debts. £10,000 is again written off goodwill, reducing that item to £70,000. Carry-forward, £7,734 higher at £39,349.

The Economic Mission to South America

The mission which will shortly leave for South America, under the leadership of the Marquess of Willingdon, has three main purposes: the important political task of improving our standing in the Latin-American countries and of countering German and Italian propaganda there; the immediate economic object of furthering our exports to those countries; and the more forward-looking economic purpose of laying the basis for a thriving trade with these countries after the war. The second of these tasks before the mission is the foundation of the others. Our blockade of Europe has destroyed so much of South America's overseas trade that these countries are bound to feel a sense of grievance which will render them fertile ground for anti-British propaganda unless we take active steps to provide a substitute. Blockaded Europe used to take from Argentina, Brazil and Uruguay some 40 per cent. of their exports and provided a large part of their imports. The most urgent task of the Mission is to make clear to South America our reasons for the blockade and to discuss possibilities of replacing the lost trade. There are, however, two difficulties which are bound to limit the extent to which the Latin-American republics can increase their trade with us. The amount of shipping available imposes a limit to the trade in each direction, and the amount of the sterling balances of each republic limits the extent to which she can import from us. Argentina has large sterling balances, but many of the South American countries owe us large annual sums on account of debt service and of commercial remittances of various kinds. Clearly, there would be no point in suspending these payments in order to enable the debtors to buy from us. The solution should lie in increasing our purchases from them, but this is not as simple as it sounds, since their exports are not in every case the things we want. It is precisely in finding a way out of difficulties of this kind that the Mission should be of the greatest value. Taking the field as a whole it should be possible to increase our exports quite considerably. The Willingdon Mission will not in itself, however, negotiate commercial agreements. Its purpose is to advise and recommend. It is hoped that its work will prove complementary to that of the United Kingdom Commercial Corporation's delegation which is at present in Argentina. The results of the Mission depend to some extent upon what the United States feels able to do in the matter of South American surpluses. Though it is hoped that we can help the Latin-American republics in this matter, we have a big surplus problem of our own in the British Empire, and we have neither the means nor the shipping to buy as much of the American surpluses as we could wish. It has been suggested that the United States might help by granting credits to the Latin-American countries without attaching any stipulation that they should be spent in the United States; but whether she goes to that length or not, it seems fairly certain that she intends to take some steps in the matter. Although the work of this Mission is of immediate wartime importance, it should, if it is at all successful, lay the foundation of a permanent improvement in trade.

* * *

The Scrap Survey

On July 27th Mr Herbert Morrison, then Minister of Supply, stated that a comprehensive survey was to be made of all heavy scrap in the form of railings, derelict factories, pitheads and other obsolete structures. Such a survey is vital to the maintenance of an uninterrupted flow of raw materials to the steel furnaces. It appears that there has been considerable delay between Mr Morrison's announcement and the inception of the survey. The machinery, however, is reported to have been set up at last; the survey is to be made by the Steel Control in co-operation with the surveyors of the local government authorities. This method has been chosen on the ground that the surveyors, engineers and sanitary inspectors of the county, borough, urban and rural district councils possess records of all the structures in their areas and know which of them are derelict, idle or in use. The information secured from these officials is to be classified by the Steel Control. It is to be hoped that no further time will be lost in collecting the required data and that the machinery for the speedy acquisition of unused and derelict structures will be simplified in order to prevent delay.

* * *

Inland Coal Distribution

Although by no means convinced of its need, coal merchants throughout the country are now engaged in the

creation of the organisation necessary for the carrying out of the Mines Department's House Coal Distribution (Emergency) Scheme. The original plans of the Department have been considerably modified to meet the objections of the colliery owners, who held the view that the machinery introduced through the coal-marketing schemes was adequate for dealing with any problem of distribution. In its present form the scheme concerns solely the movement of household fuel from distributor to consumer. Supplies of house coal, vehicles, manual labour, and of all the equipment and gear necessary for loading and dispatch are to be pooled locally. The depot is to be the administrative unit, and the number of deposits in the various districts will vary according to the area to be served. Merchants using the same depot are to appoint one of their number as depot manager, or, alternatively, a committee of two; and the distributors in the district are also to appoint one of their number as district house coal officer. The depot managers are to have complete control of the local pooling scheme, and for this purpose the merchants must first sort their orders into zones and then pass them on to these officials, who will be responsible for the deliveries. Merchants contributing to the pool will be paid a fixed and agreed price having regard to quality, but the selling price of all house coal to the public is to be fixed irrespective of quality. In the official outline of the arrangements to be adopted it is stated that the proposal to enforce a uniform price irrespective of quality "is essential in order to make the scheme workable." Both the district officers and the depot managers are to be part-time officers; originally they were expected to give their services in an honorary capacity, but a grant to depot managers of some remuneration is now contemplated in addition to the commission they will receive in their capacity as merchants. A transport controller is to allocate vehicles to the various zones according to requirements. The Mines Department is to appoint its own representatives as divisional house coal officers to investigate and co-ordinate the needs of the trade, and the whole scheme is to be under the direction of Mr H. W. Cole, C.B., C.B.E., as Director-General, assisted at the London headquarters of the organisation by Mr J. W. Stewart (Secretary of the Chamber of Coal Traders) and Mr R. A. Howson of the Co-operative Union. The scheme is almost universally unpopular, but it will only be operated during a state of emergency.

* * *

Cotton Prices and Rationing

During the past fortnight cotton spinners and manufacturers have had to adapt themselves to the new regulations relating to raw cotton prices and supplies. The Cotton Controller, on behalf of the Ministry of Supply, has fixed maximum prices in the Liverpool market, and trading in

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features has been restricted to one month in the various contracts. Minimum prices were fixed by the Liverpool Cotton Association some time ago, and at the present time the maximum and minimum rates per lb. are as follows:—American, March delivery, 7.54d. and 6.69d.; Giza 7, January delivery, 11.44d. and 9.34d.; Upper descriptions, January delivery, 11.03d. and 8.97d. Present arrangements are temporary, and the directors of the Liverpool Association are about to put into operation new contracts for American and Egyptian futures transactions. The new contracts will provide for the tendering of cotton from outside towns and districts. The Manchester Cotton Association has for a number of years agitated for an agreement of this kind, and spinners will appreciate the change. For the purpose of regulating prices in Liverpool with those on the world market, official quotations will be based on prices in the United States for American cotton, with an allowance for transport and delivery expenses from ports in America to the Liverpool warehouse, plus an additional 10 per cent.

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The Controller has established a rationing system for raw cotton. There is no restriction on sales or purchases, but only on its use. The object is to ensure that certain varieties of cotton are conserved for essential purposes. No licence is required for the use of British Empire, Egyptian, Sudan and French African cotton. A definite control, however, has been instituted over the consumption of North and South American cotton. The object of the Ministry of Supply is to reduce the use of cotton from non-sterling countries and to expand the consumption of Empire material. The Controller has pointed out that about 150,000 bales of various growths will be offered for sale to merchants during the next few weeks. This cotton represents cargoes which have been diverted from destinations in enemy occupied territories. On more than one occasion the Controller has drawn attention to the satisfactory position of stocks in this country, and to the lack of justification for any further increase in price; consequently, prices in the Liverpool market have tended to fall. The intake of cotton from America, however, has been substantially reduced; thus during the four months ended September the exports from the United States to Britain were only 185,000 bales, while deliveries to Lancashire spinners were 514,318 bales. Owing to the restriction upon the use of American cotton, spinners now find it necessary to change their mixtures; as a result, certain qualities of yarn will not be available in the near future, but it should not be too difficult to provide satisfactory substitutes.

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Agricultural Unemployment

As it is workers classed as "wholly unemployed" that constitute the labour reserve in an industry, an investigation was conducted in July to discover the suitability of unemployed persons in agricultural occupations. Persons who had been unemployed for a month or longer were examined by a panel consisting of a representative of employers, one of the workers and one nominated by an Agricultural Executive Committee as chairman. The National Farmers' Union, the Transport and General Workers' Union, and the National Union of Agricultural Workers co-operated in setting up the examining panels. It seems that, at least during the summer, the agricultural register is composed mainly of short-period unemployed, for from a total of between six and seven thousand only 1,018 were examined as being wholly unemployed. The reserve of agricultural labour is therefore small, but the reserve of skilled labour is even smaller; only 248, or 24.4 per cent., were classed as "suitable for skilled employment" and 326, or 32.0 per cent., as "suitable for unskilled employment," and many of these would be unable to give full output at first. There were thus 444, or 43.6 per cent., who were completely unsuitable for employment in agriculture. Of the persons who were classified as skilled farm labourers, only about half were in fact found to be capable of such work, many others having lost their skill through such causes as old age or illness. Among what can be described as the true reserve of labour, the chief cause for unemployment was a local surplus of labour, the workers often being unwilling to leave their homes to go where they were needed. The proportions of skilled, unskilled and unsuitable workers among applicants who offered agriculture as an alternative occupation were about the same as in the main category. Thus it is apparent how necessary it is to attract more people to agriculture and to provide means of training them.

Limitation of Silk Supplies

The control of silk supplies has been tightened by the Control of Silk (No. 5) Order and by the Limitation of Supplies (Woven Textiles) (No. 2) Order. By the first Order, which came into operation on October 17th, the Minister of Supply has extended the prohibition, save under licence, of dealings in and the use of certain varieties of raw silk to all grades of raw silk in the United Kingdom. Raw silk can no longer be used for unessential purposes by civil consumers, though this prohibition does not cover existing stocks of yarn. Even for Government and export purposes licences will be required after October 26th. The second Order is designed to ensure that a substantial part of existing stocks of yarn and made-up goods are exported; thus the quantity of woven silk piece-goods and of made-up goods that can be sold to retailers during the period from October 16th to March 31, 1941, is to be limited to 25 per cent. of that supplied during the six months ended March 31, 1940. As silk is a luxury in most of its uses the limitation of civil consumption will not cause any hardship; in fact, it should have been possible to make the cut even more drastic.

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Synthetic Oil for China

In view of the increasing difficulties experienced by the Chinese National Government in obtaining petroleum products from abroad, interest attaches to the news that experiments are being made in Chungking with the conversion of such indigenous products as rape seed and tung oil into much-needed liquid fuels and lubricants. According to reports in the Hongkong Press, synthetic diesel oil, manufactured from these materials, has been used in local omnibuses since the summer; production is at the rate of 300,000 gallons (say, 1,200 tons) a year. Despite the difficulty of obtaining the necessary machinery, work is proceeding in Chungking on the construction of a plant capable of turning out 150,000 gallons of petrol, 12,000 gallons of lubricating oils and 50,000 lb. of lubricating greases a year. The unit is an experimental one, and when the necessary experience has been gained larger-scale operations will be undertaken. Since China has no mineral oil production of her own, even a small output of synthetic oils would be of undoubted value to her in the struggle against Japan.

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European Beet-Sugar Prospects

There has been a considerable extension of the area devoted to sugar beet in Europe this year. While the main motive was insurance against the cessation of supplies from overseas, this increase was also encouraged by the fact that both the leaves of the beet and the residual pulp are useful cattle foods. Germany had already begun to expand her beet acreage in 1939, and this year she is believed to have some two million acres under beet, compared with an average of 1,110,570 acres during 1934-38. The Protectorate programme covers 401,000 acres, compared with 362,766 in 1934-38. The Belgian beet acreage is stated to be 133,500, slightly less than in 1939, but well above the quinquennial average of 117,364 acres. In the Netherlands there has been an increase of 14 per cent. over 1939 and 23 per cent. over the average. In Italy the increase over the average amounts to 59 per cent.; in Roumania to 55 per cent.; in Lithuania and Latvia to 83 and 31 per cent. respectively; and in Yugoslavia to 153 per cent. The British acreage is very slightly below average, but that of Eire 17 per cent. above. The area sown in the British Isles and continental Europe is over five million acres, compared with a 1934-38 average of four millions. Russia, on the other hand, has sown slightly less, and her inclusion in the figures would bring the increase down from 25 per cent. over the 1934-38 average to 14 per cent. The bulk of the crop has already been lifted, so that unless military operations lead to the destruction of the stored roots there should be a very substantial increase in the European sugar output this year.

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Trade between United States and Canada

The volume of Canada's export trade is surpassed only by that of Great Britain, the United States and Germany—countries having many times her population. The British Empire countries and the United States take over four-fifths of her exports, while nearly nine-tenths of the Dominion's imports come from the same sources. The

trade between Canada and the United States of America is shown below:—

CANADIAN TRADE WITH THE UNITED STATES

	Exports	Imports
\$ Millions		
1914	163	396
1929	504	868
1937	435	394
1938	423	487
1939	380	498

Canada's principal exports to her southern neighbour are wood, wood products and newsprint, gold, platinum, silver and nickel, asbestos and mica. She also "exported" as much as 1,851,412 million kw.h. of electrical energy to the United States in 1937. She buys from the United States a wide range of commodities indispensable for her peacetime and war industries: iron ore, coal, iron and steel products, machinery, including machine tools, and petroleum products. The domestic steel industry relies almost wholly on imported iron ore and steel scrap and partly on foreign coal. That centred in Nova Scotia draws its ore from the easily accessible supplies of high-grade Wabana deposits of Newfoundland. The iron and steel industry of the Ontario region is based on cheap and rich ore from the Mesabi range of Minnesota and coal from nearby Pennsylvania. Until recently no iron ore had been mined in Canada since 1923, and the

mines now being exploited are likely to satisfy, at best, a small proportion of the ore requirements of the domestic industry. Much of the Dominion's re-armament programme is based on imports of machinery and machine tools from the United States:—

CANADIAN IMPORTS FROM THE UNITED STATES

	1913	1915	1917	1918	1938
Tons					
Iron ore	1,221,364	407,026	1,024,895	1,256,383	491,185
Iron and steel scrap ..	75,467	8,895	23,321	1,111	92,217
Pig iron	222,184	38,550	137,071	118,287	4,759
Ingots, blooms & billets	78,543	16,452	186,272	147,332	9,769
\$'000	2,326	\$'000	\$'000	\$'000	\$'000
Metal-working machinery	2,326	1,813	7,780	4,814	4,900

Note.—Data for 1913 to 1917 based on fiscal years and for 1918 and 1938 on calendar years, after the United States Department of Commerce.

Since the conclusion of a reciprocal trade treaty between Canada and the United States early in 1939, the entry of the Dominion into war and finally the sealing of a definite alliance between the two neighbours for the protection of the North American Continent, the commercial and military contacts between the contracting parties have become closer than ever before. Exports of capital goods from the United States have done a lot to make Canada the arsenal of the Empire.

COMMODITY AND INDUSTRY NEWS

THIS week the limitation of sales of textiles has been extended to all kinds of silk; this development is discussed in a Note on page 500. Two joint controllers of non-ferrous metals have been appointed in succession to Captain Oliver Lyttelton: Mr J. C. Budd will give particular attention to copper and lead, while Mr William Mure will deal with zinc and brass. The Ministry of Supply has also appointed this week a Director of Home Timber Production.

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Cotton.—There has been a good demand for spot cotton throughout the week, in which most grades have shared. The price of middling American declined until Monday, but has since advanced. African and East Indian growths have been the most active. Egyptian futures have improved as there has been some local buying, and sellers offered only small quantities for sale. Manchester has reported that there is more interest in manufactured cotton. Cotton consumption in the United States was slightly lower in September than in August; it was 639,000 bales, compared with 655,000 and 625,000 bales in September, 1939. The question of cotton prices and rationing is discussed in a Note on page 499.

RAW COTTON delivered to Spinnings

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Oct. 4, 1940	Oct. 11, 1940	Oct. 13, 1939	Oct. 11, 1940
American	30.0	22.9	201	258
Brazilian	8.5	6.6	97	72
Peruvian, etc.	3.5	3.2	46	36
Egyptian	3.4	3.7	57	44
Sudan Sakel	0.4	0.5	44	7
East Indian	7.4	8.0	61	53
Other countries	5.0	8.7	37	43
Total	58.2	54.5	546	513

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—Metal prices are all unchanged on the week, and there have been no developments of importance. The spot price of lead has advanced in New York, but copper has remained unchanged, although there has been an active enquiry for the metal both for home and export markets.

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Tin.—Tin prices advanced steadily last week, and on Friday the spot quotation reached £259 10s. to £260 per ton, but since then it has declined again. It now

appears that the advance was due to Government buying in order to begin the accumulation of a strategic reserve. Since it was announced that export licences would be granted more freely it has been generally felt that some such method of safeguarding our stocks was necessary. The fall in price since Friday is due to the cessation of official buying, for which £260 per ton was apparently the upper limit. Licences to import tin metal and alloys containing more than 50 per cent. tin are in future to be granted on the advice of the Non-Ferrous Metals Control; there is an open general licence for imports of tin in blocks, slabs, ingots or bars.

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Grains.—The wheat market has been quiet during the week and prices have shown little alteration. The bearish influence of the estimate of the United States spring wheat crop was counterbalanced by fears of an extension of hostilities. It is expected that there will be further direct business between Great Britain and the Argentine. There has been little demand for maize, and prices are much lower. The low price does not stimulate purchases by the United Kingdom, for imports of feeding stuffs are restricted by the Government. Argentina will be left with a large carry-over at the end of the season. It is hoped, however, that the uneconomic price now being received will result in smaller acreages being planted next season.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Oct. 5, 1940	Oct. 12, 1940	Oct. 14, 1939	Oct. 12, 1940
N. America	337	346	5,238	3,571
Argentina, Uruguay ..	132	281	4,303	2,563
Australia	...	...	612†	...
Russia	...	...	114	...
Danube and district ..	...	...	1,273	182
Other countries	...	...	268	...
Total	469	627	11,808	6,316

* Unobtainable. † Incomplete. Source: The Corn Trade News

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Oils and Oilseeds.—Shipments of linseed from River Plate ports last week

at 20,000 tons were heavier than for several weeks; 1,000 tons of this was destined for Europe. Prices were a little firmer, and new Plate crop is quoted at 5s. premium on the old crop. The Ministry of Food has announced its willingness to pay £17 per ton for linseed grown in the United Kingdom and delivered to crushers' mills; the grower has the option of buying 10 cwt. of linseed cake at the scheduled price for each ton of seed delivered.

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WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Oct. 5, 1940	Oct. 12, 1940	Oct. 14, 1939	Oct. 12, 1940
Argentina	87	86	10,544	5,359
Atlantic America	72	179	706	1,678
Danube Region	...	...	1,091	678
S. & E. Africa	...	...	2,350	1,081
Indo-China, etc.	...	...	931	91
Total	159	265	15,622	8,887

† Incomplete since August 24th. Source: The Corn Trade News.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture)		Percentage of insured persons (aged 16-64) unem- ployed (incl. agriculture)	
	Total			
	Number	Index, adjusted for seasonal variations		
	'000	1935 = 100	'000	%
1939				
Sept. 11	1,330	65.9	1,052	8.6
Oct. 16	1,431	70.8	1,222	9.1
Nov. 13	1,403	69.1	1,213	9.0
Dec. 11	1,362	68.4	1,171	8.7
1940				
Jan. 15	1,519	68.8	1,220	8.9
Feb. 12	1,504	69.4	1,141	10.0
Mar. 11	1,121	54.7	866	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	5.2
Aug. 12	799	39.7	613	5.0
Sept. 16	830	41.2	614	

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 person attending training centres; their inclusion raises the total in July to 835,000.

Source: Ministry of Labour.

COMPANY MEETINGS

THE UNITED STEEL COMPANIES,
LIMITED

WORKPEOPLE'S WAR CONTRIBUTION

SIR WALTER B. JONES'S ADDRESS

The annual general meeting of the United Steel Companies, Limited, was held, on the 16th instant, at the Iron and Steel Institute, 4 Grosvenor Gardens, London.

Sir Walter Benton Jones, Bt. (chairman of the company), presided.

The notice convening the meeting and the auditors' report having been read by the Secretary (Mr R. Gresham Cooke).

The Chairman said: When the report and accounts were sent to you I enclosed a letter in which I said I should not take up your time at this meeting in delivering an address which would subsequently be circulated to all the stockholders.

The report and accounts are, I think, self-explanatory. I do not propose, therefore, to make any comment on them. I should, however, make one or two remarks.

TRIBUTE TO EMPLOYEES AND STAFF

First I want to pay tribute to our employees, workmen and staff. Our workmen number 32,000. We believe they have the interest of the company at heart and that they are as good a set of workmen as can be found. They know well that in the conduct of this war it is the duty of all to produce as much as lies within their power. They have not spared themselves, and we can be certain they will continue to do their utmost in the common task.

The same remarks apply to our staff, but in addition they have to carry the responsibility of administration and management. For many this responsibility means long hours of concentration, and in these days leaves them little relaxation. The success of an undertaking depends more than anything else upon the efficiency and loyalty of its staff. We gladly acknowledge our indebtedness to them and we thank them especially for the work they are doing in these times.

It may interest you to know that all employees from the directors downwards contribute to a fund to assist their fellows who have joined H.M. Forces by giving 2d. in the £ of their remuneration, and to this the company adds a substantial amount.

NATIONAL SAVINGS CAMPAIGN

I trust employees will not think it out of place if I refer to the campaign so energetically pursued by Sir Robert Kindersley to promote national savings. The total paid in wages and salaries by the company during the last financial year has increased from £5,457,000 to £6,777,000—that is, by £1,320,000. This increase arises to a large extent from greater productivity, but it is also in some measure due to higher rates of pay. It is to be hoped that employees will be able to invest some proportion of this increase in national savings. In furtherance of this campaign savings groups have been set up at each of its works, and through these groups employees are enabled to purchase National Savings Certificates.

Secondly, we cannot help but regard with apprehension the very large amount which has to be provided for income tax.

The profit available is £2,256,078. This is disposed of in the following way:—

Provision for income tax	£1,493,000, or 66 %	Approx.
Contributions to the staff and workmen for pension and life assurance	£130,000, or 5½ %	
Reserve for obsolescence	£125,000, or 5½ %	
Reserve for redemption of debenture stock	£45,495, or 2 %	
Dividend to shareholders	£461,994, or 20½ %	

These figures speak for themselves.

It is true, as I said at our meeting two years ago, that we should not complain of being taxed, and we do not complain, but it is more than ever true that excessive taxation irons away the savings which are the only source from which industrial undertakings can maintain a state of efficiency necessary to keep alive.

INDUSTRY'S AID TO THE STATE

Thirdly, there is a more general matter to which I think attention should be called. We frequently read of expressions of appre-

ciation of various sections of the community for the aid they are giving to the State in its present trial; the appreciation, we all agree, is fully deserved. But I have seen little reference to the part played by the black-coated section of industry, and still less to that played by the proprietors of industrial undertakings. And yet without these supporting limbs the body of industry could not stand, let alone move at high speed. The proprietors who have maintained their works in good order, who push them to high speeds and lend them to new enterprises, should not be overlooked, but that large body of men which provides all the knowledge, experience, skill and ingenuity that has made and maintains industry and is now adapting it to the nation's need should receive the acknowledgment it so richly deserves.

My last remark is also general. It refers to the necessity to continue work at full speed. I think it is surprising how we are adapting ourselves to war conditions, but we must accelerate this adaptation by every means in our power. It may be that the country in its desire to organise for a single purpose is now overcentralised and supervised; initiative may be too much restrained and we might perhaps proceed more quickly if some supervision were relaxed. However this may be, I feel sure that we shall continue to adapt ourselves and that we shall reach still higher speeds.

The Chairman having replied to questions, the report and accounts were unanimously adopted.

The payment of a final dividend at the rate of 5½ per cent., making, with the interim dividend of 2½ per cent., a total distribution for the year of 8 per cent., less tax, was approved.

The retiring directors, Sir Walter Benton Jones, Bt., Mr James Henderson and Mr A. Jollie, were re-elected.

The auditors, Messrs Peat Marwick Mitchell and Company, were reappointed.

E. W. TARRY AND COMPANY,
LIMITED

RECORD TURNOVER

The annual general meeting of E. W. Tarry and Company, Limited, was held, on the 11th instant, in London.

Sir J. Fortescue Flannery, Bt., D.L. (the chairman), said that business conditions in South Africa continued remarkably stable during the year. Their largest branch, at Simmonds Street, Johannesburg, had had a remarkably successful year, the turnover had greatly expanded, and the profits were greater than those of the previous year. Port Elizabeth had also had a satisfactory year, and Kimberley had maintained about the same level of profits.

The engineering works at Johannesburg had had a disappointing year; they had, however, been successful in securing a large order for trench mortars, and they had started the present financial year with plenty of work in hand.

Both their branches at Salisbury and Bulawayo had finished with successful results, and their Northern Rhodesian branch at Lusaka had made a record profit.

The financial year just completed had been a successful one, resulting in a record turnover. The net profit, however, had been greatly diminished by the heavy burden of increased taxation and excess profits duty. The gross profit was £151,196, an improvement of £22,431 on last year. That increase reflected a larger turnover and the percentage of gross profit earned had been well maintained.

The report was unanimously adopted and a dividend of 6 per cent. was declared on the ordinary shares.

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CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 12, 1940, total ordinary revenue was £15,027,000, against ordinary expenditure of £66,693,000 and issues to sinking funds of £292,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,263,114,000, against £354,354,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939 to Oct. 14, 1939	Apr. 1, 1940 to Oct. 12, 1940	Week ended Oct. 12, 1940	Week ended Oct. 12, 1939
ORDINARY REVENUE					
Income Tax...	510,500	58,010	111,018	584	4,263
Sur-tax...	83,000	9,310	12,160	180	270
Estate, etc.,					
Duties...	86,100	42,220	42,310	1,320	910
Stamps...	19,000	8,930	7,524	...	...
N.D.C.	70,000	12,990	11,597	350	317
B.P.T.			28,942	...	1,400
Other Inland Revenue ...	1,000	390	230	...	...
Total In. Rev.	769,600	131,850	213,785	2,434	7,160
Customs	309,350	143,111	157,586	5,021	5,043
Excise	213,550	64,140	87,600	1,880	1,700
Total Customs and Excise...	522,900	207,251	245,186	6,901	6,743
Motor Duties P.O. (Net Receipt) ...	35,000	8,511	10,341	...	379
Crown Lands Receipts from Sundry Loans	13,291	3,104	7,200	550	600
Mis. Receipts	1,150	650	550	...	...
Total Ordinary Revenue ...	1,360,191	363,791	490,576	10,327	15,027
SELF-BAL. Post Office and Broadcasting	86,222	41,946	43,150	950	900
Total	1,446,413	405,737	533,726	11,277	15,927

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939 to Oct. 14, 1939	Apr. 1, 1940 to Oct. 12, 1940	Week ended Oct. 12, 1940	Week ended Oct. 12, 1939
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	132,064	133,124	1,066	1,993
Payments to N. Ireland ...	9,400	3,961	4,016	...	...
Other Cons. Fund Serv.	7,600	3,684	3,442	218	...
Total	247,000	139,709	140,612	1,284	1,993
Supply Serv.	321,970	572,739	1,607,206	23,250	64,700
Total Ordinary Expenditure	568,970	712,448	1,747,818	24,534	66,693
SELF-BAL. Post Office and Broadcasting	86,222	41,946	43,150	950	900
Total	655,192	754,394	1,790,968	25,484	67,593

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £480,833 to £2,693,068, the other operations for the week (no longer shown separately) raised the gross National Debt by £51,743,000 to about £10,208 millions.

OTHER RECEIPTS (£ thousands)		OTHER ISSUES (NET) (£ thousands)	
Land Settlement	8	P.O. & Telegraphs ...	230
		Overseas Trade Guar-antee	24
			274

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to October 12, 1940, are:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	1,747,818	Ord. Revenue	490,576
Misc. Iss. (net)	5,774	Gross. borr.	1,269,186
Inc. in balances	298	Less—	
		Sinking fds.	5,872
		Net borrowing	1,263,314
	1,753,890		1,753,890

FLOATING DEBT

(£ millions)		(£ millions)	
Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks
1939			
Oct. 14	531.0	699.8	52.6
1940			
July 6	785.0	Not available	...
" 13	800.0	"	"
" 20	815.0	"	"
" 27	826.0	906.5	43.6
Aug. 3	831.0	Not available	...
" 10	836.0	"	"
" 17	836.0	"	"
" 24	836.0	"	"
" 31	836.0	1042.6	60.7
Sept. 7	836.0	Not available	...
" 14	836.0	"	"
" 21	836.0	"	"
" 30	836.0	1085.1	91.5
Oct. 5	836.0	Not available	...
" 12	836.0	"	"

TREASURY BILLS

(£ millions)		(£ millions)	
Date of Tender	Amount	Average Rate %	Per Cent. Allotted at Minimum Rate
1939			
Oct. 13	50.0	103.0	50.0
1940			
July 5	65.0	105.4	65.0
" 12	65.0	112.3	65.0
" 19	65.0	118.8	65.0
" 26	65.0	125.8	65.0
Aug. 2	65.0	122.1	61.0
" 9	65.0	122.5	60.0
" 16	65.0	116.5	65.0
" 23	65.0	109.7	65.0
" 30	65.0	134.9	65.0
Sept. 6	65.0	125.8	65.0
" 13	65.0	124.7	65.0
" 20	65.0	123.5	65.0
" 27	65.0	131.9	65.0
Oct. 4	65.0	122.5	65.0
" 11	65.0	127.0	65.0

On October 11th 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 October 18th. For the week ending October 19th 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)		(£ thousands)	
Week ended	N.S.C.	3% Bonds	2½% Bonds
Sept. 24	3,373	2,422	8,207
Oct. 1	2,879	2,140	10,942
" 8	3,114	2,336	7,808
" 15	...	...	14,610
Totals to date	159,601*	158,176*	249,855†
* 46 weeks.		† 17 weeks.	

Interest free loans received by the Treasury up to October 15th amounted to 9,441, of a total value of £20,167,592. From the beginning of the campaign up to September 30th, principal of Savings Certificates to the amount of £22,422,000 has been repaid.

BANK OF ENGLAND
RETURNS

OCTOBER 16, 1940

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In Circul. ...	597,721,350	Other Govt. Securities...	615,889,875
In Bnkg. Department ...	32,520,225	Other Secs. ...	3,083,484
		Silver Coin ...	11,541
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			630,241,575

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs. ...	138,997,838
Res.	3,109,282	Other Secs. ...	5,392,260
Public Depts. *	19,852,193	Discs., etc. ...	21,554,236
		Securities ..	26,946,496
Other Depts. :		Notes	32,520,225
Bankers ...	109,147,029	Gold & Silver Coin	436,145
Other Accts. ...	52,239,195		198,900,704
	161,386,224		198,900,704

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments		Amt. Oct. 16, 1940	Compared with Last Week	Last Year
COMBINED LIABILITIES				
Note circulation		597,721	+ 3,615	+ 67,405
Deposits: Public		19,852	+ 766	+ 7,842
Bankers		109,147	+ 6,152	+ 7,298
Others		52,239	+ 266	+ 13,704
Total outside liabilities..		778,959	+ 8,735	+ 81,653
Capital and res.		17,662	+ 19	+ 51
COMBINED ASSETS				
Govt. debt and securities†		765,903	+ 7,286	+ 81,591
Discounts and advances		5,392	+ 1,216	+ 2,168
Other securities		24,638	+ 85	+ 1,575
Silver coin in issue dept.		11	...	+ 251
Gold coin and bullion		678	+ 128	+ 331
Reserves				
Res. of notes and coin in banking department...		32,956	+ 3,486	+ 17,737
"Proportion" (reserve to outside liabilities in Bnkg. dept.)		18.1%	+ 2.3%	+ 12.2%

COMPARATIVE ANALYSIS*

(£ millions)

	1939		1940	
	Oct. 18	Sept. 25	Oct. 2	Oct. 16
Issue Dept. :				
Notes in circ.	530.3	604.8	605.3	601.3
Notes in bank- ing dept.	49.8	25.5	25.0	28.3
Govt. debt and securities†	576.8	626.1	627.1	626.9
Other secs. ...	3.0	2.8	2.9	3.0
Silver coin ...	0.3	0.0	0.0	0.0
Gold, valued at s. per f. oz. ...	0.2	0.2	0.2	0.2
Deposits :				
Public	12.0	13.5	21.3	19.1
Bankers	116.4	116.0	101.3	115.3
Others	38.5	51.8	53.4	52.0
Big. Dept. Secs. :				
Government	107.5	147.8	142.6	139.0
Discounts, etc. ...	3.2	3.5	2.8	6.6
Other	23.3	21.9	23.0	21.7
Total	124.0	173.2	168.4	166.0
Banking dept. reserve	50.7	26.3	25.6	29.5
"Proportion" ...	30.3	14.4	14.5	15.8

* Government debt is £11,015,100; capital £14,553,00

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, of June 15th; Java, Egypt, of June 22nd; Greece, of June 29th; Prague, Roumania, of August 31st; Portugal, of September 14th; International Settlements, of September 26th; Latvia, Estonia, Lithuania and Sweden, of October 5th. Reporting Member Banks, Argentina, Australia, India, of October 12th.

U.S. FEDERAL RESERVE BANKS
Million \$'s

	Oct. 1939	Sept. 1940	Oct. 1940	Oct. 1940
12 U.S.F.R. BANKS	19,191	19,191	19,191	19,191
RESOURCES				
Gold certifs. on hand	14,769	18,813	18,954	19,032
and due from Treas.	15,111	19,243	19,243	19,363
Total resources	332	418	328	319
Total U.S. Govt. secs.	2,744	2,141	5,090	2,399
Total bills and secs.	2,766	2,117	2,138	2,415
Total resources	18,814	22,162	22,617	22,584

LIABILITIES				
F.R. notes in circ.	4,755	5,409	5,401	5,479
Excess m. bank res.	5,510	6,543	6,720	6,820
Mr. bank reserve dep.	11,907	13,703	13,800	13,927
Govt. deposits	319	793	678	597
Total deposits	12,954	16,021	16,065	16,080
Total liabilities	18,814	22,162	22,617	22,584
Reserve ratio	85.3%	89.6%	89.6%	89.8%

BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	16,997	21,166	21,271	21,349
Treas. & bk. currency	2,927	3,011	3,016	3,048
LIABILITIES				
Money in circulation	7,330	8,090	8,172	8,199
Treas. cash and dep.	2,565	3,091	2,972	2,873

NATIONAL BANK OF BULGARIA
Million levas

	July 1939	May 1940	June 1940	July 1940
ASSETS				
Gold holdings	2,006	2,006	2,006	2,006
Balances abroad, etc.	757	1,668	1,639	1,516
Discounts and advances	730	1,268	1,448	1,756
Advances to Treasury	3,417	3,393	3,393	3,373
LIABILITIES				
Notes in circulation	3,078	4,510	4,509	4,814
Sight liab. and deposits	3,095	3,700	3,627	3,410
Cover	33.1%	26.7%	26.7%	25.8%

BANK OF CANADA.—Million Can.\$

	Oct. 1939	Sept. 1940	Sept. 1940	Sept. 1940
ASSETS				
Reserve: Gold	225.7	27.0	31.9	20.3
Other	51.4	27.0	31.9	20.3
Securities	233.8	571.5	540.6	533.1
LIABILITIES				
Note circulation	227.2	321.6	327.4	332.0
Deposits: Dom. Govt.	47.4	42.2	26.8	4.4
Chartered banks	215.0	218.8	228.9	231.3

NATIONAL BANK OF HUNGARY
Million pengos

	June 1939	June 1940	June 1940	June 1940
ASSETS				
Metal reserve:				
Gold coin and bullion	121.1	124.1	124.1	124.1
Foreign exchange	93.6	59.5	59.1	59.1
Int. bills, wts., & secs.	438.4	610.3	638.8	670.2
Advances to Treasury	326.6	312.8	312.8	312.8
LIABILITIES				
Notes in circulation	331.9	1,007.5	991.1	1,077.5
Sight liabilities	178.2	158.6	213.0	162.1
Cash certificates	99.0	93.5	93.5	93.5

BANQUE MELLIE IRAN
Million rials

	June 1939	May 1940	June 1940	June 1940
ASSETS				
Gold	410.7	410.8	410.8	410.9
Silver	408.8	408.8	408.8	408.8
Balances, home & abroad	358.8	413.3	452.7	434.1
Discounts	784.7	1,223.9	1,291.1	1,306.6
Other debit accounts	934.1	576.6	571.8	581.0
LIABILITIES				
Notes in circulation	922.9	977.1	988.0	990.5
Public departments	568.1	621.2	691.7	752.1

Market value:
† 379.6 million rials.
‡ 351.9 million rials (based on London price and rate).

NATIONAL BANK OF JUGOSLAVIA
Million dinar

	June 1939	June 1940	June 1940	June 1940
ASSETS				
Gold	1,773	2,031	93,921	90,124
Other foreign exchange	2,187	2,228	2,242	2,244
Discounts and advances	565	526	516	520
Gov. adv. and credits	1,966	1,973	1,927	1,901
Def. bonds discounted	3,073	4,073	3,073	3,073
LIABILITIES				
Notes in circulation	11,897	11,957	11,963	12,210
Sight liabilities	1,859	2,091	2,053	1,862

BANK OF JAPAN.—Million yen

	Sept. 1939	Aug. 1940	Aug. 1940	Sept. 1940
ASSETS				
Coin & bullion: Gold	501.3	501.3	501.3	501.3
Other	38.4	21.9	21.9	21.9
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts and advances	480.8	734.8	916.6	846.7
Government bonds	1629.5	2594.5	2620.0	2665.1
Agencies' accounts	206.5	332.0	284.3	286.1
LIABILITIES				
Notes issued	2281.8	3322.7	3532.6	3278.8
Deposits: Government	611.2	765.3	714.1	914.3
Other	80.9	92.5	108.7	97.7

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

	Sept. 1939	Aug. 1940	Aug. 1940	Sept. 1940
ASSETS				
Gold and stg. exch.	8.07	14.99	15.02	13.98
Advances to State	20.18	26.58	26.91	26.81
Investments	3.28	2.54	2.51	2.54
LIABILITIES				
Bank Notes	15.94	20.00	20.07	20.01
Deposits: State	1.74	4.88	4.62	4.80
Banks and others	12.78	17.25	17.72	16.64
Reserves to sight liab.	26.5	35.6	35.4	33.7

SOUTH AFRICAN RESERVE BANK
Million £'s

	Sept. 1939	Aug. 1940	Sept. 1940	Sept. 1940
ASSETS				
Gold coin and bullion	28.21	37.45	37.60	36.89
Bills discounted	7.11	0.81	0.70	0.32
Inves. & other assets	17.22	31.45	34.44	34.01
LIABILITIES				
Notes in circulation	18.58	21.66	22.85	21.76
Deposits: Government	3.00	1.76	6.84	6.75
Banks	24.39	40.62	35.51	36.00
Others	2.62	2.45	3.32	2.78
Reserve ratio	57.6%	53.1%	54.6%	54.8%

CENTRAL BANK OF TURKEY
Million Turkish pounds

	July 1939	July 1940	July 1940	July 1940
ASSETS				
Gold	110.3	110.3	110.4	107.4
Clearing and other exch.	21.2	21.0	21.3	21.1
Treasury bonds	139.4	139.4	139.4	139.4
Commercial bills	259.5	259.2	260.2	262.1
Securities	56.2	56.2	56.3	55.1
Advances	18.4	16.1	34.5	35.0
LIABILITIES				
Notes in circulation	356.9	356.9	356.9	356.1
Deposits	11.7	11.0	13.8	13.8
Clearing & other exch.	29.7	30.1	30.6	30.0

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates were fixed by the Bank of England between October 11th and October 17th. (Figures in brackets are par of exchange.)
U.S. \$ (4.8625); 4.0212-0112; mail transfers, 4.0212-0112. Can. \$ (4.8625); 4.43-47; mail transfers, 4.43-47. Sw. kr. (18.159); 16.83-03. Oct. 11-12, 17.35-45; Oct. 14-17, 17.3-40. Ned. f. (12.111); 16.90-17.13; mail transfers, 16.90-17.15. Ned. f. Ind. f. (12.111); 7.58-62; mail transfers, 7.58-64. Ned. f. Ind. f. (12.111); 7.58-62; mail transfers, 7.58-64. Bel. Congo fr. (176.12); 176.12-13. Portuguese Esc. (110); 99.8-100.20. Panama, \$1.02-04; mail transfers, 4.02-04. Philippine (peso); 8.09-12; mail transfers, 8.09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 3 cent pm-par. Canada, 1/2 cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Batavia, 1 1/2 cents pm-par.

MARKET RATES

London on	Par of Exchange per £	Oct. 11, 1940	Oct. 12, 1940	Oct. 14, 1940	Oct. 15, 1940	Oct. 16, 1940	Oct. 17, 1940
Budapest, Pen.	27.82	191*	191*	191*	191*	191*	191*
Belgrade, Din.	276.32	155*	155*	155*	155*	155*	155*
Sofia, Lev.	673.66	200(g)	200(g)	200(g)	200(g)	200(g)	200(g)
Helsingfors, Mk	193.23	315*	315*	315*	315*	315*	315*
Alexandria, Pt	9712	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pt.	25.2212	371*	371*	371*	371*	371*	371*
Istanbul, L.T.	110	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Athens, Dr.	375	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)
Bucharest, Lei	813.8	510*	510*	510*	510*	510*	510*
India, Rup.	118d.	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Kobe, Yen.	24.58d.	515*	515*	515*	515*	515*	515*
Hongkong, \$.	17.38d.	800*	800*	800*	800*	800*	800*
Rio, Mil.	17.38d.	1716-18	1716-18	1716-18	1716-18	1716-18	1716-18
Alparaiho, Pes.	40	1378-1438	1378-1438	1378-1438	1378-1438	1378-1438	1378-1438
Lima, Sol. (s.)	17.38d.	1478-1518	1478-1518	1478-1518	1478-1518	1478-1518	1478-1518
Montevideo, \$	51d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	28d.	(d)	(d)	(d)	(d)	(d)	(d)
Shanghai, \$	28d.	2816-516	2816-516	2816-516	2816-516	2816-516	2816-516
Bogota, Pes.	312-414	312-414	312-414	312-414	312-414	312-414	312-414

* 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. (f) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended	Aggregate January 1 to	Week ended	Aggregate January 1 to
	Oct. 14, 1940	Oct. 14, 1940	Oct. 14, 1940	Oct. 14, 1940
Working days:—				
Birmingham	6	212	243	
Bradford	1,129	35,848	90,124	
Bristol	1,482	1,795	55,119	74,101
Hull	619	518	31,851	30,774
Leicester	802	891	28,867	30,616
Liverpool	4,311	5,135	200,871	229,209
Manchester	9,565	9,806	387,993	458,015
Newcastle	1,307	968	60,423	52,56
Nottingham	365	434	19,616	17,37
Sheffield	426	725	40,683	26,92
10 Towns	21,779	...	955,192	...
Dublin	7,607	6,801	248,887	247,42
Southampton	105	...	...	2,16

MONEY RATES, LONDON

The following rates remained unchanged between Oct. 11th and Oct. 17th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bill 60 days, 1 1/2%; 3 months, 1 1/2%; 6 months, 1 1/2%; 12 months, 1 1/2%. Treasury bills: 2 months, 1 1/2%; 3 months, 1 1/2%; 6 months, 1 1/2%; 12 months, 1 1/2%. Short loans, 1-1 1/4%. Bank deposit rates, 1/2%. Discount deposits, 1/2% at notice, 3/4%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

In the London silver market prices per standard ounce have been as follows:—
Date Cash Two Months Date Cash Two Months
Oct. 11... 237/16 237/16 Oct. 16... 237/16 237/16
" 14... 237/16 237/16 " 17... 237/16 237/16
" 15... 237/16 237/16

NEW YORK EXCHANGE RATES

	New York on	Oct. 10, 1940	Oct. 11, 1940	Oct. 12, 1940	Oct. 14, 1940	Oct. 15, 1940	Oct. 16, 1940
London:—							
Cables	Cent	40 3/4	40 3/4	40 3/4	40 3/4	40 3/4	40 3/4
Switzerland, Fr.	23.18	23.18	23.18	23.18	23.18	23.18	23.18
Italy, Lire	5.05(c)	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	40.00	40.00	40.00	40.00
Stockholm, Kr.	23.83	23.83	23.83	23.83	23.83	23.83	23.83
Montreal, Can. \$	86.250	86.250	86.250	86.250	86.250	86.250	86.250
Japan, Yen	23.48	23.48	23.48	23.48	23.48	23.48	23.48
Shanghai, \$	6.14	6.07	6.07	6.07	6.07	6.07	6.07
B. Aires, Pto. (mkt. rate)	23.60	23.53	23.53	23.53	23.53	23.53	23.53
Brazil, Milreis	5.05	5.05	5.05	5.05	5.05	5.05	5.05

† Official buying rate 29.78.

(c) Nominal.

THE WEEK'S COMPANY RESULTS

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.
Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to Oct. 16, 1940		Name of Security	Price, Oct. 16, 1940	Ch'ge since Oct. 9	Yield Oct. 16, 1940	Prices, Jan. 1 to Oct. 16, 1940		Last two Dividends			Name of Security	Price, Oct. 16, 1940	Ch'ge since Oct. 9	Yield Oct. 16, 1940
High	Low	High	Low					High	Low	(a)	(b)	(c)				
British Funds																
71 1/2	61	76 1/2	68 1/2	Consols 2 1/2%	75 1/2	1/2	3 1/2	34/6	20/-	10	12	c	Iron, Coal, &c.—cont.	24 1/2	7 1/2	9 16 0
107 1/2	98	110 1/2	103 1/2	Do. 4% (aft. 1937) ..	110 1/2	1/2	3 1/2	54/9	33/9	12 1/2	15 1/2	b	Staveley Coal, etc. £1	40/-	1 1/2	4 0 0
96 1/2	90 1/2	100 1/2	95 1/2	Conv. 2 1/2% 1943-45 ..	98 1/2	1/2	3 1/2	47/6	26/-	12 1/2	12 1/2	c	Stewarts & Lloyds £1	39 1/2	1 1/2	9 6 0
99 1/2	92 1/2	103 1/2	97 1/2	Do. 2 1/2% 1944-49 ..	99 1/2	1/2	3 1/2	39/-	17/6	10 1/2	6	a	Swan, Hunter £1	26 1/2	1 1/2	13 10 0
99 1/2	92 1/2	103 1/2	97 1/2	Do. 3 1/2% 1948-53 ..	101 1/2	1/2	3 1/2	24 1/2	11/6	2 1/2	5 1/2	b	Un. Steel Cos. Ord. £1	19/-	+10 1/2	8 8 6
112 1/2	103 1/2	112 1/2	107 1/2	Do. 5% 1944-64 ..	107 1/2	1/2	3 1/2	21 1/2	9/6	6	4	a	Vickers 10/-	14/-	7 1/2	2 0 0
87 1/2	79 1/2	92 1/2	86 1/2	Fund. 2 1/2% 1956-61 ..	91 1/2	1/2	3 1/2	8/10 1/2	2/6	Nil	Nil		Textiles	3/9	9d	Nil
93 1/2	87 1/2	98 1/2	92	Fund. 2 1/2% 1952-57 ..	98 1/2	1/2	3 1/2	38/6	21/3	5	5	b	Coats, J. & P. £1	29 1/2	3d	6 17 0
95 1/2	87 1/2	99 1/2	95	Fund. 3% 1959-69 ..	97 1/2	1/2	3 1/2	39/10 1/2	20/3	7	7	c	Courtaulds £1	29 1/2	3d	4 16 0
109 1/2	100 1/2	113 1/2	105 1/2	Fund. 4% 1960-90 ..	112 1/2	1/2	3 1/2	35/9	21/10 1/2	5	5	b	English Swg. Ctn. £1	22 1/2	1 1/2	6 13 3
99 1/2	94 1/2	102 1/2	98 1/2	Nat. D. 2 1/2% 1944-48 ..	100 1/2	1/2	3 1/2	28 1/2	11/9	Nil	7 1/2	c	Lancs. Cotton Corp £1	16 1/2	6d	9 4 6
96 1/2	91 1/2	101 1/2	95 1/2	Do. 3 1/2% 1954-58 ..	101 1/2	1/2	3 1/2	61/3	42/6	+10	18 1/2	c	Patons & Baldwins £1	46 1/2	1 1/2	3 13 0
Dom. & Col. Govts.																
108 1/2	102 1/2	105 1/2	100 1/2	War Bds. 2 1/2% 1945-47 ..	100 1/2	1/2	3 1/2	38/3	23/6	5	5	b	Electrical Manufg.	35 1/2	6d	5 12 6
98 1/2	86	102 1/2	93 1/2	Victory Bonds 4% ..	111 1/2	1/2	3 1/2	27/-	18/-	2 1/2	2 1/2	a	Associated Elec. £1	76 1/2	1 1/2	5 4 9
83 1/2	73	100 1/2	90 1/2	War L. 3 1/2% 1955-59 ..	100 1/2	1/2	3 1/2	43/11 1/2	26/3	10	10	c	British Insulated £1	76 1/2	1 1/2	5 4 9
99 1/2	91	100 1/2	97 1/2	Local Loans 3 1/2% ..	87 1/2	1/2	3 1/2	92/6	66/3	15	5	a	Callenders £1	55/-	3d	5 9 0
64	55 1/2	71 1/2	59 1/2	Austria 3 1/2% 1933-53 ..	99	1/2	3 1/2	10	10	12 1/2	7 1/2	a	Crompton Park A 5/-	15 1/2	1 1/2	6 13 3
90	78	97 1/2	82 1/2	India 2 1/2% ..	67 1/2	1/2	3 1/2	33/9	16/3	10	10	c	English Electric £1	25 1/2	2	7 15 3
115 1/2	104 1/2	115	105 1/2	Do. 3 1/2% ..	91 1/2	1/2	3 1/2	83/-	52/6	20	20	c	General Electric £1	71 1/2	1 1/2	5 12 6
Corporation Stocks																
106 1/2	95	107 1/2	101	Do. 4 1/2% 1958-68 ..	109 1/2	1/2	3 1/2	38/3	23/6	5	5	b	Gas and Electricity	31 1/2	3d	5 2 0
112 1/2	103	110 1/2	106	Australia 5% 1945-75 ..	104	1/2	3 1/2	42/6	20/6	10 1/2	3	a	Clyde Valley Elec. £1	26 1/2	3d	8 0 0
103 1/2	92	105 1/2	100	Nigeria 5% 1950-60 ..	107	1/2	3 1/2	28 1/2	18 1/2	12 1/2	3 1/2	b	County of London £1	22 1/2	3d	5 9 0
110	102	108 1/2	103	N. Zealand 5% 1945-75 ..	102 1/2	1/2	3 1/2	18 1/2	11/6	1 1/2	1 1/2	a	Edmundsons £1	14 1/2	3d	5 13 0
111 1/2	104	110 1/2	104	S. Africa 5% 1945-75 ..	106 1/2	1/2	3 1/2	83 1/2	29	4	4	b	Gas Light & C. £1	37 1/2	3d	16 0 0
81 1/2	72	85	78	Corporation Stocks	82	1/2	3 1/2	32 1/2	21 1/2	5	5	b	Lancashire Elec. £1	25 1/2	6d	5 18 0
93 1/2	86 1/2	94 1/2	87 1/2	Birmingham 5% 1946-56 ..	105	1/2	3 1/2	21/-	12/-	2 1/2	2 1/2	b	London Ass. Elec. £1	23 1/2	6d	3 18 0
102 1/2	95	104	97	L.C.C. 3 1/2% ..	102	1/2	3 1/2	31 1/2	17/6	4 1/2	4 1/2	a	North-East Elec. £1	22 1/2	6d	6 5 6
91 1/2	73 1/2	92 1/2	71	Liverpool 3 1/2% 1954-64 ..	90	1/2	3 1/2	42/3	22/-	6	6	b	Northmet Power £1	28 1/2	6d	6 7 0
65 1/2	34	58 1/2	22	Middx. 3 1/2% 1957-62 ..	100	1/2	3 1/2	38 1/2	24/-	5 1/2	5 1/2	a	Scottish Power £1	28 1/2	6d	5 12 0
23 1/2	6 1/2	35 1/2	20	Foreign Governments	78	1/2	3 1/2	39 1/2	24/-	5	5	b	Yorkshire Electric £1	29 1/2	6d	5 10 0
23 1/2	6 1/2	35 1/2	20	Argen. 4 1/2% Stg. Bds.	28	1/2	3 1/2	17/6	7/6	30	15	c	Motor, Cycle and Aircraft	13 1/2	3d	5 9 0
19 1/2	9	23	9	Austria 4 1/2% 1931-59 ..	22	1/2	3 1/2	16 1/2	7/6	4	4	a	Austin 5/-	9 1/2	6d	10 10 0
55 1/2	23 1/2	45 1/2	12	Belgium 4 1/2% (36) 1970 ..	20	1/2	3 1/2	36 1/2	17/3	12 1/2	12 1/2	c	Bristol Aero. 10/-	20 1/2	6d	12 3 3
72	30	63	25	Brazil 5% P.d. 1914 ..	13	1/2	3 1/2	16 1/2	7/-	+15	+12 1/2	c	De Havilland Air. £1	15 1/2	6d	11 2 3
86 1/2	58	79 1/2	50 1/2	Chile 6% (1929) ..	65	1/2	3 1/2	18 1/2	12 1/2	5	5	c	Fairley Aviation 10/-	10 1/2	6d	12 3 3
12 1/2	9	10 1/2	8	China 5% (1913) ..	5 1/2	1/2	3 1/2	15 1/2	6/-	17 1/2	15	a	Ford Motors £1	20 1/2	6d	7 14 0
44	4	7 1/2	4	Czechoslovakia 8% ..	4	1/2	3 1/2	60 1/2	39 1/2	12 1/2	2 1/2	a	Hawker Siddeley (5/-)	9 1/2	6d	17 2 0
33 1/2	3	6 1/2	2	Egypt Unified 4% ..	5 1/2	1/2	3 1/2	88 1/2	28 1/2	25	20	c	Lucas, J. (C1)	48 1/2	1 1/2	10 8 6
30	15	24 1/2	12 1/2	French 4% (British) ..	4	1/2	3 1/2	27 1/2	16 1/2	45	45	a	Leyland Motors £1	53 1/2	1 1/2	7 8 0
35 1/2	15	25	10 1/2	German Dawes 5% ..	14	1/2	3 1/2	42 1/2	21 1/2	5	5	a	Morris Motors 5/- Ord.	22 1/2	6d	9 2 0
61 1/2	33	65	44	Do. Young Loan 4 1/2% ..	41 1/2	1/2	3 1/2	12 1/2	3 1/2	22 1/2	25	b	Rolls-Royce £1	31 1/2	1 1/2	5 8 0
Shipping																
10	3 1/2	Nil	Nil	Hungary 7 1/2% ..	5	1/2	3 1/2	22 1/2	12 1/2	4	5	a	Standard Motor 5/-	11 1/2	3d	16 17 0
9 1/2	4 1/2	Nil	Nil	Japan 5 1/2% 1930 ..	32	1/2	3 1/2	21 1/2	13 1/2	5	5	b	Furness, Withy £1	18 1/2	3d	5 11 6
52	22	31 1/2	22	B.A. Gr. Stn. Ord.	5	1/2	3 1/2	21 1/2	13 1/2	4	5	a	P. & O. Def. £1	19 1/2	6d	6 19 0
80	34 1/2	5 1/2	2 1/2	Can. Pac. Com. 8 1/2% ..	32	1/2	3 1/2	21 1/2	13 1/2	5	5	b	Royal Mail Lines £1	15 1/2	6d	6 13 3
20	9	4 1/2	2 1/2	Gr. Western Ord.	31 1/2	1/2	3 1/2	16 1/2	7/6	30 1/2	15	c	Union Castle Ord. £1	6 1/2	3d	Nil
24	9	Nil	Nil	L.N.E.R. 5% Pref. 1955 ..	50	1/2	3 1/2	3 1/2	20/-	4	4	a	Allied Sumatra £1	9 1/2	3d	8 17 3
60 1/2	21 1/2	4 1/2	2 1/2	Do. 4% 1st Pf.	32	1/2	3 1/2	3 1/2	20/-	2 1/2	2 1/2	a	Anglo-Dutch £1	15 1/2	3d	8 0 0
70 1/2	35	2 1/2	2 1/2	L.M.S. Ord.	12 1/2	1/2	3 1/2	3 1/2	20/-	4	4	b	Jokai (Assam) £1	28 1/2	7 1/2	6 4 3
65 1/2	24	1 1/2	2 1/2	4 1/2% Pf. 1923 ..	46	1/2	3 1/2	3 1/2	20/-	4	4	a	London Asiatic 2/-	3 1/2	3d	6 13 3
22	7	Nil	Nil	4 1/2% Pf.	34	1/2	3 1/2	3 1/2	20/-	4	4	b	Rubber Trust £1	26 1/2	6d	7 14 0
72	35 1/2	5 1/2	2 1/2	Lon. Trans. "C"	27	1/2	3 1/2	3 1/2	20/-	9	5	c	United Serdang 2/-	2 1/2	3d	4 15 0
104	58 1/2	21 1/2	2 1/2	Southern Def.	9 1/2	1/2	3 1/2	60 1/2	38/9	23 1/2	12 1/2	c	Anglo-Iranian £1	26 1/2	10 1/2	3 14 6
67 1/2	47 1/2	10 1/2	7 1/2	Do. 5% Pf. Ord.	41 1/2	1/2	3 1/2	73 1/2	35/-	16	5	b	Apex (Trinidad) 5/-	25 1/2	3 1/2	6 0 0
342 1/2	316 1/2	6 1/2	6 1/2	Do. 5% Pf.	71 1/2	1/2	3 1/2	80 1/2	45 1/2	7 1/2	7 1/2	a	Burmah Oil £1	45 1/2	3 1/2	9 0 0
51	43 1/2	8 1/2	8 1/2	Alexanders £2, £1 pd.	50 1/2	1/2	3 1/2	62 1/2	38/9	7 1/2	5	a	Shell Transport £1	37 1/2	7 1/2	2 12 6
30 1/2	19 1/2	5 1/2	5 1/2	Bank of England	326	1/2	3 1/2	62 1/2	42 1/2	m22	8 1/2	b	Trinidad Leuchards £1	67 1/2	4 1/2	8 9 0
73 1/2	46 1/2	7 1/2	7 1/2	Bk. of Montreal \$100 ..	50	1/2	3 1/2	107 1/2	53 1/2	+20	+19 1/2	a	Assoc. P. Cement £1	60 1/2	1 1/2	3 4 3
91 1/2	51 1/2	5 1/2	5 1/2	Bk. of N. Zealand £1	23 1/2	1/2	3 1/2	62 1/2	42 1/2	7	10	b	Barker (John) £1	26 1/2	7 1/2	3 14 6
52 1/2	45 1/2	5 1/2	5 1/2	Barclays Bank £1	64 1/2	1/2	3 1/2	52 1/2	32 1/2	12 1/2	7 1/2	a	Boots Pure Drug 5/-	40 1/2	1 1/2	3 17 0

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THE ECONOMIST

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No. 5070

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The Mood of Progress

OF all the speakers to whom the B.B.C. in the past fourteen months has given the chance of making themselves the mouthpiece of a nation at war, Mr J. B. Priestley has been the most successful. Especially in those dreadful weeks of June and July, when the British people suddenly realised that they faced the world alone and marvelled to find themselves unafraid, he captured the mood of the people and put it into the plain words that the people could understand. From the start, there had been a resolve that the sacrifices of the war should buy some step in human progress; but for the first eight months British missionary zeal busied itself almost exclusively with plans for the regeneration of Continental Europe. It was not until we suddenly saw that we should first have to save ourselves from extinction, before we could even have a voice in the re-ordering of Europe, still less preside benevolently over its rescue, that public attention turned with any persistence to the search for beams in our own national eye. Mr Priestley captured this change of mind; he insisted that there was plenty of regeneration needed here at home; he saw it in terms of the destruction of that caste structure of society which is, in this age, the distinctive mark of this country. He spoke at a time when every citizen's mind was full of the debt he owed to the young men of the R.A.F., and ready to promise that, in post-war Britain, there would be a place of honour for their youth and courage, their skill and daring. To many a listener, he seemed to hit the nail on the head.

But Mr Priestley has now suddenly become discouraged. He is bringing his weekly series of talks to an end because, he says, the mood of the country has changed. The courage and hope of the summer have sunk back into the old stupidity and apathy. It is a waste of time, he implied, for anybody to bother his head about projects of reform. It is important to ask whether Mr Priestley is right. It has been said a thousand times—and in spite of that it is still true—that this war will be won by the state of mind of the people. Its miseries will not be supportable without a high enthu-

siasm for the cause; and the high enthusiasm in its turn will not be for ever generated by the mere need for keeping the Nazi wolf from the door. The common soldier of this war—that is, the man or woman in the factory or the shelter—needs to feel that he is one of a generation that has struck its tents and is entering on a new stage of the long march of humanity. If it is true that we have relapsed into stupidity and apathy, then we have as good as lost the war.

But is it true? Let us admit that, as the immediate danger of overwhelming defeat has receded, there has been a natural sense of relaxation. Let us admit also that, for the moment, many of the people are too concerned to find a safe place to sleep to bother much about their dreams. But, even when these allowances have been made, there still remains a surprisingly solid and widespread determination that a better Britain shall emerge from this long and painful ordeal. This feeling is many times stronger, for example, than it was at the end of 1915. For one thing, the desire to "get back to pre-war," which lasted for many years even after the Armistice of 1918, is almost wholly absent now—or where the desire exists it is recognised to be futile. We have had too recent and too frightening an example of the fruits of "safe" government for conservatism as such to be esteemed a virtue. The completeness of our friends' collapse and the extremity of our own peril have combined to induce an unprecedented mood of self-examination. Are we also rotten at the core, we ask, and what can we do to ensure that our democracy is strong and healthy? Mr Priestley has been discouraged too easily. To descend to practical details from the heights of general enthusiasm is always a mortifying process; but such territory is essential if anything is to come of the fine thrust us by Mr Priestley has been disappointed by as the invasive complacency with which the English sufferings, tired most radical moods; it is England's wench—wish to prolong as the Prime Minister insists, until Europe blended with progress. To make a te" and France is free.

necessary, in this country, to damn what exists. We have, after all, enough excuse for a deal of complacency; if we did not all consider England, by and large, a good country to live in, we should not be so united in considering it a good country to fight for. But it would be an error to think that this pride in what is excludes a desire for something better in what is to be. It is not really a paradox that the same peril has brought both pride and dissatisfaction to the surface. There has certainly never been a time when the conviction that great changes are inevitable has been more universally held—in industry, in the City, in Parliament and in the bar parlour.

There is no need, then, to despair so soon of the constructive side of our ordeal. But it is still true that the enthusiasm of the people is one of our most precious national assets which should be most carefully husbanded. If Mr Churchill has any fault at all as a war leader it is that he is too immersed in the problems of pure strategy. He has already shown that when he does turn his attention to the home front he can catch the spirit of the people more surely than any of his colleagues. He would be unwise to leave the national enthusiasm to feed itself entirely on air; the Government should be ready to lead in this respect as in others. This does not mean that the Government should necessarily yield to the pressure for a statement of what are usually referred to as its "war aims"—that is, its intentions in the international field. At the present stage of the war, any such statement is obviously liable to prove an embarrassment round the next corner of the road. We know, and the Germans know, and the victimised peoples of Europe know, enough of what we are fighting for to be able to distinguish us from the Nazis. Even if we confine ourselves to saying that we are fighting for England, that in itself is a provisional outline of a programme, when the state of England is compared with the state of Europe.

The need is not for any premature re-ordering of the structure of Europe, but for a deliberate attempt to ensure that the weaknesses which the war has uncovered in our own structure shall be permanently repaired. We are fighting because we believe we have a better way to human happiness than Hitler; but it will be little profit to us to be masters of that better way unless we advance along it. We cannot prove that democracy is the key to progress by standing still. The English people has not often been in as ready a mood as it is to-day. We are presented with a matchless opportunity to get things done that would otherwise be wrangled over for a generation—to get them done, what is more, by the general consent of all the people. Reforms as large as woman suffrage and as small as daylight saving arose naturally out of the exigencies of the last

war; there are many others of the kind to be garnered to-day. Nor will they wait until after we have won. Disillusion always comes with peace; there was many times as much social progress registered in 1917 and 1918 as in a whole post-war decade.

The great difficulty is that, because Reform is so obviously the playground of the crank, the dilettante, the visionary and the sorehead, there is a temptation for the hard-headed to steer clear, to take refuge in the necessity for winning the war first. But no mistake could be strategically more unsound, as the last war proved and this one is already proving. We must not be content with defending a Maginot Line of freedom; we must sound the advance in every field at once.

The country is at the beginning of a long, hard winter; and when the spring comes we shall probably have to face a long tedious year of standing mainly on the defensive. Daily reports of the R.A.F.'s bombing raids will hardly be sufficient by themselves to keep up the spirits of the people—especially of the millions of men in uniform, who may have less fighting to do than the civilians. It will be hard at times, next year, to remember that we are helping to make a better world; but we can at least take steps to be sure that we are assisting at the planning of a better Britain. The call for action on the reform front is a very real one, and it will grow more and more insistent as time goes on. The Government will be making a very great mistake if they take refuge behind the impossibility of immediately defining "war aims" or if they think of reconstruction purely in the narrow terms of rebuilding. No canvas less broad than the regeneration of this great country will suffice. Public and private discussion will in any case continue, since this is a free country. But only the Prime Minister has the position and the authority to give it the possibility of practical expression and prevent enthusiasm from turning to frustration. A Ministry of Reconstruction would be a clumsy bureaucratic instrument when it is the people's will that is the impelling force. What is needed is some mechanism for a constant interchange of ideas and proposals between the people and the Government. The House of Commons can unquestionably help; but a House whose normal span of years has expired is not perhaps the perfect reflection of the people. Perhaps a national Commission, with touring Commissioners in the manner of Defoe or Cobbett, and charged with producing practical proposals for social, educational and economic reconstruction, would be an effective way of tackling the problem. But in one way or another it must be tackled if the faith of 1940 is not to die down into the apathy of 1941 and the frustration of 1942.

France in Captivity

THE revulsion of feeling in France during the last three months is such that the Vichy Government can no longer drift on the slack waters of defeatism, prostration and apathy. In abandoning the struggle, most Frenchmen believed that they would recover something like normal conditions. Instead, they have had to suffer all the privations of famine rations and widespread unemployment and endure, over and above, the increasing weight of a German occupation. British resistance has also helped to restore French morale. France was paralysed by the invincibility of the German military machine. To-day, the fact that its startling advance can be checked and its schedule of aggression upset combines with the intolerable privations of occupation to turn France's mind to the only final solution of her wrongs—defeat of the enemy. In laying stress on Germany's real intentions towards defeated France—dismemberment and spoliation—and on our ability "to beat the life out of Hitler and Hitlerism," the Prime Minister, in his recent broadcast, exactly gauged the two trends of thought which are leading France back from collapse to "non-belligerency."

Nevertheless, on a short-term view, Britain has to deal not with the people of France, but with the men of Vichy;

here, although there is no evidence of a change of heart, three months have brought to light significant divergences of outlook among the French leaders. These divergences apply only to the sphere of foreign politics. In home affairs, the salient factor in the Vichy state of mind is the extent to which soldiers and politicians alike are seeking to dismiss and discredit the Third Republic. Whether it is Marshal Pétain himself laying disaster at the door of "the spirit of pleasure" which since 1918 had "prevailed over the spirit of sacrifice," or M. Herriot, the lifelong parliamentarian, voting away the popular Assembly's control over Cabinet policy with the plea that at all costs the executive must be strengthened, the spirit is the same—a desire to disown the past. The mood is understandable. The disaster which has befallen France is so crushing that no one will shoulder responsibility for it. The fault must be laid on something; let it be the past—past institutions, past states of mind, and, where their identification with past policies is unmistakable, past statesmen. The rancour and bitterness with which the Riom trials are being prepared is partly a product of France's old fatal spirit of faction. But it also springs from a passionate refusal of those in power to accept any responsibility for France's calamities.

The mood also explains the ease with which the fundamental laws of the Third Republic have been laid aside. If the past—as a symbol of shame—was to disappear, some political forms and social institutions had to take its place, and it was inevitable in present circumstances that the new regime should follow closely on the lines of Latin authoritarianism, long formulated and preached by the followers of Charles Maurras. What M. Baudouin is pleased to call France's "national revolution," with its corporatism, its absolute government, its incipient racialism, its stress on youth, the family, and the dignity of work, was the only formulated alternative to the bourgeois Republic; in their panic retreat from their own past, the bourgeois politicians have ratified their own death warrant. The movement is naturally not one of pure escapism. The discovery in 1936 that the democratic right to liberty and equality might impinge upon the liberal-bourgeois right to property had a hand in the conversion of a Baudouin or a Prouvost, but the emotional drive behind the National Assembly's easy acceptance of Pétain's "new order" sprang from the almost universal desire to find a scapegoat for France's collapse. The incongruity of beginning a "national revolution" while three-fifths of France is in the hands of the enemy appears to have struck no one, or, if it has, another consequence of Vichy's escapist mood has been a series of impassioned statements that France's unity is intact, her integrity unimpaired, her spirit unconquered, her soul her own—all statements which an outsider can hardly accept without a certain scepticism.

It is in the sphere of foreign policy only that divergences are beginning to appear. In a rather sorry crew, the only figure commanding some respect is that of Marshal Pétain and however much his policies may be misguided, they spring from genuine patriotism. It is difficult for Englishmen to grasp his profound indifference to the fate of France's ally, but it is clear that he accepted the necessity of capitulation under the mistaken belief that it was the only method of preserving the integrity of France and her Empire. But the vision of "a just and honourable peace between soldiers," coupled with the illusion carefully fostered by the Nazis that Germany had no claims on France, can hardly have survived the German occupation and the trend of events in the Colonial Empire. That the Marshal and those colleagues who share his straightforward, if hopelessly misguided, outlook are seriously perturbed by German separatist activity is perhaps illustrated by the Marshal's pointed greeting to Alsace-Lorraine in a recent broadcast and by the dispatch of General Weygand as Inspector-General to the French colonies in Africa.

While patriotism, however misguided, is the mainspring of Marshal Pétain's policy, the aged leader is surrounded by men whose outlook is dominated by a hatred for Britain which appears to outdo even the Nazis'. This clique, led by Laval, were at loggerheads with Britain after 1936, led the appeasement movement in France, and, when it failed, pinned upon this country the whole responsibility for launching war and "fighting to the last Frenchmen" in defence of Britain's Colonial Empire. These men, of whom Baudouin is the most vocal, though not the most influential, carry their renunciation of the past to such passionate lengths that complete domination by the Reich and complete absorption into the German *Lebensraum* seem preferable to an honourable independence. In an astonishing broadcast late in August, Baudouin declared that a new world was born on May 10th, and that "the nations of each continent are united to one another by an ever-growing solidarity . . . out of which will arise a more just, more charitable and more peaceful world." It is as though for these men one of the burdens gladly renounced in the "new world" of Hitlerian Europe is the burden of national self-government. The divergence between the outlook of a Pétain and a Baudouin is obvious. For Pétain the foreign policy of the Vichy Government is "national." For the Laval clique it consists of "loyalty to our conquerors," whatever the lengths of degradation to which such loyalty may lead.

The fundamental division of opinion in the Vichy Cabinet is likely to be put to the test this week. The French Government is at least united in its desire to put an end to armistice conditions and to achieve enough stability to

begin its plans for reconstruction. The terms, however, upon which Hitler is likely to offer a settlement are likely to cause profound disagreement. France is in no bargaining position. Any concession Vichy may obtain from the Reich can be purchased only at the price of a formidable *quid pro quo*. And in existing circumstances the only counters with which the men of Vichy can bargain appear to be the cession of colonial territory—which, thanks to Britain's continued resistance, they are still in a position to cede—and the co-operation of France's armed forces in the fight on Britain. Rumours that Germany's peace terms include such conditions have received wide currency, and Laval's apparently abortive interview with Hitler, followed by his return to Vichy and the report of a proposed meeting between Hitler and Marshal Pétain, lend colour to the theory that the Vichy Cabinet is divided.

Clearly, then, France has come to a parting of the ways, where three paths only are open to the Vichy Cabinet. They may accept Hitler's "final" peace terms, however severe. Judging by reports and rumours, the conditions will include the loss of Alsace-Lorraine and French Equatorial Africa to Germany, of part of the Mediterranean coast of France, of Djibuti, Tunis and possibly part of Algeria to Italy. More doubtful is the possibility that Spain will benefit by the disruption of the French Empire and that French Morocco is the bait dangled by Germany before a reluctant Caudillo. Since Marshal Pétain and General Weygand hoped by capitulation to salvage the French Empire, it is difficult to see why they should now accept its destruction without demur. If the terms are accepted, either the movement in favour of General de Gaulle already on foot in North Africa will sweep away all vestige of Vichy control or else the Axis will establish its authority. In either case, the Empire is lost to Vichy, and, according to the narrow patriotism of a Pétain, Vichy is France.

Yet if the terms are thought too severe, the Vichy regime cannot, after this initiative, return to the passive confusion of the first months. There can be no retreat. Either Vichy must resist—which can only mean a retreat to North Africa and a total German occupation of France. Or else it must buy off the conqueror. We can be certain that for Marshal Pétain only the alternatives of acceptance and resistance exist, and it is impossible to say which decision would be more painful, to accept the loss of the Empire or to fight for its maintenance in company with Britain—since by no other means could a French Government uphold its position in Northern Africa.

But the balance of power within the Vichy Cabinet is very delicate. Reynaud was outvoted on the continuance of the war, and it is possible that Pétain may be outvoted on the question of mitigating the peace terms by some form of shameful collaboration. That Laval and Baudouin would be ready for a discreditable bargain we need not doubt, for their desire to become sub-contractors along with Italy and Spain in the firm of German Europe is only equalled by their animosity towards Britain. So far, the honourable course seems to be holding its own at Vichy. The Government has denied that it will under any circumstances make war on anyone or permit its armed forces to be used against Britain. But Laval is still negotiating, the Marshal is old, Baudouin is at his elbow, Weygand is in Africa. Treachery may still win the day.

Our policy towards the Vichy Government must therefore be one of the greatest vigilance, coupled with equal restraint, for we play into the hands of the German propagandists if we allow ourselves, in the words of the Prime Minister's broadcast, "to get at loggerheads with one another." Obvious hostility, cheap sneers, personal attacks on our side play into the hands of those who would like to convince Pétain that we are as much a menace to France's integrity as the German conqueror entrenched on French soil. Nevertheless, we cannot afford an endless repetition of the Dakar incident. Where French territory or French resources are being exploited against us by Germany, they must be attacked as ruthlessly as the invasion ports. Respect for France, pity for her sufferings, tireless war on those who—German or French—wish to prolong her captivity—this must be our policy until Europe "cleansed of the Nazi pestilence" and France is free.

Bombing and Blockade

A YEAR ago it was widely believed in this country that the deadlock of a stalemate war could be broken by blockade alone. Now, after Hitler's conquests, we know better. It will be by the balance of arms in all three elements together—land, sea and air—that the war will be decided, and the rôle of blockade is to weaken the enemy's war effort while the fullest mobilisation of men, materials and plant goes on in the allied and associated countries. Moreover, the results of blockade come slowly. The enemy can draw upon his stocks and those of his victims; he can eke out supplies by planning in a way that still startles the administrators of more liberal economies.

Something of this lesson has been learned, though the process of mobilisation is still inhibited by a traditional belief in the impossible. On the offensive side, the assault upon the enemy's economic vitals goes on, within its limits, with skill and confidence. The Ministry of Economic Warfare was never a mere Ministry of Blockade, and it was always intended that the bombing operations of the R.A.F. should be guided by this Ministry's economic experts. Only the dictates of a high-minded diplomacy robbed the British blockade for eight months of the aid of British bombing. Bombing is the accelerator of blockade; and, as the strategic pattern of the war develops, expeditions from the sea can also help in harassing the political and economic structure of German Europe. While it is true that the spread of fuel and material shortages must ultimately undermine the German war machine, it is certain that the moment of crumbling can only be brought forward appreciably by the development of dislocation in the wideflung and intricate system of industry, power and transport, upon which the maintenance and defence of Hitler's swollen territorial empire depend. Without such dislocation, the enemy might even build up an unassailable power before the pinch of economic poverty was felt.

Transport is crucial in the process of deterioration that we must foster, and it is a chief virtue of Mr R. W. B. Clarke's newly published and excellent pamphlet* on economic strategy that this factor is specially picked out. The pivotal importance of transport can be simply illustrated. For instance, Germany has access, at home and abroad, to 11 million tons of oil a year, including 6½ million tons from Roumania, but excluding Russia, now using all her oil herself—less than half the peacetime consumption of the Axis Powers and the countries they occupy or dominate. Ruthless rationing might cut down civil consumption in these territories to 10 million tons or less, and war consumption proper might conceivably be held down to something like 5 million tons, but a considerable gap remains to drain away stocks and loot. And the gap is greater than the figures show because of transport difficulties. Carriage by rail or water from Roumania is hampered by lack of facilities; the distribution of oil and petrol throughout the German lands from the Pyrenees to the Arctic Circle and from Abyssinia to the Baltic Sea is a gigantic task. Delivery is harder even than production.

The strain is cumulative. The need to conserve petrol means brutal curtailment of transport services by road and the heavy loading of already overtaxed railways; and coal in which Continental Europe is normally self-sufficient becomes, in its turn, a problem. The railway demand goes up and railway facilities for carrying coal go down. As Mr Clarke puts it: "If Germany could build a new transport system in Europe and develop the full potentialities of Europe's coalfields, then there would be no coal problem." But there is, and coal is a vital element in Germany's war effort. The scarcity of oil means a growing need for coal for the synthetic production of oil; coal is needed for the manufacture of artificial rubber and

plastics; it is wanted in increasing quantities for the production of electric power upon which the many substitute industries of blockaded Germany depend. Local shortages of coal, both for industrial and domestic purposes, may be frequent throughout Europe in the coming winter.

Transport was a tender spot even in pre-war Germany, though the inadequacy of maintenance, repair and replacement in the Nazi railway programme have sometimes been exaggerated. Now, with the falling away of road transport and the annexation of non-German lines with no great record of efficiency, it is a running sore, and it is not hard to see how important the British bombing raids upon junctions, marshalling yards and canals are. They sap the vitality of German war economy. A year's stock of this or that commodity may be held, but it will not suffice for a year if it cannot be readily and evenly distributed. The occupied territories lack the same materials as Germany lacks. They have to be supplied with food, fuel and clothing; and the task of supplying them, even if the conquerors wished to do so—in order, perhaps, to demonstrate the economic virtues of Nazism—might well bring chaos into the German transport system, as well as seriously weakening the German war machine. German Europe is too big.

Moreover, transport is far from the only sphere where confusion can be confounded by our activities. With her conquests, Germany can turn out basic steel in plenty, three times more in bulk than Britain. But, as Mr Clarke reminds us, this is a war of special steels, precision engineering and electric power, of alloys like nickel, chrome, cobalt, tungsten and molybdenum, of aluminium and copper. Germany now controls ample supplies of bauxite for aluminium making, but the reduction plant needed to make the metal is expensive to set up and vulnerable to bombing. Moreover, the enemy's lack of copper, essential for electrical work—at least two-thirds of Germany's copper needs have normally to be imported even if there is a full recovery of scrap—means that aluminium has to be substituted—taken away, that is, from aircraft manufacture to augment the output of electrical power. And Europe's lack of alloys means that the production of hard, resistant armour plate and of armour-piercing bombs is sharply limited.

The enemy's weaknesses are thus cumulative because his economy is cabined within the blockade. The shortage of copper imposes a strain on aluminium supplies. The shortage of oil leads to pressure upon transport, shortages of coal and checks to synthetic production. The shortage of copper and alloys implies a progressive weakening of Germany's industrial and electrical position and, full circle again, of Germany's transport system. In Mr Clarke's words: "The blockade makes the industrial system brittle." It may stand the strain for a long time, but it will be ripe to break suddenly when the climax is reached. The function of bombing is to speed up that day: oil stores and refineries, aircraft factories, aluminium reduction plants, buna rubber factories and electric power stations—these are the keys to the deterioration of German strength.

It is true that the Nazis have shown an outstanding ability to solve their dilemmas by planning. It is true, too, that in our different way we are faced with the same aggressive combination of blockade and bombing—and we have not yet reached the same adeptness in the planning of economic, as distinct from naval, military and air, defences. Nor have we yet used our power at sea to prick the rim of Nazi Europe with swift and telling forays. But the fact remains, as a source of some encouragement in the struggle, if no more, that the enemy has failed to blockade us yet—the seas are open—and that our complementary bombing has done more genuine economic harm than his.

Rebuilding London

AS destruction by bombing goes on, reconstruction is in the air as well. Sir John Reith has been made Minister of Works and Building. A Cabinet Committee is discussing the New Model Britain of after the war, while the Government's Property Insurance Bill will supply the financial basis for projects of rebuilding. Only a year ago, all the members of a Royal Commission were agreed that some limit should be set to London's growth—and London holds the limelight now because the capital is both big and battered.

Two hundred and seventy-four years ago, London was burnt down. Then, the city was built again with all speed to restart its life and livelihood and to prevent the migration of its citizens beyond its boundaries. This time, the exodus from the centre of London has been going on for forty years already, and the main problems of life in the London area have arisen from the combination of sprawling residential suburbs and crowded workplaces in the central districts. Rich market gardening land in the London basin has been obliterated by houses, while the most congested and complicated transport system in the world has been needed, not only to link Londoners with their work, but also to furnish their daily supplies.

Now the *Blitzkrieg* has underlined the monstrous artificiality of London. Under fire it has taken more ingenuity and resource to transport, supply and succour the people of London than it would to provide for the entire population of most countries, if attacked. The task has been discharged with fair efficiency, often (some neutral observers say) because of, rather than in spite of, the lack of centralisation among public services, among independent electricity and gas works and competing dairies and other retail deliverers. There has been elasticity and lively improvisation. But the absolute dependence of London's millions upon distant supplies, and upon a close criss-cross of countless roads and railways stretching wearily for scores of miles, has not been helpful in the defence of Britain. And in many details, too, intensive bombing has given point to the claims of London's pre-war critics; rows of shoddy houses and tawdry tenements have given Goering's gallant airmen easy targets; and the confusion of narrow streets and the absence of broad, straight routeways have complicated both defence and communication. The lack of any single guiding authority, central or local, in policy and administration has been a heavily clogging influence.

These difficulties have been partly overcome. But their abatement is a first item in any plan to remodel damaged London; this is a golden chance. This is not to say that the blue prints for a New Jerusalem are wanted—or relevant. In the Great Fire, most of existing London was burnt down, but even then it was not possible to replan and rebuild the city as a single project or architectural exercise. The story that Christopher Wren put in a grand design which was rejected is just a legend.* Homeless Londoners were anxious to set up house and go to work again, and the city's rebuilding was simply the sum of the rehabilitation of many thousands of families and businesses. All the authorities would do was to influence the pattern of restoration by enforcing building standards, by insisting upon brick or stone in place of timber and by banning overhanging houses and narrow streets.

London is still the sum of its citizens, their lives and their occupations. It exists for them, not they for its aesthetic appearance or efficient functioning. Nor is the damage done, or likely to be done, to London as great in proportion as that done by the Great Fire. There can be no Phoenix, because there are not enough ashes; and the first aim of reconstruction, now as then, must be pure utility—to keep London habitable and fit to work and travel in. This is surely the immediate task, not any airy

sketching of the city that might have been erected on Thames-side had the design been given out as a single entity to tendering architects instead of evolving formlessly over more than a thousand years. It is a twofold task: to repair the ravages of raids; and to lay down, for the first time effectively, wise building standards—to see that the new buildings are better than the old, wherever possible, more healthy and more convenient, less crowded and more decent to live in; and to see that streets are straighter and wider than they were. Repair is urgent, and time, expense and the shortage of building materials and labour will not allow new standards to be rigidly applied; nor in very many cases, not urgent, will it be possible to do any reconstruction at all yet. But it is only by this sort of supervision of a myriad detailed projects that anything like a new London can possibly be secured.

This is not to say that the planners who have for long despaired of London have no place in its mending. The raids have proved many of their points. It should never have been left to the *Luftwaffe* to tear down London's slums; and it has taken only a few bombs on traffic routes to show the crazy inconvenience of a development which has set the homes and workplaces of Londoners a day's march apart. Nor should it have needed the shock of bombing to demonstrate the inefficiency of a local separatism that has administered London from a host of town halls and public offices. This week's new plans for elastic emergency transport facilities to carry people out to the inner rim of London, there to be borne off fanwise to their various homes, echo the neglected Bressey Plan for smoother traffic and new routeways for London. Evacuation, within the London area as well as outside, has given practical evidence of the economic and personal benefits of decentralisation, with urban workpeople near their places of business on the one hand and near the open country on the other. The benefits of balanced communities, manageable, compact and reasonably self-contained, dependent upon no inflamed arteries of travel, have received new backing; and the new Minister of Building now has guidance, more real perhaps than the arguments of the planners and the experience of the garden cities, to direct whatever powers he may be given to exercise over London's future growth.

But it is not the future growth of London that is now in hand, but its present repair. Sir John Reith is not presumably to be asked first to draw up, say, a five-year plan, though his office may indeed hold the germs of the National Planning Board that has long been sought to supervise and control the use of Britain's land. His job is immediate; Government building he will be able to control directly; private building he will be in a position to control because all such building is banned without licence—to eke out building materials and labour. It is an exercise in war economy, to make the best use of scarce resources. In the first place, houses that are needed must at least be made habitable and safe. In the second, public places and thoroughfares must be rendered swiftly usable. And all the time, no bricks or mortar, steel, cement or workmen must be drawn away from essential uses, from the erection of war factories or the construction of defence works. In fact, it is a job which might have been fully provided for long ago.

Indeed, a Ministry of Building will be faced with precisely the same problems of economic organisation that, in other aspects, our governors have found so oddly baffling ever since the war began, problems of allocation and mobilisation. To allocate building materials according to a strict schedule of priorities, and to mobilise every available hand for the work and on the sites on which labour is most needed—this is what is wanted to keep London and the other bombed towns as going concerns and to maintain the war effort unimpaired. At present there is delay and waste, houses and workplaces too long out of use, communications and public services too tardily repaired, roads blocked too long by debris. Every effort is being

* Britain's Blockade. By R. W. B. Clarke. Oxford University Press. World Pamphlets No. 38. 32 pages. 3d.

* Vide "The Rebuilding of London after the Great Fire." By T. F. Reddaway. Cambridge University Press.

made within the existing frame of organisation to mend matters; there are two Special Commissioners for London to rehouse the homeless and to repair roads and services; and 5,000 soldiers are clearing away London's debris. But authority in the large bombed urban areas is split too small; there are too many Ministries and undertakings concerned; and the districts within which repair resources are singly apportioned are still too confined for speed and efficiency to be achieved. This is, or ought to be, Sir John Reith's duty to remedy these deficiencies and to give direction and drive to the process of reconstruction.

But, in the end, the planners are right. It is quite plain now that London must never again develop as London has done in the past, that every new house or office,

factory or street can be better contrived than the old ones, and that the simplification of London's economy must be a first charge upon the ingenuity of the next generation. The immediate task of repair must not, indeed, be obscured by dreams of a better city. But, if that repair is well and wisely done, there will be the beginnings of that city, and the work of Sir John Reith's new Ministry under fire may lay the foundations, in practice and in administration, for wider and more progressive work later on. Towns are places for people to live and work in. The object now is to enable them to live and work despite the bombs; the object, then, will be to make it possible for them to live and work healthily, happily, conveniently and efficiently. The one can, and should, lead to the other.

NOTES OF THE WEEK

Führer and Caudillo

Hitler is playing a gigantic game of see-saw in the Mediterranean. Last week the Eastern basin and the Balkans were soaring to crisis. Now the focus of attention is in France and Spain. Señor Suñer's appointment as Foreign Minister has been followed with dramatic speed by the arrival of Hitler on the Spanish frontier and a meeting between Führer and Caudillo. With the Falangist leader in the saddle at the Foreign Office, it is clear that the material opposition to the Falangist line has given ground. Colonel Beigbeder was a cautious diplomat with a steady scepticism for the more inflated "Hispanisms" of the Falange. His departure lets loose the hotheads. All now depends on Germany's plan for Spain. The obvious conclusion to be drawn from the dictators' meeting is Germany's determination to force Spain into the war, yet it is still not clear that the Nazi's are anxious to extend the struggle into the Peninsula. Spain as a non-belligerent has her uses. Her appalling economic conditions and the disaffection of her people would make her an uncomfortable ally. Moreover, there are rumours that even Señor Suñer's ardour was somewhat damped both by his reception in Berlin—that of a second-grade diplomat—and by what he saw there—the striking lack of enthusiasm, the psychological effects of British raids and the tell-tale strain of war. But if Germany prefers the slower policy of economic penetration and police control—Himmler's visit to Madrid is a grisly portent—the other Axis partner is differently placed. It would help the Italian navy considerably if Gibraltar were to fall, even if the price to Spain were half Morocco, which Italy covets. The Italians are said to have been bringing every sort of pressure to bear on the Spaniards to bring them in, and that Spain even appealed to Germany to restrain Italy's eagerness for a helping hand in the Mediterranean. Germany's views will, of course, be final, but they are not known. "Puppets not wars" has been the motto since the summer. Hitler may be content to establish the Falange, train its army—German instructors are said to be on their way—eat up its resources, develop its industry and at a later time, launch the reorganised community into war. Such a policy would be less costly than adding Spain to the list of German dependants. The list is long already.

Balkan Lull

After a campaign of rumour and intimidation unrivalled even in the history of German diplomacy, the Wilhelmstrasse has had the bland effrontery to issue a statement denying that any pressure has been brought to bear on the States of South-Eastern Europe to join in Germany's New Order: "on the basis of recent reports, it might even seem that Germany was already living in strained relations with Greece, Turkey and Yugoslavia. But such reports are mere propaganda." The "mere propaganda" is enchanting, for of all the weapons of disintegration in Hitler's armoury this mere propaganda is by far the most effective. The remaining independent Balkan States have withstood a barrage of incredible intensity since the fall of Roumania. Now, however, the campaign is slackening and the Nazis are doubtless carefully checking results. They cannot be altogether satisfactory. Greece has resisted the gibes of the Italian Press and the presence of 120,000 Italian soldiers with admirable calm, and if reports that the Italians are setting-to to build

barracks are correct, then the sudden coming of winter has extinguished the last bellicose spark in Albania's martial breast. Turkey, too, is becoming more outspoken in her defiance, and the presence of Britain's Balkan envoys in conference at Istanbul has had a noticeably heartening effect upon the Turkish Press. But the key question—would Turkey go to the defence of Greece in the event of an Axis attack?—is still unsettled. Yugoslavia and Bulgaria, geographically the next on the list of aggression, have not come through the ordeal so well. Yugoslavia's new trade pact with Germany, though the terms so far published do not suggest a very formidable violation of Yugoslavia's economic independence, was accompanied by a sinister declaration from M. Markovitch, the Yugoslav Foreign Minister, that "beside co-operation in trade there is also political collaboration. It has meant to Yugoslavia peace instead of war. . . . Nothing stands in the way of the intensification of this political collaboration." Nothing, indeed, as Roumania found to her cost.

Russia in Retreat?

That Bulgaria is to follow Roumania—and by the same road—seems a fairly obvious consequence of Germany's most recent activities. King Boris's position is one of obvious jeopardy—Hitler dislikes monarchs, however compliant—and the King is the only guarantee that a policy of genuine neutrality will be pursued for the future. He has endeavoured to counteract Germany's growing power by granting an amnesty to the Communists and pardoning the South Slav enthusiast, M. Velcheff, who has long advocated the King's own policy of Yugoslav-Bulgarian collaboration. The move is significant, for Germany has brought up the Macedonian issue and is fanning Bulgarian opinion into open demands on Yugoslavia and Greece. Germany's task is made easy by the pro-German outlook of the younger officers, the police force and important sections of the Civil Service. German instructors and experts have arrived and are much in evidence at the Sofia airports, war material far in excess of Bulgaria's needs is pouring into the country, and behind it the inevitable "tourists" who, when the occasion calls, will take up their stations with the "surplus" armaments. The King himself is being submitted to a third degree of German threats and blandishments, and it is difficult to see what show of resistance he can put up since the pre-condition of a policy of neutrality—a balance of power in the Balkans—is, since the Russian defection, lacking. Russia's retreat appears to be complete. A few surly growls from the bear—a protest here, a protest there—were all the obstacles the Nazis had to counter as they thrust hard into Russia's sphere of influence. That trouble is brewing is probable, but not before the spring. In the meantime, the Reich is taking its precautions with an ostentation which will not be lost on Moscow. Divisions are being massed and trained along the joint frontier, Ukrainian legions are in process of formation in occupied Poland, the Roumanian army is to be reorganised from top to bottom, its war supplies renovated, its fighting power increased, while the young Roumanians are fed with the tale of German assistance in recovering Bessarabia. Half these rumours and reports are probably no more than Berlin's way of reminding the Kremlin that Germany tolerates no interference. But Moscow has taken the hint.

Mr Roosevelt's Campaign

In its last fortnight, the American Presidential campaign is reaching the usual peak of hot oratory. It is always something of an embarrassment to double the rôles of President and candidate, and the usual solution is for the President to confine himself to three or four dignified and formal utterances while leaving it to his supporters to attack his opponent. But Mr Roosevelt, as the very fact of his candidature for a third term shows, is no great respecter of conventions, and this year he is contriving to depart from tradition in both directions. Up to the present, he has been even more aloof from the campaign than most Presidents—partly, perhaps, out of a genuine unwillingness to seek re-election on anything but his record in office, but mainly because circumstances have enabled him to campaign much more effectively as President than as candidate. As our Washington correspondent expressed it last week, Mr Willkie has appeared on page four of every day's newspaper as the Republican candidate, Mr Roosevelt on the front page as President. But this attitude has now broken down. Some of Mr Willkie's statements—misrepresentations, the President calls them—have been anything but statesmanlike. The Republican candidate, in fact, is rather careless with his tongue, and either the necessity of replying or the temptation to reply has been too strong for the President; he is to make a series of frankly political addresses. Unless Mr Roosevelt has lost his old adroitness, his speeches should clinch the election for him; the first was certainly an effective reply. The readers of the omens have recently been reporting a growth in sentiment for Mr Willkie; but they have also been reporting that the President is a long way ahead. As always in the American system, the two large and populous states of New York and Pennsylvania, with their heavy votes in the electoral college, are of crucial importance. Hence the choice of Philadelphia for the first of Mr Roosevelt's speeches. It is perhaps of significance that the charge on which a defence is thought necessary is that he cannot be trusted to keep America out of the war—coupled with the further charge that he is not sending enough help to Britain. We should do well, on this side of the Atlantic, to bear in mind this dual nature of the American people's desire.

Railway Charges

The anxiously awaited report of the Charges (Railway Control) Consultative Committee on the companies' application for the right to increase fares and freight rates is not to appear until early next week. In reply to a question in the House and in a subsequent statement to the Press, the Minister of Transport, Lt.-Col. Moore-Brabazon, has made public the recommendations which have been accepted by the Government. The companies asked for a general increase to 17½ per cent. above pre-war figures in order to offset an increase in costs of a further £14 millions, making £46 millions in all, of which £20 millions is due to higher wage bills. The Committee has cut the percentage to 16½, namely, a 6 per cent. increase, approximately, on the existing figure, and it has further exempted from the rise all season and workmen's tickets and all charges of the London Transport Board other than coach fares. At the railways' request, operation of the new charges is deferred until December 1st. There is thus imported into the rates structure a new differentiation, whereby casual travellers and the Government, that is, the taxpayer, are charged more heavily in order to afford a partial relief to the worker, who in turn will have to bear his share of increased freights in the cost of all he buys. Beyond this innovation and the recognition that conditions in London call for special treatment, there is nothing new. The Committee has done something to reduce the direct effect of the present agreement on wages, and it has rendered a service by effecting a sensible reduction in the companies' demands, but it is a safe assumption that the latter were pitched high with such a possibility in view. This reduction is justified by the Ministry on the ground that the companies had underestimated gross revenues, so that there is apparently in prospect a rise in traffics and some reduction in overheads per unit, with a consequent benefit to the stockholders.

More important than the decision of the Consultative Committee is the question of the revision of the agreement itself. It was at one time understood that its full terms would be disclosed when the Committee reported, and it would then have been possible to discuss its amendment with some hope of practical results. This is not to be the

case, however, for the whole arrangement is described as being in the melting pot, owing to the Prime Minister's decision that all property shall be insurable against war risks. This is felt to rule out the clause under which the companies might charge up to £10 millions of damage, in any one year, against costs and cover it by higher charges. This item now becomes a national charge, the concession will be withdrawn and the railways will have to receive some countervailing advantage. This most conveniently disposes of the question whether the Minister of Transport will at the end of 1940 propose a revision of the arrangements. There can be no doubt of the serious dissatisfaction with the working of the agreement in the past year, or that it should be altered so as to increase the managements' incentive to economy and reduce the temptation to the railway worker to extract an increased amount from the growing total of gross receipts. The Minister believes that a subsidy would remove the incentive completely and encourage demands for wage increases, but it seems to make little difference whether the Ministry orders the payment to be made direct or through the general public so far as the managements are concerned. What is important is the criteria for judging the amount of the payment, and there is no indication that these are to undergo radical change. In the absence of these the plan must remain a potent instrument of inflation. The Ministry expresses the hope that the present rise in charges will take care of increasing costs for nine months; but the right of the companies to a quarterly review persists, and there is no reason to suppose that they will depart from their expressed intention of exercising it yet again, since they already claim that the time-lag has made a further rise necessary. The railway companies, as such, are perhaps no more to be blamed than any other industry which seeks to sell its goods to the highest bidder. It is only because of the size and fundamental importance of railway transport in the country's economy that the present arrangement is intolerable. It is the Government's own plan, and the only conclusion from their refusal to have done with it is that it is their deliberate policy to provide for progressive and automatic increases in the cost of transport—and, therefore, in the cost of everything else.

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The Retailers and the Purchase Tax

The position of retailers under the Purchase Tax, which came into force last Monday, was still in doubt right up to that date. In the House of Commons, Sir Kingsley Wood had, it is true, quoted a statement of the Central Price Regulation Committee that under the Prices of Goods Act a retailer "must not make any profit on the tax"—that is, must not calculate his retailer's margin on the wholesale price plus tax, but only on the normal wholesale price. The Committee also said that under no circumstances must a retailer write up the price of his stocks which have not borne the tax to that of those which have. Both these points, though apparently explicit enough, were taken up in a letter to the *Times* from the Secretary of the Retail Distributors' Association. He appeared to think, first, that retailers would be justified in putting up their prices by more than the amount of the tax because the fall in their turnover which will result from the tax must mean that expenses, which the Prices of Goods Act entitles them to recover, will have to be covered by smaller sales and consequently by higher profit margins on those sales. Secondly, he claimed that "averaging" the prices of taxed and untaxed stocks, so that prices will be raised gradually, would be permitted. A further statement broadcast by the Chairman of the Central Price Regulation Committee, however, expressly denied that retailers will have the right to include the tax in any averaging of stocks obtained at different prices, and stated that two prices for the same goods must be shown until untaxed stocks are exhausted—except in the case of tailors and dressmakers, who are regarded as manufacturers if their gross takings exceed £2,000, and whose suits and dresses are liable to tax if delivered on or after last Monday, even though the material they were made from was bought much earlier.

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The first part of the retailers' case can surely not be justified, for it is a wrong principle—though one that has been successfully upheld by public utility companies since the war—that fall in turnover should automatically be compensated by higher prices. But there is strong justification for the retailers' claim to charge the tax to the public in advance, either in full or in part, by writing up stocks or averaging prices, because otherwise they cannot, for the same working capital, buy the same amount of stocks. If this is the authorities' intention, it seems a very indirect and unsatisfactory way of restricting consumption; and it is much more likely that they have been moved by a desire to make an unpopular tax as palatable to the public as possible. This is neither good politics nor good finance.

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Cheaper Milk

The fact that milk is dear to buy because, the wholesale price being fixed in the producers' interest, distributors vie with one another in needless expense to attract custom is not news. What is news, and encouraging news, is that a committee set up by the Ministry of Food has not only reported to this effect, but has also recommended drastic changes. There is no shortage of milk. Dairy herds have increased, we are told by the Minister of Agriculture, in the past twelve months; and dairy cattle have strict priority in the allocation of scarce feeding-stuffs. The only barrier, apart from personal antipathy to the liquid, to a consumption of milk throughout the population which would assist vitally in the maintenance of national health and fitness is its excessive price—only saved from being a national scandal by the Government's free and cheap milk scheme for mothers and children. At present, the price is not only too high; it also varies widely—as it no doubt did in the Middle Ages when communications were primitive—from place to place and from season to season. Lord Perry's committee proposes a uniform distributive margin of 8d. a gallon, to take effect from next April, together with a fixed buying price for distributors to stabilise retail margins.

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To distributors who regard 8d. as inadequate, the committee recommends economies; all the familiar remedies are cited—a reduction in the types and sizes of milk bottles, the replacement of credit accounts by cash payments, the levying of a deposit on bottles and the drastic curtailment of expenditure on dairy display and ancillary services for purely competitive purposes. As it is, the cost of distribution varies by 100 per cent. between different retailers, and the most prodigal distributors are those who combine the sale of other articles with the sale of milk—in a sort of peri-

patetic bazaar. War regulations have already reduced the number of daily milk deliveries, another desirable economy; and the committee recommends a cut in the number of distributors. In each district, they suggest, there should be two distributors only, the co-operative society and the representative of a local association of private traders. Why the co-operative dairies should not rank on the same footing as the other private milk traders is not made quite clear. It will not be easy for local differences in costs to be smoothed away, but the aim is the right one. Probably the chief weakness of the proposal is that milk, with a distributive margin of 8d. a gallon, will still be too dear; of the 8d., 3½d. is allowed for distribution, 2½d. for processing and bottling, 1d. for advertising and clerical expenditure and 1d. for interest on capital and profit. Both the first items might possibly be cut down still further.

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East Asia: New Deal or New Order?

The new Japanese Ambassador, Lieutenant General Tatekawa, goes to Moscow with some hopes of success. The situation on Russia's Western frontier is discouraging enough to suggest to the Kremlin the wisdom of reaching an understanding in the Far East. And at the same time Japan's increasing embarrassment in the South Seas has brought about a more conciliatory attitude towards Russia. An exchange is possible, for Russia has not recognised Manchukuo, and Japan has not recognised the outer Mongolian Republic and Russia's special position in Sinkiang. Whether either side would be content with a simple bargain of recognition is, however, doubtful. Russia wants the neutralisation of the C.E.R. and transit facilities in Manchukuo, Japan is anxious to induce Russia to cease all aid to General Chiang-Kai-Shek, and it would take a measure of goodwill that has not so far been apparent in Russo-Japanese relations to secure an arrangement in which, for example, these further points were conceded in return on the Japanese side for the recognition of a Soviet sphere of influence in Mongolia, on the Russian side, of Japan's special position in China. The bargaining is likely to be lengthy, but at least one of the preconditions of a settlement, pressing need on both sides, is present. In the South, Japanese troops are withdrawing from Tonkin, but an economic mission is on its way to Indo-China, and systematic exploitation in Japan's interests is the only likely outcome. And the new military bases have already proved their efficacy. The Burma Road, only reopened at dawn on October 18th, has been heavily bombed by raiders using the new Indo-Chinese air bases. China's repair gangs went into action immediately, and there is nothing to suggest that the welcome inflow of supplies was seriously interrupted. Japan's anxieties are not lessened by America's clear determination to make a stand in the Far East. A new and bigger United States loan is under negotiation with China, the evacuation of American citizens continues, and after a week of speeches by prominent Americans, all denouncing appeasement in the roundest terms, the despatch of United States air squadrons to the Philippines comes as a reminder that the Administration means business.

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Oil on Troubled Waters

Mr Butler's statement in the House on October 23rd, in reply to questions from Mr Mander and others, did nothing to allay disquiet in the minds of those sections of the public which dislike the prospect of an oil deal between Royal Dutch Shell and the Japanese Government. It is now confirmed by Mr Butler's statement that discussions between the Government of the Netherlands East Indies—that is, the free Dutch Government—and a Japanese Economic Mission are proceeding at Batavia on subjects which include an agreement for the sale of oil to Japan. It appears that the British and United States Governments are fully informed of all stages of the negotiations, and that complete co-operation exists between them and the Dutch authorities concerned. His Majesty's Government is unwilling to put pressure on the freedom of action of the Dutch Government or on the commercial activities of Royal Dutch Shell in its relations with a country with whom Great Britain is not at war. It is to be feared, however, that the impression in the Far East, though it may be intended to offset the impression created by the reopening of the Burma Road, will smack once more of appeasement. It has been pointed out that all high-grade aviation spirit produced in the Dutch East Indies is sold under contract to Britain. Moreover, Japan still relies on imports of crude oil from California as her main source of supply. While this source of supply continues there is some case for non-interference with the commercial activi-

ties of the Royal Dutch Company. But though the material loss to the Allied cause resulting from the conclusion of such a deal may be inconsiderable, there is little to be gained from further attempts to obscure the fact that Japan has ranged herself on the side of the Axis Powers. And if the material contribution to the Japanese war effort is not to be negligible, the valuable consideration which she must furnish is a matter for interesting speculation.

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Free Belgium

One more foreign Government has been set up on English soil. For a long time after the collapse of France the position of the Belgian Government, which had established itself on French territory, was in doubt, although it was known that Belgium was still at war with Germany, and M. de Vleeschauwer, Minister of Colonies, was in London with full powers for the administration of the Belgian Congo. This week M. Pierlot, the Prime Minister, and M. Spaak, the Foreign Minister, have arrived in this country after a "John Buchan" story of escape from France and Spain; and a constitutional Belgian Government has been set up which takes its place alongside the legal and recognised Czech, Polish, Norwegian and Dutch Governments. There can be no question of the legality of any actions taken by M. Pierlot's Government, for as the King is unable to reign and Parliament is unable to meet, all authority is constitutionally vested in the Government. The knowledge that it is now established in a free country will be a tremendous encouragement to Belgium, where all signs point to increasing sympathy and admiration for Great Britain and increasing contempt for Germany. Free Belgium's military effort is necessarily limited, but she has soldiers and airmen fighting over here, she has the large part of her 400,000 tons of merchant shipping which escaped from Belgian ports, and above all she has her Colony. The strategic position of the Belgian Congo, which stretches across Africa, linking the Free French Empire with the British East African Colonies, is equalled in importance by its economic wealth. Its copper and cotton are materials of war; but we must be prepared to buy also her palm oil and kernels and cocoa, which formerly mainly fed the Belgian market, and Lord Hailey's recent visit was presumably concerned with the economic assistance that we can give in recognition of the Colony's support.

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Australia's Advisory War Council

Mr Menzies has not, after all, succeeded in forming a National Government. The best that the long political negotiations could achieve was a proposal from the Opposition for the formation of a National War Council. This has been reluctantly accepted by the Government, and the Council will consist of four Ministerialists, three members of the Labour Party proper and one member of the Lang Labour Party. Mr Menzies, unfortunately, appears to have been too vague in the policy he submitted as a basis for the formation of a National Government; it did not include any point of the Labour Party's programme, and the Labour leaders could not, therefore, bring round the more extreme members of the party to accept Mr Menzies' offer. The National War Council will have an advisory capacity only, and it is difficult to see that it can serve any useful purpose. The relations between the Prime Minister and Mr Curtin, the Labour leader, have always been friendly enough for Mr Curtin to give unofficial advice and criticism on the conduct of the war; and Labour is so strong in Parliament that it ought to accept responsibility and be given executive powers. As it is, there is the possibility that the extreme members of the party will use its strength to press for some of Labour's social and industrial policy, which would divert the energies of Government and Parliament from the war effort.

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Local Authorities and A.R.P.

One of the stumbling blocks to the establishment of an efficient system of civil defence in this country was, as in so many other cases, the division of responsibility and of finance between the central and local authorities. Like education and other social services, the local authorities were given grants for their establishment of a civil defence system, which varied in accordance with the estimated vulnerability of the different areas. The inadequacy of shelter accommodation throughout most of the country was the direct result of this dual system of finance. Some local

authorities produced elaborate schemes for public shelters, which were turned down by the Home Office on the grounds of extravagance; others could not, or would not, provide anything at all. The experience of London has shown how serious this gap in our civil defence is; and by a new defence regulation local authorities were given wide requisitioning powers over suitable buildings. Now, they have been relieved of all financial responsibility for the construction of shelters. The Government is to reimburse the whole cost of future contracts for the construction and equipment of shelters, provided that they are not unduly expensive. The fact that payment will not be retrospective is rather hard on the few local authorities that have already taken active steps in the provision of adequate shelters, but it means that in future none can plead finance as an excuse for neglect. Billeting is another part of civil defence which has been badly mismanaged; and here again the local authorities have been slow to use the power they have. They have now been reminded by the Minister of Health of those compulsory powers and told to use them wherever voluntary offers of accommodation fail. Unfortunately, in many cases, the members of the local authority in question are themselves "unwilling householders"; and it would be surely better for the central Government to fulfil the distasteful task of billeting evacuees through the Regional Commissioners, whose first object was to free civil defence from the ties of parochialism.

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Shorter Notes

Like the owners of coffee-stalls, the fish and chips sellers have been blessed by the Ministry of Food, for they also sell food hot and on the spot. In order to encourage them, and the consumption of potatoes, the Ministry is to subsidise the price of potatoes they need for their trade so that they will pay less than the normal wholesale price.

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More applications for writs of *habeas corpus* from persons detained under Regulation 18B were heard this week. The applications were really all made in order to have the hearing of the cases by the advisory committee speeded up, as the persons in question had been detained over three months without having their appeals heard. The Lord Chief Justice held that there was no ground for granting a writ of *habeas corpus*, and he accepted the affidavits of the Home Secretary that the applicants were not being denied their rights under the regulation; nevertheless, he stated that in cases of the liberty of the subject it was essential that all possible expedition should be used.

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In the House of Commons last week the Prime Minister moved the appointment of a Select Committee to investigate the activities of Mr Robert Boothby, Parliamentary Secretary to the Ministry of Food, in connection with the Czech assets blocked in this country. Mr Boothby became chairman of a committee of claimants and pressed for the payment of the claims against the Czech Government or institutions in Czecho-Slovakia out of the blocked assets. The Government has been informed that Mr Boothby had a financial interest in one large claim, and the Select Committee is to investigate this charge.

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In September, the number of civilians killed in air raids on the United Kingdom was 6,954, and the number seriously injured was 10,615. Classified returns have not been completed, but at least 694 of the killed were children under 16 and at least 675 of the injured.

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THE WORLD OVERSEAS

The Exploitation of Poland

(By a Correspondent)

IN the wake of the German armies, come the economists with their plans for bringing Europe under German economic domination. The main outlines of this plan for a new European order are by now well known. All countries must work for Germany, and their economic life is to be subordinated to German economic interests. As far as possible, European countries must renounce the industrial development achieved in recent years and confine themselves to agriculture and the production of raw materials. Germany will be the all-absorbing industrial centre, while the other countries will provide her, on the one hand, with raw materials and, on the other, with markets for her manufactures. Moreover, all the invaded countries must for the present work for Germany's war effort.

This policy has been made particularly clear in that part of Poland which forms the *Resegbiet* or Governorate under the German authorities. The main features of the Nazi experts' scheme for the economic exploitation of this region of Poland, in relation to the German Four Year Plan, are laid down in a confidential circular dated January 25, 1940, signed by Dr Franck and issued from the office of Field-Marshal Goering as Chief Commissioner for the Four Year Plan. Copies of these instructions were sent to all offices of the headquarters of the Governor-General of Poland, to his subordinates, to the Commander-in-Chief of the Eastern German Army, the Inspector-General of Armaments, the Military Commander of Cracow, the Chief of the Polish Bank of Issue, and the office for the application of the Four Year Plan in Poland.

The One Aim

The object is quite simply to place all the economic resources of Poland at the service of Germany's military aims. No long-term economic policy may be carried out in Poland (or the Governorate, as they call it) for the present. According to Section 1 of the document, everything must be subordinated to drawing upon the economic resources of Poland to the utmost possible limit, in order to increase the military strength of the Reich without a moment's delay.

Agricultural production must be intensified, and a systematic redistribution of foodstuffs must be undertaken, to meet the requirements of the troops, military organisations and State authorities as well as those of the local population which have not yet been fully met from current production. Agricultural machinery must be obtained locally, but where necessary the Reich may send seeds and fertilisers. Polish Government measures for the scientific exploitation of forests must be disregarded. These must be exploited to the utmost, in order to provide Germany with about 1,000,000 cubic metres of sawn wood, 1.2 million cubic metres of pit props, and 0.4 million cubic metres of pulp wood. It is nothing to the Germans that such ruthless measures must mean the destruction of the Polish forests.

The production of industrial raw materials is to be increased: for example, iron ore and sulphur silicate; nitrogen and phosphates for fertilisers for local agriculture; and crude oil to cover the most urgent local military requirements—the rest to be exported in the largest possible quantities to the Reich.

The general policy in industry, however, is to continue the production of only such articles as are absolutely essential—"under application of the most rigorous standards of judgment"—for the existence and operation of the Polish economic structure. Selected plants, producing materials useful for the German army, will be retained in order to take the place of those industrial enterprises in the Reich which have been or may be evacuated.

The ruthlessness of the Germans in pursuit of their aims is shown by the instructions regarding the rest of Polish

industry. Section 2, paragraph (f), orders that those plants which have neither been reorganised for the production of war materials nor selected to be substitutes for German firms as mentioned above must be broken up and dismantled, the buildings demolished and the debris removed. Section 4, paragraph (b), orders that firms producing articles which cannot be regarded as essential to life "must be ruthlessly closed down." Their machinery has, in fact, been either removed to Germany or scrapped for metal.

It was arranged for valuable raw materials from dismantled plants to be taken to central depots which would later on be used to improve the distribution of supplies.

In the matter of feeding the population, one thing must always be assured: people employed in what may be regarded as key industries supplying war materials must be fed well enough to retain their full efficiency. Rations for the rest must be reduced to a minimum (Section 4, paragraph (a)). In fact, in the distribution of food, officers and soldiers of the German Army come first; then the S.S., Germans from the Reich and Germans from other countries now settled in the Governorate; after them the Poles and finally the Jews.

Industrial Slavery

German domination not only affects economic activity but invades the private life of the citizens, who are treated as slaves. Paragraph (g) of Section 2 orders the conscription and transportation to the Reich of at least one million agricultural and industrial workers, male and female. About 750,000 must be agricultural workers, half of them women. The object of this measure is to keep up agricultural production in the Reich, and at the same time to replace industrial labourers not at present available. The work of transportation was to be completed by the end of April last.

These orders have actually been carried out. Pressure has been put upon the "unemployed" to go to Germany. Quotas of workers for emigration have been imposed upon municipalities. In this way, 1,000,000 agricultural labourers and highly skilled metal workers, engineers and domestic servants have been removed to Germany.

October 22nd.

Self-Government and the Philippines

[BY A CORRESPONDENT]

AMERICAN adventures in imperialism have been perhaps creditably few and creditably half-hearted. The most interesting has been in the Philippine Islands, which the United States freed from Spanish domination in 1898, and then subjected to her own rule. The Philippines, an archipelago of seven thousand islands, lying about 500 miles off the south-east coast of Asia and, at the nearest point, only 65 miles from the great Japanese island of Formosa, constitute a kind of isosceles triangle, guarding the northern approaches to the Dutch East Indies; and their strategic importance has grown with the growth of Japan's southward "mission."

The United States had trouble with the Filipinos from the start, for the islanders, freed from 400 years of Spanish rule, thought that they were free enough to set up a republic of their own, in imitation of the people who made the Declaration of Independence. It took their liberators some time, and a war, to convince them that they were mistaken; and by 1900 their colonial status was firmly established.

As a result of their incorporation into the American scheme of things, the Filipinos received some great advantages; the past forty years has been an era of trade preferences and orderly government; and by 1933 home rule was sufficiently developed for the islands' legislature to be strong enough to reject, very firmly, the spurious independence that certain business interests in the United States tried to force on them by the Hare-Hawes-Cutting Act.

The seven years that have since elapsed have provided an opportunity to measure, if not to solve, the difficulties attendant on cutting loose. The economic difficulties are the most obvious; already in 1905 half the Philippines' exports had their outlet in the United States; and by 1938 the proportion had grown to four-fifths, sugar being by far the largest single item. On the import side, the predominance of the United States, though not so marked, is still decisive; and this two-way traffic, which is, of course, due to preferential duties, has largely grown up at the expense of French and English traders.

Provisional Independence

The Independence Act of 1934, which replaced the unpopular earlier measure already mentioned, set up a Commonwealth enjoying modified self-government, and its provisions make interesting parallel reading with those of the British Government of India Act. Under the Independence Act, a National Assembly has been set up and a Commonwealth President elected. Broadly autonomous in internal affairs, the Government owes allegiance to the United States, until complete independence falls due on July 4, 1946. The United States controls foreign affairs and the public debt; court decisions are subject to judicial review; and the United States President must approve acts affecting currency, coinage, imports, exports and migration. These limitations are reinforced by the presence of an American High Commissioner with vague but wide powers. A much-disliked provision of the Hare-Hawes-Cutting Act has been retained—only fifty immigrants may pass to the United States annually until 1946, with complete exclusion thereafter.

The important geographical position of the Philippines receives recognition in the arrangements whereby American military and naval forces stay on the spot during the life of the Commonwealth; and, after independence, the navy and its fuelling stations will remain, for an indefinite period to be determined by circumstances—a provision which, in the present state of world politics, may be considered as being in the interests of the islanders themselves.

Growing Pains

Freedom from external aggression, however, will not of itself secure safety for the young republic. Unless generous concessions are made, the whole economy of the Philippines may fall into ruins, and from this point of view the trade clauses of the Independence Act are most unsatisfactory. Broadly, they provide for preferences to be granted until the coming of the republic, after which full customs duties will be charged on goods going to the States; and the Commonwealth Government has to levy a progressively increasing export duty to be used to pay off the funded debt of the islands. On the other hand, the Commonwealth cannot raise any of its import duties, except with the consent of the American President, and it is not surprising that Mr Roosevelt's keen sense of realities has led him to endeavour to find an equitable compromise before it is too late. As a result of his efforts, a United States-Philippines Committee was formed, which proposed that the period of trade adjustment should be extended to 1960, both sets of import duties being raised gradually during the first fourteen years of independence. Congress has rejected the suggestion, however, limiting the concessions to various items during the 1940-46 period; and the 1946 position will therefore be much as was designed by the framers of the Independence Act.

If no further legislation is passed, the islands' sugar industry cannot survive in face of competition from Havana, for by its long dependence on the American market it has lost the ability to compete in the free markets (if any), while the cigar and embroidery manufactures may also die away. The second industry of the islands, coconut products, is already facing an American hostility working through inter-state protective taxes, and it is not likely that the farm and dairy interests, if left to themselves, will tolerate Philippine competition once independence day comes round.

How much does this matter? If the artificially fostered Filipino industries decay and disappear, there will hardly be a ripple on the surface of the world's trade to tell of it. But there is at stake much more than the mercantile survival of

a few million Malaysians, most of them already clinging with difficulty to a barely passable standard of life. Here is an historic experiment in twentieth-century liberation, and if liberation to certain slow extinction is the best gift that democracy can bring to the East, it were better withheld. Fortunately, the Philippines' vital position makes their continued co-operation a major American interest. It would be an evil day were the Filipinos to decide that they had little interest in taking sides with the country of Jefferson and Lincoln, against the forces that are now shaping the invasion from the North; and after the November election we may hope to see a recognition that forty years of union carries with it serious obligations for the future on the part of the stronger member.

October 10th.

Towards Self-Sufficiency in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

IN Palestine, as in the Crown Colonies, it has been found advisable to foster agricultural production, and to minimise as far as possible the necessity for importing foodstuffs. For that purpose, the Government has set aside in recent weeks the amount of £P100,000. A small part of this sum will probably be advanced as one-year credits in districts where large areas, as yet lying waste, can be turned into wheat fields or sown with barley and fodder, while part may be used for the construction of cold-storage rooms for seed potatoes, thus making it possible to use home-grown potatoes for seed, which before the war was imported. But the most important part of the project is to help the cultivation of vegetables in tree-bearing areas, particularly in irrigated citrus groves. The plan is still being discussed; and, in particular, the question of the interest on, and the duration of, the loans remains to be settled; but the basic principles are apparently already fixed.

The receipts of the Palestine Treasury have been fairly good during recent months, though one of the mainstays of Palestine's financial structure, the Customs duties, has been unfavourably affected by the war. But the more the country develops from an agricultural Asiatic country into a semi-European type, with a large part of its population living in towns and with an appreciable industry, the need for social services of all kinds is bound to grow fast. In peacetime, part of these services could be fulfilled by private organisations, but during the last year or so it has become impossible to raise all the necessary funds by voluntary contributions. Government will, therefore, have to step in, to a certain extent at least, and obviously this would be impossible without an adequate rise in revenue.

More Direct Taxes

The intentions of Government are not yet known, but it is at least possible to summarise the current of public thought during the last months. It runs to an astonishing degree parallel with English thought and measures. So far, the land tax and the Customs duties have, as in every undeveloped country, been the most important sources of revenue. They must now be supplemented by taxes which, in one way or another, are levied on capital or income. An income tax has, indeed, been proposed by several experts. Should an income tax be thought incompatible with the composition of our population, there remain taxes on turnover, especially on "luxuries." This term cannot be used

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here in the full European sense, but under actual conditions a turnover tax on wheaten bread, spirits and sugar (additional to the existing duties for spirits and sugar), and, eventually, a supplement to the licence fee for private motor cars, to quote only the most important items of possible taxation, could be supported. The question of how and whom to tax loses for the moment a part of its importance in the face of the need for keeping these social services going, even by grants-in-aid to the organisations now fulfilling them. The experiences of wartime will not be entirely lost when peace returns, bringing with it, it is hoped, greater social stability.

September 3rd.

The American Census

[FROM OUR NEW YORK CORRESPONDENT]

BETWEEN 1930 and 1940, the population of the United States rose 7 per cent., compared with a rise of 16.1 per cent. in the preceding decade. The population for this year is given as 131,409,881; the rate of increase for the decade 1930-40 is less than half that shown in any previous decade since the first decennial census of 1790. Estimates of a slowing-down in the growth of the population are thus confirmed.

During the decade, six of the 48 states lost population, the largest number ever to do so. Five of the six are in the so-called "Dust Bowl"—Kansas, Nebraska, North Dakota, Oklahoma, South Dakota—and the other is Vermont. The fastest growing states are in the South and the Far West. Compared with a national increase of 7 per cent., the Pacific Coast states rose 18.2 per cent.; the Rocky Mountain states 11.5 per cent.; the South Atlantic states 12.5 per cent.; the East South Central states 8.9 per cent.; and the West South Central states 7.2 per cent. The growth in the West apparently represents continuing westward migration. The population is younger, and the reproduction rate higher, in the South, and internal migration to industrial regions was apparently less during the past decade, presumably owing to industrial depression. The population of the industrial states as a group rose less than the national total. The population of the District of Columbia grew more rapidly than that of any of the states—the District is coterminous with the City of Washington, and expanding government has added rapidly to the population.

As a group, the large cities throughout the country showed less population vigour than the country as a whole. In 1930, 93 cities held more than 100,000 persons each, whereas in 1940 the number had dropped to 92. Cities over 100,000 in 1930 held 29.6 per cent. of the population and 28.7 per cent. in 1940. Compared with the national gain in the decade of 7 per cent., the 92 cities in the aggregate advanced 4.5 per cent.; for the preceding decade the national gain was 16.1 per cent. and the gain for the 92 cities, with 100,000 and over in 1940, was 23.6 per cent.

The Decline of the Cities

Of the cities over 100,000 in 1940, 29 lost population in 1930-40, against only four in the decade 1920-30. Of all cities, only 18 gained by a greater percentage than the national total, and 16 of these 18 were in the South or Far West. There were 14 cities in 1940 with a population of 500,000 or more, and six of these showed a decline in the decade. These 14 in order, with those losing marked by (—), are as follows:—New York, Chicago, Philadelphia (—), Detroit, Los Angeles, Cleveland (—), Baltimore, St. Louis (—), Boston (—), Pittsburg (—), Washington, D.C., San Francisco (—), Milwaukee and Buffalo. New York remains the country's largest city, with a 1940 population of 7,380,259, which was an increase for the decade of 6.5 per cent.

Two major factors are present in the anaemic showing of the cities. The first is the growth of the suburbs—decentralisation. The population figures given for the cities are for the areas included in their legal limits, whereas the search for light, air, greenery, lower rentals and newer housing has taken many to the periphery beyond those limits. Probably, when more detailed figures are available to permit examination, many of the cities, viewed as social units will be found to have made a better showing than their formal areas.

The second reason has been inability to attract population from the faster growing rural areas, owing to restricted economic opportunities in the cities during the period of

industrial depression. Business improvement might bring about a movement citywards in greater numbers.

October 5th.

British Interests in China

[FROM OUR SHANGHAI CORRESPONDENT]

BRITISH trade with China has been well maintained under the impact of the European war. China's imports from the United Kingdom this summer averaged almost £600,000 monthly, and formed slightly less than half of all Chinese imports from Europe. Germany accounted for but 30 per cent. of those imports; most of the German goods arrived via the Trans-Siberian Railway and were placed in the Japanese-occupied parts of China. In Shanghai, imports from Great Britain this year are two and a half times as large as those from Germany, and are nearly up to their pre-war size. Now that Japan's control of trade and exchange in North China has been made complete since the end of June this year, and with Free China almost completely isolated from the outside world except from Russia, the Shanghai market is more important than ever in China. The British Empire still leads with a share of 43.4 per cent. in Shanghai's exports, while accounting for 30 per cent. of Shanghai's imports. The United States is a close second to the British Empire. The two Anglo-Saxon Powers together account for two-thirds of the imports and three-quarters of the exports of Shanghai.

In Chinese coastal shipping, based upon Shanghai and Hongkong, British ships continue to hold the first place. In the Chinese ports' ocean-going shipping, however, the withdrawal of much British tonnage from waters north of Hongkong, as well as various Japanese measures, have pushed the Rising Sun far ahead of the Union Jack. The tonnage of Japanese vessels entered from and cleared for abroad in Chinese ports in January-July, 1940, aggregated 8,124,128 and accounted for 52 per cent. of all China ports' ocean shipping, while the corresponding British tonnage totalled but 2,763,005 (17.7 per cent.). Financially, British shipping firms operating out here are doing reasonably well, although chartering paid for requisitioned bottoms is far below current charter rates.

Business Profits

The earnings of British industrial corporations were adversely affected by the turn from boom to depression in Shanghai and Hongkong. Shanghai's cotton mills and miscellaneous manufacturing industries all had to curtail their production considerably in July and August, and now face the necessity of further curtailment. Shanghai's public utilities, except the waterworks, also suffered. Most British industrial enterprises here, however, still make some money. Banking and insurance continue to do well. Real estate prices are at a record low level in terms of sterling, but are slowly appreciating in terms of Chinese currency. Several big sales of Shanghai British landed property to Hongkong and Japanese interests have been transacted recently. In Tientsin, British business this summer suffered severely from the enforcement of all-embracing Japanese import and export control, which is being manipulated with express discrimination against British and American firms. Of British enterprises in the interior of Japanese-occupied China, the corporations managing the Kaiping and Mentoukou coal mines report record high outputs of coal and unprecedented profits in terms of Chinese money. British railway interests out here, on the other hand, continue to be completely neglected by the Japanese; the latter also do not show any inclination to contribute to the service of any of the London issues of Chinese foreign loan bonds, whose securities are mostly in Japanese hands.

All British business corporations active in the Far East made substantial contributions to British war finance. Besides outright donations to British war funds, British corporations domiciled in Shanghai and Hongkong invested in British war loans the whole or at least a large part of their reserves. One such subscription by a British insurance corporation is known to have absorbed one-third of the firm's total means.

September 9th.

Germany at War

(It has been found possible to resume the publication of Germany At War, which is compiled by the editorial staff of The Economist from German and neutral sources. It is hoped that the page will appear at frequent intervals in the future.)

War Finance. Dr Reinhardt, the Under-Secretary of State in the Reich Ministry of Finance, recently published in the *Völkischer Beobachter* a long article on Germany's war finance. The expenditure of the Reich, he said, is confined within the boundaries of the German economy, and creates direct and indirect income to private persons, companies or corporations acting there. All these incomes are devoted to three purposes: private expenditure; taxes; and savings. Private expenditure is limited by rationing and it is therefore stable. Any increase in general income within the German economy, therefore, means a proportionately larger increase in taxes and savings. The revenue from taxation, which amounted in 1933 to only Rm. 6.8 milliards, reached Rm. 23.6 milliards in 1939. This increase in tax revenue was the result of the increase in the national money income and in the rate of taxation. It is to be expected that in 1940 tax revenue will amount to Rm. 25-26 milliards. In the first four months of the current year Rs. 8.17 milliards was collected in taxes. The excess profits tax is to be increased.

The remaining income in the hands of the public is usually diverted into capital goods or savings. The increase in savings has been very large and the demand for all kinds of shares, Government loans and bonds and other investments has increased to such an extent that the Treasury has had no difficulty in raising all the money necessary for covering war expenditure. One of the functions of the Reichsbank is to create necessary cash in a short-term current loan account; these loans always correspond to the current demand of the Reich for cash and they have never been higher than Rm. 1 milliard. The increase in the indebtedness of the Reich during the war, Dr Reinhardt went on, has not passed the "tolerable margin," and the war, he claimed, has not been financed by increasing the output of the presses printing banknotes, but out of national income.

According to figures published by the German Treasury on June 30, 1940, long-term loans amounted to Rm. 33.64 milliards, compared with Rm. 29.9 milliards on March 31, 1940. Short-term loans (*Schwebende Schulde*) amounted to Rm. 22.78 milliards, compared with Rm. 18.05 milliards in March, 1940. Tax certificates (*Steuergutscheine*) totalled Rm. 3.7 milliards, compared with Rm. 4 milliards. Total indebtedness on June 30th was Rm. 60 milliards, compared with Rm. 52 milliards on March 31, 1940. The increase in debt during the three months was thus Rm. 8 milliards. Money in circulation on August 13, 1940, was (according to the Reichsbank) Rm. 12.32 milliards, compared with Rm. 8.7 milliards in August, 1939.

Expenditure during the *Blitzkrieg*, it can be calculated, has been a little over Rm. 5 milliards a month (exclusive of miscellaneous revenue) or at the rate of Rm. 60 milliards a year, which is equivalent to about £4,000 millions. The rate of war expenditure proper must have been something like Rs. 54 milliards. The gross national income of Greater Germany before the war was about Rm. 110 milliards, or some £7,300 millions; and the fact that so great an expenditure as this can be met without inflation is explained by the resources tapped outside the Reich, in the occupied and dominated countries, by forced loans, tribute and loot.

★

Industrial Control.—The official German Institute for Economic Research (*Deutsches Konjunkturforschungsinstitut*) recently published, for the first time since the outbreak of war, a survey of the development of German industry in wartime. This report does not contain any figures about industrial production or foreign trade; but in general terms a lot of information is given about the complete conversion of German industry on to a war footing. The most important change as a consequence of the war is the restriction of the output of consumable goods to the indispensable minimum, in order to save labour and raw materials; and, at the same time, a process of rationalisation has been carried out to concentrate the production of those goods in as few factories as possible. Works which have been closed down under this policy are employed for armament purposes or shut down altogether; and the owners of closed factories receive an indemnity which is paid out of the proceeds of a levy on the industrial companies still working.

The greatest difficulty arose, the *Konjunkturforschungs-*

institut admits, in mineral oil supplies, even though Germany in recent years had built many plants for synthetic oil and grease, laid in large stocks and made spectacular and enormously expensive efforts to increase home production; petrol consumption has been controlled for years. After the outbreak of war, all oil stocks were immediately confiscated and they are now distributed by a Government central office. Oil consumption is severely rationed, ration cards only being issued for work important to the war effort. Private car traffic has been cut down to 10 per cent. of the pre-war figures, and the manufacture of cheap cars has been stopped.

Coal supplies also have not been quite satisfactory. As reasons are given the increased demand of industry, the use of lignite as raw material for synthetic oil, the large consumption of the army and the exceptionally cold weather of last winter. The extension of working hours in coal mines by about six hours a week, ordered in the spring of 1939, was not enough. In April, 1940, the whole coal trade was concentrated under the management of a Reich Commissioner with dictatorial powers. He allocates coal supplies to consumers according to their public importance; war industry is given absolute priority. Deliveries are not automatically fixed on the basis of previous consumption but are fixed from time to time in accordance with the monthly returns of customers; and special delivery certificates have been issued for householders who must register with a single coal merchant.

Heavy restrictions have been introduced in the iron and steel industry. No iron or steel may be used for the manufacturing of many articles for civil demand; and the allotted quotas of metals like copper, lead, nickel, tin and mercury, the consumption of all of which was regulated long before the war, were cut by a further 50 per cent. Aluminium can only be used in much reduced quantities. Ore working has been intensified by order; and the scrap trade has been centralised. Stocks of building iron in private hands were confiscated at the outbreak of the war; and since then building iron has been supplied according to a quota system. Private building activity has practically come to a standstill. Urgent building projects are approved by a special Commissioner; and "saving engineers" have been appointed to ensure the utmost economy in building methods. All building materials, like timber, bricks, stones, etc., are controlled, and so even is the transport of building materials.

It becomes clear from this survey that the enormous supply difficulties caused by the war have been kept as far as possible from interfering with the German war machine. Up to now, this aim has been achieved to a great extent, but only by imposing the heaviest sacrifices on the civil population and by the elimination of private influence in industry and trade. In some industries, complete concentration was instituted, and the whole or part of factories were moved in accordance with technical considerations only. The Commissioners appointed for these industries have absolute powers. Financially, all companies are pooled, which makes subsidies to individual concerns unnecessary.

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THE BUSINESS WORLD

A New Price Index

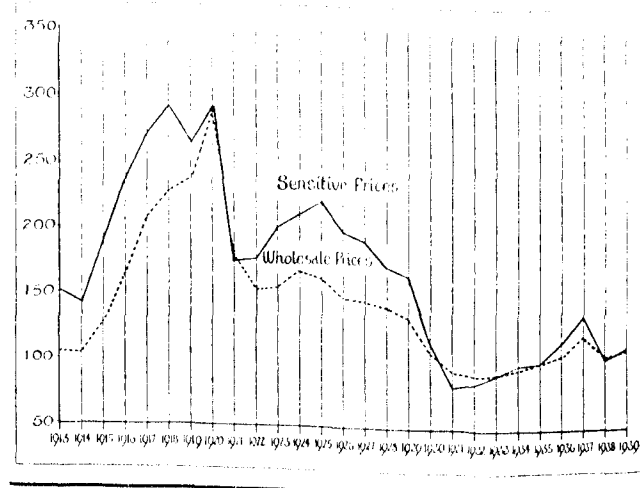
It was not until well after the last war that economic science shed the strait-jacket of the crude Quantity Theory of Money and that the somewhat sterile conception of the "general level of prices" gave way to the more realistic study of changes in the ratio between individual prices and of the relationship between the prices and production of commodities in the conditions of more or less imperfect competition that are actually found in the world. Unfortunately, the development of monetary economics has run ahead of the compilation of index numbers of prices, which are its essential raw material. The existing price indices are wholly inadequate for that study of changes in price relationships, and in their causation and consequences, which is essential if we are to succeed in reducing the violent and socially destructive swings between prosperity and depression.

Up to the last war virtually the only price indices that existed in this country were those originally calculated by Newmarch and Sauerbeck, published by *The Economist* and *The Statist* respectively. These two indices—the one goes back to 1851 and the other to 1846—were intended to measure the changes in the wholesale prices of basic foods and raw materials, though they also included a sprinkling of semi-manufactured commodities. Within their limited scope these two indices, of which the later *Times* and *Financial Times* indices were mere variants, were very useful. Unfortunately, however, they were, and still are, frequently used as though they measured changes in the general price level—an interpretation to which their authors laid no claim. Still thinking in terms of the "general level" of wholesale prices, the Board of Trade calculated a more ambitious index, containing a large number of more varied commodities, each weighted in accordance with its importance in the national economy as ascertained from the Census of Production. This index is more representative of the broad movement of wholesale prices than the older series, but it certainly does not measure changes in the general level of prices in the widest sense in which this conception has been employed by economists.

The majority of statisticians were preoccupied after the last war with discussions on the technique of calculating prices indices, instead of concentrating on analysing and

defining what it was that they wanted to measure. The only serious contribution to the study of prices in these years was the quarterly indices of the average price of imports and exports calculated by the Board of Trade, which throw considerable light on the prices of the very important categories of goods that enter into the international trade of the country and play the dominant part in relating the British price-level to that of the outside world. It has been evident for some time that much more information was required for the study of the behaviour of prices. Just before the outbreak of war *The Economist* began to re-examine its series of price indices with a view to publishing new indices calculated to assist in the study of changing price relationships, and of their causes and consequences.

"ECONOMIST" INDICES OF WHOLESALE SENSITIVE PRICES, 1935 = 100.



In view of their often violent price movements and because of the frequent demand for Government intervention in the market, it was decided, first of all, to examine the course of the prices of primary products. The conditions of the

ECONOMIST SENSITIVE PRICE INDEX
1935 = 100.

End of month	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926
January	158.7	142.8	155.5	236.2	251.7	282.4	262.4	316.3	181.3	163.0	201.8	216.7	223.6	214.9
February	160.2	142.2	168.9	241.9	258.2	286.9	244.1	309.4	192.1	163.9	214.4	224.2	222.3	204.6
March	156.6	141.6	180.1	248.9	265.1	282.9	240.8	344.0	182.5	164.7	214.2	224.2	222.3	204.6
April	155.7	138.9	188.3	256.0	266.1	288.1	235.7	346.3	173.7	166.2	210.2	209.9	210.3	202.3
May	151.8	137.1	190.8	244.7	273.9	284.9	244.2	323.4	174.9	169.8	201.5	205.9	205.9	196.2
June	146.1	134.1	196.2	212.1	275.6	285.1	248.8	297.8	170.3	175.7	205.8	195.7	220.7	194.0
July	146.3	134.1	190.7	218.5	274.7	293.6	266.3	297.0	178.3	180.7	199.7	194.0	221.8	196.0
August	149.4	137.9	186.3	227.2	273.8	297.8	259.5	287.1	176.9	174.9	191.6	206.6	230.9	203.8
September	149.2	140.0	188.9	228.7	270.7	295.2	264.3	276.1	178.2	177.4	197.2	211.9	222.8	200.7
October	148.5	137.9	196.5	236.3	275.0	294.6	279.4	258.9	169.2	190.7	207.6	223.4	217.9	192.8
November	142.0	146.2	225.0	251.5	282.0	300.8	304.4	210.0	172.0	197.8	222.2	232.2	232.3	188.8
December	139.7	152.5	232.4	241.7	282.6	292.0	338.1	192.3	171.0	198.2	206.6	232.8	226.0	192.3
Year	150.2	141.3	190.6	237.1	270.7	290.3	264.2	290.5	176.6	177.0	202.2	212.1	221.6	199.1
End of month	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
January	190.8	184.7	174.7	141.8	86.8	89.6	81.6	96.0	95.4	105.0	141.3	107.9	102.7	135.0
February	197.2	177.7	180.4	138.7	91.0	89.8	79.8	98.5	95.3	106.0	156.3	108.8	101.6	137.4
March	193.6	180.0	179.1	137.4	85.6	78.9	81.6	97.9	95.7	108.7	175.1	101.4	100.9	134.4
April	196.6	180.2	167.2	127.1	80.4	78.9	88.2	97.4	97.0	108.6	142.3	93.5	103.0	135.0
May	195.8	184.3	163.1	125.3	76.6	75.3	99.2	98.9	94.2	101.6	143.2	88.0	105.0	133.6
June	188.7	180.0	167.6	118.2	85.7	75.7	99.6	101.1	94.2	107.0	139.5	99.2	104.0	133.9
July	193.0	170.0	173.0	114.2	76.4	80.5	101.2	101.7	99.5	113.4	139.6	102.6	102.0	134.9
August	194.1	168.7	168.5	110.4	74.9	98.4	97.1	103.2	99.5	114.4	134.2	99.3	106.4	132.9
September	185.4	167.5	165.6	96.3	83.2	94.2	94.6	100.9	105.4	119.4	121.8	103.1	118.6	132.9
October	183.0	169.5	158.8	100.1	87.5	85.6	92.3	96.1	106.2	121.1	116.1	102.5	123.8	132.9
November	187.0	170.4	150.3	98.0	90.4	89.4	88.5	96.7	106.2	127.6	108.9	105.6	142.5	132.9
December	188.0	170.4	149.7	92.4	94.3	85.1	89.9	96.8	105.4	141.2	103.7	105.6	142.5	132.9
Year	191.0	173.1	166.2	115.7	82.9	84.9	90.9	98.7	100.0	114.7	134.1	101.1	109.4	132.9

THE ECONOMIST

TRADE SUPPLEMENT

OCTOBER 26, 1940

The Trend of Business

THE expansion in the volume of industrial production was arrested early in September by the intensification of air raids upon industrial centres in the South of England and in the Midlands. At first the loss in output was considerable as a result of the delays in communications, the time spent by workers in the shelters and the decrease in efficiency through lack of sleep. But the actual destruction of productive equipment has so far been small.

Since the beginning of October, industry has gone some way towards adjusting itself to working under fire, and there are indications that the loss of output through delays and stoppages has become quite small. Communications have shown some improvement, the time spent in shelters during working hours has been reduced, and the relatively small damage done by the bombing of essential works is being rapidly repaired. But more remains to be done if the total volume of production is to show any considerable rise from present levels.

The incidence of the loss of output has not been uniform. In the case of coal, for example, productive capacity exceeds the demand, due to the loss of the greater part of the Continental markets. In September the value of coal exports was only £1,374,000, against £2,280,000 in the corresponding month last year. The output of steel, too, has been maintained, while domestic output has been supplemented heavily by higher imports, especially from the United States. Last month the value of iron and steel imported by Britain was no less than £5,103,000, compared with £1,164,000 in September, 1939. Indeed, it has been possible in recent weeks to accumulate substantial reserves of ore, scrap and semi-finished materials.

In the aircraft, engineering, shipbuilding and related industries activity has been fairly well maintained, though a number of individual plants have experienced more serious losses of output. The system of duplicate plants which, in the view of

some observers, had been carried so far as to render it wasteful, has prevented grave hindrances to the production of munitions of war.

The building industry has suddenly sprung to life with the intensification of air raids and is now employed chiefly on the construction of shelters, on the repair of essential works and communications damaged by bombs, and on the extension of munition-making capacity.

The export industries have not yet fully recovered from the loss of European markets. Actually, the value of shipments declined slightly, from £32.6 millions in August to £31.2 millions in September. But efforts are being made to expand them—by sending an economic mission to Latin America, for example.

Activity in the consumption goods trades is slowly declining; but the Purchase Tax, which came into operation on October 21st, and more stringent direct limitation of output should tend to accelerate the curtailment of unessential work. On the whole, however, the transfer of productive resources to essential purposes is still proceeding all too slowly; in particular, the training of labour for munitions work has not yet been speeded up sufficiently. Only by broadening the basis of the munitions industry and by increasing the yield of existing capacity by means of an efficiency drive can we hope to expand output substantially from the present levels.

The shipping position has not grown worse; but the rate of loss since the German occupation of the coast-line facing this country has been high. Our capacity to import and to export has been reduced by the increased loss of shipping, but the position, though serious, has not yet become precarious, partly because of the strengthening of the shipping tonnage at our disposal by the addition of a large part of the merchant fleets of the countries occupied by the Nazis in the spring.

British Industrial Developments

COAL

In view of the heavy domestic demand for coal, the industry remains very active except in some of the export districts, which are to be assisted from a fund to be raised by a levy of sixpence per ton on output.

SOUTH WALES.—Production during the past month has averaged 12 per cent. to 13 per cent. less than that in the corresponding period last year. The decrease is due to the loss of export markets, where the volume of trade has declined by two-thirds; inland disposals are good, and for the year they show an improvement of about 13 per cent. Owing to the severe contraction in the European and Mediterranean exports, and the closing of the Canadian season, the anthracite collieries are faced with the prospect of only between 10 per cent. and 15 per cent. of their normal peacetime winter trade of between 1½ and 1¾ million tons. Ameliorative measures are under consideration by the Ministries of Labour and of Mines. The Central Scheme has not yet been statutorily amended for the purpose of the proposed national Trade Maintenance Fund, but the South Wales colliery owners are considering the granting of additional assistance to local distressed undertakings through the levy and compensation provisions of their own marketing scheme. The joint audit of the coalfield for the September quarter showed a considerable loss.

IRON AND STEEL

The loss of output due to air raids has been comparatively small in the iron and steel industry. Moreover, supplies of raw materials have remained adequate. The comprehensive survey of potential heavy steel scrap in derelicts and disused structures is now well under way. The home output of iron ore has been well maintained at the higher levels. And imports of iron and steel, especially from America, have remained on a large scale. In September, the value of imports of iron ore and scrap was £1,228,000, against £1,665,000 in August, while the intake of iron and steel was £5,103,000, compared with £5,365,000 in the previous month. The value of iron and steel exports actually rose from £2,403,000 in August to £2,629,000 in September. Substantial stocks of both raw materials and semi-finished products have been accumulated. As a result of the revision of the steel

distribution scheme, most of the former leakages have now been stopped. Owing to the expansion in the imports of iron and steel, especially of the more expensive American material, the Fund set up for the purpose of compensating the industry for the rise in import costs has been severely strained, and it is expected that, with the forthcoming advance in railway charges, a further increase in steel prices will be announced in the near future.

ENGINEERING

The engineering industry has experienced a fall in production as a result of the intensification of air raids, but it is gradually adjusting itself to the new working conditions and in recent weeks output has shown a tendency to increase again. The expansion in the capacity of the industry is still proceeding rather slowly and the training of additional labour has not yet been speeded up sufficiently. But it also appears that the existing capacity of the industry is not yet being used as efficiently as possible. The announcement that plant and machinery will be insurable against air raid damage under the Bill now in preparation by the Government has brought relief to the industry. The Unions' demand for higher wages is still under consideration. Exports of machinery, though still high, have tended to fall; they were £3,333,000 in August and £2,739,000 in September. The value of imports, however, showed little change last month, when they were £2,694,000, against £2,673,000 in August.

CHEMICALS

Conditions in the home chemical market have been steady during the past month, with the supply position showing signs of improvement. There have been numerous export inquiries, with a good volume of definite business. Nearly all sections of the industrial chemicals market continue firm, and the price position shows no important alterations. Trade in the pharmaceutical and fine chemicals markets remains limited.

FOOTWEAR

Most districts reported active business during the early part of the month, some of which was due to the accumulation of stocks or retail purchases in anticipation of the purchase tax, and some districts therefore expect trade to react later in the season. Export trade

has shown a satisfactory tendency to improve, and orders for leather, footwear and leather goods have been on a larger scale. Many of the recent overseas inquiries have come from Canada and the United States.

COTTON

The most important developments in the industry during the past month have been the fixing of maximum prices for raw cotton in Liverpool by the Controller, and the decision to bring into operation a cotton-rationing scheme for spinners. It has been necessary to restrict the use of material from non-sterling countries and to encourage the consumption of cotton grown in Empire countries. The Controller intends to regulate prices in Liverpool in accordance with world prices. These regulations have had a very disturbing effect upon trade in yarn and piece-goods. Substantial contracts have again been placed in cloth for the Government. Towards the end of the month export demand improved somewhat, with rather more sales for India, Java, South America and the Dominions. The home trade section has been harassed by the Limitation of Sales Order and the Purchase Tax. Spinning production is now 85 per cent. of capacity, against 90 per cent. a month ago and 75 per cent. a year ago.

LINEN

Regular supplies of home-grown flax are now coming forward, and on the whole quality has so far come up to expectations. While the major portion of the crop will be held against Government requirements, some releases will be made to stimulate the export of linen fabrics to approved markets. Large contracts covering a wide range of woven goods for multiple official needs have been fixed by the Ministry of Supply and representative trade associations. Allocations, it is expected, will be made to spinners and weavers at an early date. Thread yarns for Government, home and overseas markets are in constant demand and all available machinery is working to capacity. So far efforts to secure an expansion of the 25 per cent. sales quota on linen goods for home trade sales have been unsuccessful; if no relief is granted, the results, both direct and indirect, are bound to affect gravely all sections of the industry.

WOOL

It has been announced that 250 million lb. of Australian wool owned by the British Government are to be stored in American warehouses and are to remain there under arrangements similar to the ordinary conditions of bond until some emergency renders it necessary to draw upon the supply. The emergency is not specified, but the statement should free the American textile industry from any anxiety it has had that their market runs the risk of being partially swamped. The consequences of the restricted supply of raw materials from Control are causing the British wool textile industry serious concern. The broad principles which render this policy necessary are realised, but nevertheless there are many who, seeing abundant supplies of wool and much idle machinery, feel

that potential air-raid damage could best be guarded against by accumulating stocks of undyed cloth which could be diverted to any of a number of uses. Part-time running, particularly in spinning and weaving, entails increased production costs, and inevitably spinners must ask more money for their product. But manufacturers feel that a lower price for finished fabrics is more likely to bring out bulk business than anything else, and with the spring showings to be entered for, a decision in the matter of price, binding for the period covered by the offers, must be made without loss of time. The displacement of labour also gives rise to problems. The drift from the wool textile industry to other trades is so far uncontrolled and a very awkward transition period appears to be inevitable. There is, then, much to be said for a policy which would keep available machinery running, though the ultimate decision does not rest with the industry itself.

RAYON

Another price increase, amounting in this case to 2d. per lb. for most deniers, came rather unexpectedly soon after the previous increase of 3d. per lb. in the previous month. New business has been limited. The slowness of home demand is partly due to heavy overbuying in the early months of the war, which has left large stocks on the hands of buyers. In addition there is reluctance to hold more than necessary because of the threat of air-raid damage. There are no signs of the usual substantial seasonal orders. Export business has also been slow in developing. Stocks in all quarters are high, and the efforts now being made to develop overseas business by means, *inter alia*, of special price rebates will, in view of the stock position, be some time in fruitifying.

JUTE

The volume of business in the producing sections of the industry has improved. Manufacturers of tarpaulins are very busy supplying camp beds for air-raid shelters, while attention is being turned to hessians as a substitute for the scarcer tarpaulings. These, if reinforced by cross strips of hessian cloth to take the place of webbing, which is practically unobtainable, should be strong enough. There are suggestions that hammocks might be made of jute on the fish-net principle, which would give employment to many unemployed men and women normally engaged in the making of fish nets, in addition to helping the spinning industry in Dundee. There is plenty of raw jute, about the only textile fibre that is available. Government orders for fair quantities of cloth and bags are being placed with Dundee manufacturers, and on the whole the industry is on a better footing. Prices of yarns and cloth are very steady at the lower levels to which they have fallen. Calcutta hessians are in some demand on the spot, but shipment is neglected. Stocks of hessians in Calcutta at the end of September were 255 million yards and stocks of sackings 203 million yards, compared with 302 and 240 million yards respectively at the end of August. Raw jute is generally quiet, but prices are being fairly well maintained despite the heavy crop in view this season.

Business Developments Overseas

UNITED STATES.—Business activity continues to expand fairly rapidly. In September the Federal Reserve Board's index of production almost reached the peak of December, 1939, while the figure for October is expected to establish a record. The increase in defence expenditure, first by Britain and France and then by the American Government, has largely contributed to the recovery in business activity. The engineering, aircraft and shipbuilding industries have been operating virtually at capacity for some months and the basis of these industries is now being extended under the influence of the growing demand for munitions. The output of crude steel is at over 94 per cent. of the industry's capacity. But other trades are also making rapid headway and the desire to accumulate stocks has become fairly widespread. The consumption goods trades have experienced a lull; the output of motor vehicles reached 108,000 units in the third week of October, while the textile, clothing and furniture trades are also busy. Prosperity, however, has not yet spread to the agricultural section of America, partly because of the price-depressing effect of the loss of European markets.

SWEDEN.—The Swedish Institute of Business Research has published a report on industry and economic life during the first six months of 1940. It is estimated that at least 100,000 workers—about one-fifth of the total—are directly engaged on State orders for military purposes. The branches of industry mainly concerned are those manufacturing finished goods, but semi-manufactured goods are also important; from 40 to 100 per cent. of the looms in over three-quarters of the woollen mills were employed on Government or municipal contracts on May 10th. Steel works were already operating at full capacity at the end of 1939, with State orders being given priority. The capacity of tanners to supply leather for heavy boots was also taxed to the utmost. This reorganisation of industry has led to a number of industrial problems. The limited capacity of the plant available was one of the early difficulties, but it has now given way to the necessity of considering the dwindling supplies of raw materials, and the plant capacity may become excessive. The volume of imports from January to April was some 13 per cent. higher than in the corresponding period of the years 1936 to 1938, but imports have, of course, now been considerably curtailed.

BRITISH EMPIRE

CANADA.—Canadian industry is well on the way to new records of activity largely on account of expenditure on military equipment and munitions. Just how important this branch now is is shown by figures published by the Minister of Munitions: On Septem-

ber 11th the value of war contracts placed by the Canadian Government was estimated at \$315 millions; purchases by the British Government at \$208 millions; and capital expenditure for new munition plants jointly incurred by the two Governments at \$222 millions. Capital expenditure by private firms for the expansion of plants to undertake war contracts will be allowed special depreciation rates in assessing Income and Excess Profits Taxes. Production of steel ingots during August was 166,879 tons, or 40.6 per cent., above that for August, 1939. Production for the first eight months was almost 60 per cent. above last year's level. Measures have been taken to increase Canada's gold production as a support for Empire credit throughout the world. Unemployment is being reduced rapidly, and the increase in purchasing power has led to a substantial growth of retail trade. Canada's wheat harvest is now officially estimated at 561 million bushels, or only about 5½ million bushels below the record crop of 1928. It is still difficult to find the necessary storage accommodation and the cash advances to Prairie producers who are obliged to store some of their wheat on their farms, but the volume which farmers are permitted to deliver has been increased, and rapid progress is being made in enlarging storage capacity.

AUSTRALIA.—It is reported that the condition of Australian trade and secondary industries continues buoyant. Rain is badly needed over a large proportion of the pastoral areas, wheat belt and likely at the end of the season. The value of imports and exports continues to exceed last year's levels. Banking statistics indicate a growing strength and liquidity, and the Stock Exchange is firm, with industrials advancing in a quiet market.

SOUTH AFRICA.—Overseas trade has increased steadily since January, and during the first eight months of the year exports were £7,399,000 more than in the corresponding period last year at £28,676,000, while imports totalled £73,597,000, an increase of £9,772,000. The Transvaal gold output in September amounted to 1,166,152 fine ounces (valued at £9,795,677) compared with 1,071,991 fine ounces (valued at £8,039,933) in September, 1939. The average daily output rose to 46,646 fine ounces. Wholesale business has slackened slightly, but this is considered a normal reaction to heavy buying earlier in the year. Retail business is well maintained at most centres. Factory activity is increasing as a result of the steady progress of the Union's war effort. Farming conditions are unchanged, but the drought has caused sales of agricultural implements to decline.

UNITED KINGDOM AND UNITED STATES

	Unit of Measurement	Monthly Average						1939			1940								
		1929	1932	1936	1937	1938	1939	July	Aug.	Sept.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	
UNITED KINGDOM (Population mid 1938, 47,485,000; Area: 95,030 sq. miles; 244,000 sq. kms.)																			
1. Cotton delivered to mills, G.B.	Mill. lb. daily av.	5-27	4-47	5-17	5-43	4-18	5-18	4-65	4-21	5-67	6-52	6-49	6-72	5-74	7-72	6-09	4-63	4-88	
2. Postal traffic receipts, daily (7) (c) ..	Thous. £s	133	133	147	154	155	150	149-1	143-9	139-1	133-1	137-6	145-9	177-6	167-5	179-6	167-1	...	
3. Retail trade, Gt. Brit.: Food ...	Avg. daily sales	...	78	92	100	104	100	106	103	114	107	115	114	118	110	118	108	...	
4. " " Other merchandise ...	"	...	83	95	100	100	102	107	83	103	83	100	106	113	99	106	101	...	
5. " Total ...	"	...	81	93	100	102	105	107	94	109	95	108	111	115	105	113	104	...	
6. Retained imports, value: Food ...	Thous. £s	42,444	29,810	30,921	34,099	34,923	31,550	31,917	33,779	22,311	37,070	42,755	40,984	38,933	34,934	29,656	34,772	28,865	
7. " Raw materials ...	"	23,774	11,740	17,934	23,203	18,112	18,079	19,499	19,463	12,408	32,027	32,640	32,656	34,101	28,138	27,197	28,254	21,879	
8. " Manufactures ...	"	25,467	12,168	16,452	20,878	17,988	18,907	22,636	22,756	12,498	23,637	29,040	31,336	28,814	25,364	27,920	30,272	28,360	
9. " Total ...	"	92,589	54,221	65,710	79,492	71,569	70,002	74,555	76,609	47,555	93,206	104,945	105,551	102,339	88,775	85,189	93,628	79,440	
10. Domestic exports, value: Food ...	Thous. £s	4,555	2,625	2,968	3,232	2,993	2,976	2,988	3,239	2,105	2,926	2,932	3,833	3,482	2,780	2,615	2,628	...	
11. " Raw materials ...	"	6,575	3,634	4,278	5,328	4,744	4,533	5,261	4,442	2,893	4,262	4,142	4,555	4,626	3,800	2,491	1,687	1,861	
12. " Manufactures ...	"	47,899	23,031	28,410	33,737	30,448	28,121	30,997	28,544	17,308	29,704	33,473	38,988	36,668	28,756	25,555	27,605	26,272	
13. " Total ...	"	60,779	30,419	36,727	43,466	39,240	36,567	40,355	37,077	23,087	37,402	41,456	48,300	45,500	36,211	31,189	32,555	31,177	
14. Registered unemployed G.B. ...	Thousands	1,212	2,756	1,684	1,413	1,791	1,514	1,256	1,232	1,331	1,504	1,121	973	881	767	827	759	830	
15. Per cent. unemployed ...	%	10-3	21-9	13-0	10-6	12-8	10-3	8-7	8-6	8-9	10-0	7-4	6-5	5-9	5-0	5-4	5-2	...	
16. Registered at Exchanges, all ages (d) ...	Thousands	1,276	2,813	1,822	1,586	1,881	1,690	1,326	1,295	1,306	1,586	1,193	1,040	948	843	899	868	...	
17. " London ...	"	118	306	179	171	225	236	175	162	243	282	239	210	194	183	209	223	...	
18. " E. and S. England (n) ...	"	50	142	79	70	96	93	63	60	80	202	122	102	86	76	77	51	...	
19. " S.W. England (p) ...	"	69	157	94	83	84	76	48	48	67	46	35	32	28	22	21	22	...	
20. " Midlands & N. Midlands (m) ...	"	165	371	178	144	210	153	142	160	151	188	106	81	69	56	63	70	...	
21. " N.E. England (m) ...	"	280	602	304	165	208	151	132	128	111	126	83	72	69	60	59	60	...	
22. " N.W. England ...	"	285	562	374	304	398	309	277	267	276	247	185	159	154	122	126	117	...	
23. " Northern (a) ...	"	...	...	179	156	158	139	123	119	113	128	97	87	78	67	76	77	...	
24. " Scotland ...	"	156	378	277	228	253	217	191	187	188	184	155	139	123	111	114	103	...	
25. " Wales ...	"	116	228	168	151	164	127	106	103	101	121	99	92	80	68	81	75	...	
26. " Northern Ireland ...	"	36	68	67	71	91	76	70	63	65	82	72	68	67	67	71	68	...	
27. Industr. disputes, No. days lost ...	"	676	541	154	285	110	107	134	118	73	168	165	82	91	14	33	13	...	
28. Wage rates, Min. of Labour (b) ...	1929 = 100	100	96	99	103	107	108	107	107	107	...	...	...	...	...	...	...	...	
Wholesale Prices: Economist:																			
29. Cereals and meat ...	1929 = 100	100	70-4	79-4	93-5	82-4	76-2	68-0	69-0	78-4	90-0	89-0	88-8	87-9	92-8	87-4	96-4	98-7	
30. Other foods ...	"	100	72-8	71-2	78-6	68-4	76-4	71-9	71-2	77-8	95-0	94-2	93-7	93-2	93-6	93-4	95-0	96-2	
31. Textiles ...	"	100	53-4	67-0	73-7	58-6	63-8	57-2	58-9	67-9	83-0	94-4	95-5	96-9	96-1	92-8	94-8	94-5	
32. Minerals ...	"	100	76-3	88-5	108-4	97-4	100-0	96-8	95-8	103-6	120-2	120-0	121-2	123-3	123-4	127-0	126-4	126-4	
33. Total incl. miscellaneous ...	"	100	67-8	78-8	89-3	77-8	80-3	75-8	75-8	83-2	99-5	101-0	101-4	103-5	105-7	103-9	106-4	106-7	
Cost of Living: Min. of Labour																			
34. Food ...	1929 = 100	100	81-8	83-6	90-7	90-1	92-4	89-0	89-6	97-4	104-5	102-5	103-2	102-5	109-1	106-5	107-9	109-7	
35. Total ...	"	100	87-8	89-7	94-5	95-2	96-4	94-6	94-6	100-6	109-0	108-5	109-8	110-5	114-0	112-8	114-0	115-3	
36. Industrial securities, Fin. News ...	July 1, 1935 = 100	100	64-0	115-7	110-2	85-6	78-1	85-7	77-5	66-4	80-6	77-6	77-6	62-6	54-4	59-6	62-9	63-5	
37. Fixed interest ...	1928 = 100	100	113-6	137-7	128-6	127-6	116-8	117-9	113-4	109-7	125-6	124-9	125-7	121-5	115-9	120-1	121-0	120-9	
38. Govt. Revenue, cumulative (e) ...	Mill. £s	815-0	827-0	886-6	948-7	1006-2	1132-2	236-0	317-8	378-0	981-7	1132-2	67-5	145-1	208-4	307-4	417-2	493	
39. " expenditure, (e) ...	"	829-5	859-3	902-2	919-9	1018-9	1408-2	377-5	551-3	601-6	1148-7	1408-2	186-3	442-6	715-1	993-8	1349-4	1,651	
40. Bank of Eng.: Notes in circ. (d) ...	"	362-3	258-5	431-4	479-5	487-4	508-2	508-0	518-5	574-9	531-0	538-2	539-1	547-0	584-7	608-6	611-9	607-4	
41. " Bankers' deposits (d) ...	"	62-9	81-3	98-2	102-8	102-8	92-6	92-6	89-6	109-0	102-7	109-8	116-8	107-6	102-8	102-4	115-7	117-6	
42. " Gov. sec. B'king Dept. (d) ...	"	55-9	64-0	89-8	98-4	103-2	107-0	107-7	110-4	122-4	124-5	135-4	133-7	140-8	146-8	158-5	154-7	147-8	
Clearing Banks:																			
43. " Deposits ...	"	1,738	1,791	2,142	2,210	2,205	2,179	2,158	2,162	2,275	2,366	2,275	2,268	2,324	2,376	2,363	2,390	2,501	
44. " Cash & bal. with B.E. ...	"	194	187	221	227	230	236	226	224	255	238	245	247	260	252	263	277	288	
45. " Discounts ...	"	229	308	313	278	279	248	271	272	227	341	327	329	396	373	404	417	388	
46. " Advances ...	"	991	844	839	924	940	959	951	954	978	966	971	951	932	929	900	889	905	
47. " Investments ...	"	257	348	613	622	611	579	568	570	574	580	582	588	603	605	626	650	663	
48. Interest Rates: Bank rate ...	Per cent.	5-408	3-008	2	2	2	2-24	2	2-25	3-88	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	0-77	1-18	3-47	1-03	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	1-46	2-59	0-75	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	3-96	3-86	4-03	3-38	3-41	3-45	3-42	3-40	3-45	3-40	3-40	
52. "																			

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks. Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to Nov. 12, 1940		Name of Security	Price, Nov. 12, 1940	Ch'ge since Nov. 5, 1940	Yield Nov. 12, 1940	Prices, Jan. 1 to Nov. 12, 1940		Last Dividends	Name of Security	Price, Nov. 12, 1940	Ch'ge since Nov. 5, 1940	Yield Nov. 12, 1940
High	Low	High	Low					High	Low					
British Funds														
71 1/2	61	76 3/4	68 1/2	Consols 2 1/2%	76	1/2	6 d.	2 7/2	11 3/4	2 a	Iron, Coal, &c.—cont.	12 1/2	6d	12 1/2
107 1/2	98	111	103 1/2	Do. 4% (alt. 1957)	111	1/2	3 1/2	34 1/2	20 1/2	10 c	P. & O. Def. £1	28 9/16	1 1/2	8 7/8
96 1/2	90 1/2	98 1/2	95 1/2	Conv. 2% 1944-45	98 1/2	1/2	3 1/2	54 9/16	33 9/16	12 1/2 a	S. Durham Ord. £1 ...	41 3/4	6d	3 17 3/4
99 1/2	92 1/2	103	97 1/2	Do. 2 1/2% 1944-49 ...	99 1/2	1/2	2 1/2	47 1/2	26 1/2	12 1/2 c	Staveley Coal, etc. £1	40 1/2	6d	6 5 0
99 1/2	87	102 1/2	94	Do. 3% 1948-53	102 1/2	1/2	2 1/2	39 1/2	17 1/2	10 1/2 b	Stewarts & Lloyds £1	27 1/2	9d	10 8 0
112 1/2	103 1/2	112	107 1/2	Do. 3 1/2% after 1961	102 1/2	1/2	2 1/2	24 3/4	11 1/2	2 1/2 a	Swan, Hunter £1	21 3/4	6d	7 10 0
87 1/2	79 1/2	92 1/2	86 1/2	Do. 5% 1944-64 ...	107 1/2	1/2	2 1/2	21 10 1/2	9 1/2	6 b	Un. Steel Cos. Ord. £1	14 1/2	6d	9 16 0
93 1/2	87 1/2	98 1/2	92	Fund. 2 1/2% 1956-61	92	1/2	3 1/2	8 10 1/2	2 1/2	Nil	Textiles	3 9	9d	Nil
93 1/2	87 1/2	98 1/2	92	Fund. 2 3/4% 1952-57	98 1/2	1/2	2 1/2	21 3/4	2 1/2	Nil	Brit. Celanese 10/- ...	3 9	9d	Nil
95 1/2	87 1/2	99 1/2	95 1/2	Fund. 3% 1959-69 ...	98 1/2	1/2	3 1/2	38 1/2	21 3/4	5	Coats, J. & P. £1	30 6	9d	6 11 0
109 1/2	100 1/2	113 1/2	105 1/2	Fund. 4% 1960-70 ...	112 1/2	1/2	3 1/2	39 10 1/2	20 3/4	7	Courtauld's £1	29 6	1 1/2	6 4 0
94 1/2	94 1/2	102	98 1/2	Nat. D. 2 1/2% 1944-48	101	1/2	2 7 3/4	35 9/16	21 10 1/2	5 b	English Swg. Ctn. £1	17 1/2	1 1/2	7 10 0
96 1/2	91 1/2	100 1/2	95 1/2	Do. 3% 1954-59 ...	102	1/2	2 1/2	24 3/4	11 1/2	Nil c	Lancs. Cotton Corp £1	48 9	7 1/2	3 9 6 1/2
108 1/2	102	111 1/2	105 1/2	War Bds. 2 1/2% 1945-47	100 1/2	1/2	3 5 10 1/2	61 3/4	42 1/2	10 c	Patons & Baldwins £1	38 1 1/2	2 1/2	5 5 0
108 1/2	102	107 1/2	98 1/2	Victory Bonds 4%	111	1/2	3 5 10 1/2	43 11 1/2	26 3/4	10 c	Associated Elec. £1 ...	78 9	1 1/2	5 1 9
98 1/2	86	103	93 1/2	War L. 3 1/2% 1955-59 ...	101 1/2	1/2	2 18 4	42 1/2	26 3/4	10 c	British Insulated £1 ...	58 9	1 1/2	5 2 0
83 1/2	73	89 1/2	80 1/4	Local Loans 3%	88	1/2	3 9 0	92 6	66 3/4	10 c	Callenders £1	15 1/2	6d	6 13 0
99	91	100	97 1/2	Austria 3% 1933-53 ...	99	1/2	3 8 4	69 1/2	46 1/2	10 c	Crompton Park A 5/-	28 1 1/2	10 1/2	7 2 0
90	80	77 1/2	59 1/4	India 2 1/2%	68 1/2	1/2	3 13 5	33 9/16	16 3/4	7 1/2 a	English Electric £1 ...	75 7 1/2	2 1/2	5 5 9
115 1/2	104 1/2	115	105 1/4	Do. 3 1/2%	92 1/2	1/2	3 15 8	83 1/2	52 6	20 c	General Electric £1 ...	32 6	1 1/2	4 18 6
				Do. 4 1/2% 1958-68 ...	109 1/2	1/2	3 15 1	38 3/4	23 1/2	5 b	Glyde Valley Elec. £1	28 1 1/2	1 1/2	5 2 0
106 1/2	95	107 1/2	101	Dom. & Col. Govts.	105	1/2	4 2 0	42 6	20 6	10 1/2 c	County of London £1	23 6	1 1/2	5 13 0
112 1/2	103	110 1/2	106	Austria 5% 1945-60 ...	108	1/2	4 2 3	27 1/2	18 1/2	21 1/2 a	Gas Light & C. £1 ...	36 1/2	1 1/2	5 13 0
103 1/2	92	105 1/2	100	N. Zealand 5% 1946 ...	104 1/2	1/2	4 9 6	18 3/4	11 1/2	1 1/2 b	Imp. Cont. Gas Stk. ...	26 3/4	1 1/2	5 14 0
110	102	108 1/2	103	S. Africa 5% 1945-75	107 1/2	1/2	3 14 6	32 1/2	21 9	4 b	Lancashire Elec. £1 ...	13 1 1/2	1 1/2	3 18 0
				Corporation Stocks	106	1/2	4 9 9	21 1/2	17 1/2	4 1/2 b	London Ass. Elec. £1	23 9	1 1/2	5 19 0
81 1/2	72	86 1/2	78	Bir'ham 5% 1946-56	82	1/2	3 11 7	17 1/2	16 9	4 1/2 b	North-East Elec. £1 ...	28 9	1 1/2	6 4 0
102 1/2	95	104 1/2	97	L.C.C. 3%	91 1/2	1/2	3 12 0	42 3/4	22 1/2	6 b	Northmet Power £1 ...	31 3/4	2 1/2	5 2 0
				Liverpool 3% 1954-64	102	1/2	3 8 6	38 7 1/2	24 1/2	5 b	Scottish Power £1 ...	31 3/4	1 1/2	5 2 0
				Middx. 3 1/2% 1957-62	86	1/2	5 4 6	39 6	24 1/2	5 b	Yorkshire Electric £1	31 3/4	1 1/2	5 2 0
				Foreign Governments	28 1/2	1/2	5 4 6	17 6	7 6	30 c	Motor, Cycle and Aircraft	13 9	3d	5 9 0
91 1/2	73 1/2	92 1/2	71	Argen. 4 1/2% Stg. Bds.	27 1/2	1/2	9 4 0 p	16 1/2	6 1/2	4	Bristol Aero. 10/-	21 3	1 1/2	11 15 0
65 1/2	34	58 1/2	22	Austria 4 1/2% 1934-59	20 1/2	1/2	11 5 0 p	16 1/2	12 1/2	15	De Havilland Air. £1	12 3	1 1/2	10 4 0
23 1/2	6 1/2	35 1/2	20	Belgian 4% (36) 1970	66	1/2	6 1 0	60 7/12	39 4 1/2	17 1/2 b	Fairley Aviation 10/-	16 3	1 1/2	7 2 0
19	9	23	9	Brazil 5% Fd. 1914 ...	51 1/2	1/2	...	27 1/2	16 9	45	Ford Motors £1	47 6	1 1/2	8 6 6
72	30	45 1/2	12	Chile 6% (1929)	4	1/2	...	42 3/4	21 8	5	Hawker Siddeley (5/-)	23 9	1 1/2	8 6 6
86 1/2	58	79 1/2	50 1/2	China 5% (1913)	13 1/2	1/2	...	12 3/4	6 1/2	22 1/2	Lucas, J. (£1)	34	1 1/2	5 6 9
12 1/2	9	10 1/2	8	Czechoslovakia 8% ...	79 1/2	1/2	6 5 9	63 1/2	38 9	7 1/2	Leyland Motors £1 ...	68 9	1 1/2	4 7 0
44	4	75	4 1/2	Egypt Unified 4%	33 1/2	1/2	...	44 1/2	27 6	5	Morris Motors 5/- Ord.	21 6	1 1/2	4 0 0
33 1/2	15	24 1/2	12 1/2	French 4% (British) ...	33 1/2	1/2	...	44 1/2	27 6	5	Rolla-Royce £1	21 6	1 1/2	4 0 0
30	15	24 1/2	12 1/2	German Dawes 5%	33 1/2	1/2	...	44 1/2	27 6	5	Standard Motor 5/-	21 6	1 1/2	4 0 0
35 1/2	15	25	10 1/2	Do. Young Ln. 4 1/2% ..	33 1/2	1/2	...	44 1/2	27 6	5	Furness, Withy £1 ...	21 6	1 1/2	4 0 0
61 1/2	33	65	44	Greek 6% Stab. Ln.	33 1/2	1/2	...	44 1/2	27 6	5	P. & O. Def. £1	17 6	1 1/2	4 0 0
				Hungary 7 1/2%	33 1/2	1/2	...	44 1/2	27 6	5	Royal Mail Lines £1 ...	8 1/2	1 1/2	4 0 0
				Japan 5 1/2% 1930	33 1/2	1/2	...	44 1/2	27 6	5	Union Castle Ord. £1	8 1/2	1 1/2	4 0 0
											Tea and Rubber	10 1/2	1 1/2	8 0 0
10	3 1/2	10 1/2	Nil	B.A. Gt. Sthn. Ord. ...	5	1/2	Nil	16 7/12	5 9	6	Allied Sumatra £1	10 1/2	1 1/2	7 8 0
52	22	31 1/2	Nil	Can. Pac. Com. \$25 ...	35 1/2	1 1/2	9 17 6	32 10 1/2	20 1/2	2 1/2 a	Anglo-Dutch £1	16 3	1 1/2	7 0 0
80	20	34 1/2	5	Can. Western Ord.	50	1 1/2	10 0 0	31 11 1/4	2 3	6 b	Jokai (Assam) £1	28 9	1 1/2	7 8 0
60	20	4	2	LNER 5% Prof. 1955	30 1/2	1 1/2	10 0 0	34 9	20 1/2	6 b	London Asiatic 2/-	3 1 1/2	2 1/2	6 14 0
60 1/2	21 1/2	4	2	Do. 4% 1st Pf. 1955	14 1/2	1 1/2	10 0 0	3 3	1 7 1/2	9 c	Rubber Trust £1	26 10 1/2	1 1/2	4 15 0
70 1/2	35	2	2	Do. 4% 1st Pf. 1955	37 1/2	1 1/2	10 13 3	60 33 1/2	23 11 1/2	20 c	United Serdang 2/-	2 1/2	1 1/2	4 15 0
65 1/4	24	2	2	4% Pf. 1923	50 1/2	1 1/2	7 18 6	27 7/12	14 6	17 1/2 b	Anglo-Iranian £1	25 1/2	...	4 0 0
22	7	1 1/2	c	4% Pf. 1923	28	1 1/2	5 7 0	73 6	16 9	12 1/2 a	Apex (Trinidad) 5/- ..	25 7 1/2	...	5 17 0
72	35 1/2	5	14 c	Lon. Trans. "C"	11 1/4	1 1/2	11 2 0	81 10 1/2	20 9	15 c	Burmah Oil £1	42 6	...	6 18 0
104	58 1/2	2 1/2	2 1/2	Southern Def.	45 1/2	1 1/2	11 0 0	80 1/2	45 6	7 1/2 a	Burmah Oil £1	35 7 1/2	1 1/2	2 16 0
				Do. 5% Pf. Ord.	79 1/2	1 1/2	6 5 9	63 11 1/2	38 9	7 1/2 b	Shell Transport £1 ...	68 9	...	4 7 0
				Do. 5% Pf.	51 3/4	1 1/2	6 16 6	44 3/4	23 9	5	Trinidad Leasehold £1	62 6	1 1/2	4 0 0
67 1/2	47 6	10 b	7 1/2 a	Bank of England	33 1/2	1 1/2	3 12 6	44 3/4	27 6	m 29 c	Assoc. P. Cement £1	27 6	...	3 12 6
45 1/2	14 1/2	8 c	8 c	Bk. of Montreal \$100 ...	26 3/4	1 1/2	6 1 7 1/2	56 1/2	28 9	8 1/2 b	Barker (John) £1	38 9	...	3 19 0
70 1/2	46 1/2	7 b	7 a	Bk. of N. Zealand £1	63 1/2	1 1/2	4 8 9	107 6 1/2	53 11 1/2	120 c	Boots Pure Drug 5/- ..	40 1/2	1 1/2	5 15 0
52 1/2	45 1/2	5 b	5 b	Barclays Bank £1	71 1/2	1 1/2	6 18 0	52 1 1/2	42 6	7 a	Brit. Alumina £1	87 6	3 3/4	4 9 9
49 1/2	45 1/2	5 b	5 b	Chtd. of India £5	47 6	1 1/2	4 4 3	65 1/2	31 8	15 b	Brit. Amer. Tob £1 ...	62 6	...	5 16 0
54 1/2	30 1/2	6 1/2	6 1/2	District B. £1 fy. pd.	43 6	1 1/2	7 18 0	38 9	19 9	9 c	British Oxygen £1 ...	33 9	...	7 14 0
84 1/2	51 1/2	7 1/2 b	7 1/2 a	Hongkong and S. \$125	47 6	1 1/2	5 10 9	10 11 1/4	4 1/2	Nil c	Cable & Wir. Hdq. ...	51 1/2	1 1/2	6 4 0
85 1/2	68 1/2	8 b	8 b	London £3, £20, £2 1/2 pd.	79 1/2	1 1/2	4 18 6	28 3/4	16 3	25 b	Carreras 'A' Ord. £1	44	...	5 14 0
58 1/2	4													

Finance and Banking

Money and War Bond Subscriptions

The rising tide of subscriptions to War Bonds—partly a product of the War Weapons Weeks movement—has this week become a perceptible factor in the money market position. It has reduced the calls made on the banks to pay over Treasury deposits, the amount demanded from them this week being £15 millions, or half the previous week's total. In spite of this reduction in their direct payments to the Treasury, some of the banks have found themselves none too well supplied with cash—again owing to the encroachment on their resources made by subscriptions to War Bonds by their customers, and, to a smaller extent, by their own investment departments. The result is indicated in the latest Bank return, which shows a fall of £4,006,000 in bankers' deposits. These, at £105,141,000, are not, however, at a level which implies a shortage of loanable resources. In fact, it has always been possible to find adequate accommodation and a steady outlet for bills among the banks this week, and the only evidence of a contraction in available resources comes from institutions which have been struggling with the problem of their monthly making up. The reduction in bankers' deposits has been approximately balanced during the past week by an increase in public deposits. These, at £23,685,000, stand at a level which suggests further curtailment in the amounts which the Government will borrow from the banks in the near future by way of Treasury deposits. The note circulation continues a downward course of more than seasonal proportions. For the past week the decline amounted to £4,492,000, making a reduction of £12,026,000 for the past three weeks. In this movement may be seen some belated reflection of the reimport of bank notes. In addition, it is probable that the recent substantial increase in the public response to Government issues has involved some curtailment in current consumption, and therefore in the tendency to hold cash.

* * *

Free Sterling Disappearing

The rate for free sterling in the New York market has this week relapsed to a slight discount on the official quotation. The reason for this is the disappearance of the covering purchases of free sterling which have been primarily responsible for the surprising strength of this rate in recent weeks. The pre-July 16th bear positions have now been covered, and in the process it may be assumed that most of the strictly limited supplies of free sterling available for the New York market have been mopped up. It follows that from now on the New York market in free sterling must gradually dwindle into oblivion. At what rate it will do so is a matter of no consequence whatever, but in all probability it will be at the slight discount on the official rate which now prevails—4.02½, against the official middle rate of 4.03. The steadiness of the free rate in New York has been reflected in the yen-sterling rate, the most important of those still outside the scope of payments agreements. The yen is quoted at 1s. 2½d. The importance of this market is rapidly diminishing with the politically propelled decline in the trade between Japan and the sterling area. The yen market, though "free," thus offers no gap through the meshes of our exchange control.

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Banking Hours

Banks, in common with all commercial enterprises whose staffs live considerable distances from their place of work, are now preparing for the difficult conditions that will have to be faced when part of the working hours will be hours of darkness and, probably, of air raids. The question of a further adjustment of banking hours, if and when "summer time" comes to an end, has thus been considered by the Committee of London Clearing Bankers. Their decision was announced this week. It is to leave the present banking hours unchanged, but to appeal to their customers to transact their banking business as early as possible. If the appeal meets with an appropriate response, the problem of banking hours in the coming winter months will have been largely solved. If it does not, the banks will have a still untried weapon to use before further curtailing the already

meagre allocation of official banking hours. It will remain open to them, by common action, to postpone the clearing of all cheques received after a certain hour until the following day and to deal with special types of credit on the business day following receipt of the document in question. These suggestions were in fact recently considered, in common with the general problem of banking hours, but for the time being no action on these lines is being taken. It is evident, however, that here lies a ready means of compulsorily compressing into the first banking hour of each day much of the business which normally comes to hand in the last, or last two, banking hours.

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Town Clearing Adjustments

Limited action along the lines of a further postponement of the clearing has in fact been taken. It affects the Town Clearing which, it will be recollected, was restricted about a month ago to the offices or branches of the clearing banks approximately situated within the area covered by their head London offices. As from last Monday the only cheques handled by the Town Clearing on the day of presentation are those received in time for the Morning Clearing, and the larger cheques presented for the Afternoon Clearing. The smaller cheques, which make their way to the Clearing House during the afternoon, will be left for the next day's Morning Clearing. This change will only affect a limited public and the inconveniences which it might cause to the functioning of the money market will be largely circumvented by the exception of "large cheques" from this delay. The line of demarcation between a large and small cheque may for this purpose be set at £20,000. It will thus allow most money market transactions and important Stock Exchange and Commodity Market operations to receive the clearing facilities which they have hitherto had.

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"Baby" Bank Notes

Among the many precautions which the Treasury and the Bank of England took to meet possible developments in the currency situation during the war was the printing of a supply of Bank of England notes of smaller denomination than the present minimum issue of 10s. This precaution could be compared with the grant of full negotiability and legal tender to postal orders and had as a precedent the printing of a supply of 5s. Treasury notes in 1920. The elevation of postal orders to the rank of currency actually took place on the outbreak of the war, but experience soon showed how little necessity there was for this measure and the step was quickly retraced. Supplies of bank notes of smaller denomination—2s., 2s. 6d. and 5s.—have been available for some time past, but there is at present no intention of putting them into circulation. The need to do so may, however, arise before long, assuming that it is the Treasury's intention to stop the further minting of silver token coins. The circulation of coins in the United Kingdom has increased, according to Bank of England estimates, from £81 millions for August, 1939, to £88 millions for last month. Of this increase of £7 millions since the outbreak of the war, the bulk is represented by silver coins. In recent months the increased public demand for coins has eaten seriously into the stocks held by the Bank of England. The silver coin held in the Issue Department, which on the outbreak of the war stood at £711,000 and had remained fairly steady at around £500,000 from the beginning of this year until September 4th last, began from that date a steep decline which had carried it down to £9,380 by last Wednesday. Since September 4th the holding of gold and silver coin in the Banking Department (it is almost entirely made up of silver) has fallen from £647,000 to £463,400.

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If the public demand for coins continues to expand at its recent rate and the authorities do not feed the supply by further minting, the "baby" notes will, therefore, have to make a fairly early appearance. It will be unfortunate if they

do. Notes of small denomination have many disadvantages—both practical and psychological. If any serious attempt is made to renew them sufficiently often to keep them clean (their velocity of circulation would be much higher than that of £1 or 10s. notes) they would after a time prove as expensive a form of currency as silver token coins. When the emergency supply of 5s. notes was prepared in 1920, silver had risen to a price at which the minting profit on token coins had disappeared. This argument does not apply to-day. It is

true that stocks of silver in this country are small and that the Treasury may be unwilling to spend good dollars in replenishing them. But there are other ways in which the deficiency could be made good without encroaching on our foreign exchange reserves. The Indian Government, despite its recent sales of silver here and in Bombay, still has ample redundant stocks of silver. An inter-Empire deal should be feasible and would involve no expenditure of hard won dollars.

Investment

Recovery Halted

The very general recovery in market values which has now been in progress for almost four months, suffered a partial interruption during the past few days, without the emergence of any very evident reason, other than the probability that the previous rise was rather too sharp. If much of the evidence which comes to hand is a reliable guide, the halt may prove purely temporary, for it is said that the basis of inquiries is widening, and if this leads, as it should, to increased turnover, it can scarcely fail to renew the rise. Before considering this prospect, it will be as well to take a glance backward at what has been achieved since this country started to recover from the shock of the invasion and collapse of France. The extent of the recovery is considerable, but apart from this it is gratifying to find that the general trend has at times been strongest just when current conditions were at their worst. This is not surprising, for it is

Security	June 26	Aug. 22	Sept. 30	Oct. 24
3½% War Loan	96¼	101	101½	102¼
2½% Consols	70¾	73¾	74	75
3% Conversion	100	101	101½	102½
L.M.S. 4½% Deb.	83	93	90	94
G.W. Ord.	23½	28¼	28	35
Imperial Tobacco £1	37½	41½	41½	51½
British American Tobacco £1	27½	32½	32½	43½
Imperial Chemical Industries £1	19½	25 10½	26 6	27 6
Rolls Royce £1	24½	37½	37½	31½
Vickers 10/-	9 9	13 3	13 3nd	13 9
F. W. Woolworth 5/-	39/-	58/3	55/6	56/9

one function of the market to forecast events rather than to act as a pale reflection of the past. Daily fluctuations, based primarily on the consummation of a trend of events long evident, have, almost inevitably, with markets as narrow as they now are, often proved to be over-large and have led to a reversal, perhaps within 24 hours. In order to show the general trend, there are set out above the prices of a number of market leaders. The first date selected marks, as near as may be, the commencement of the rise; August 22nd, the eve of the bombardment of London; and end September, what may be regarded as the close of the first phase of that operation. The movements reflect, of course, the state of mind of the general body of investors, not of Londoners, but, even so, it is creditable that there should have been a continuance of the rise in almost every case at a time when the capital was undergoing what appeared to be the preliminaries to an invasion.

The only exceptions to the rise during September, as shown by the table, are in the two home railway stocks and in Woolworths. The former are easily accounted for by the extreme doubts, which at that time prevailed, as to the effects of bombing on the lines. These have in large measure been set at rest, both by actual experience of the *Blitzkrieg* and by the fact that the railways, in common with everybody else, will presumably be able to insure against war damage. As to the Woolworth setback, it was a very minor affair in comparison with the recovery of the two preceding months. The fact that the price of these shares is now within ten shillings of the year's best reflects the belief that the management will be able to secure some trade from their more expensive competitors. In the gilt-edged list, 3½ per cent. War Loan is at the best since before Munich, and other stocks are near the highest of the current year. Four months ago it was generally agreed that a recovery to the early May figures would be impossible without an Allied victory of major importance. In the case of most industrial equities, there is still a long way to go before those levels are reached, but it no longer seems an impossibility. The most solid basis for fearing that, despite some technical points favouring a

raise, the halt may be protracted is the growing sense that the steam has gone out of the urge to increase production. Nothing is more likely to cause a reversal of sentiment on the exchange than a feeling that we are tending to rest on our oars, or even failing to make the fullest effort possible. That feeling is, however, creeping back again, and it can only be hoped that it will shortly be dispelled by drastic action on the part of the authorities.

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Rail Charges and the Market

From the standpoint of the stockholder, the terms of the Consultative Committee's recommendations are held to be fully satisfactory, despite the modest cut in the railways' demand. The stocks, which had in general been strong for some days past, advanced further on the news, and on the whole equities have recovered rather more than one-third of the gross decline from the best of the year. It has always been very doubtful whether the fall, which appears to have been based on the belief that the Government might withdraw from the terms conceded in the agreement, was in fact justified. This fear has, of course, been strengthened by the delay, now further protracted, in publishing the terms. At the same time, the fact that the Government has accepted without demur the recommendations of the Consultative Committee is regarded as an indication that it intends to stand by its bond. It is not clear whether or no the negotiations which will arise in virtue of the dropping of the special provisions for safeguarding net revenue from the effects of war damage, up to the figure of £10,000,000, will leave the position of the stockholders substantially unchanged, but that is the view formed in the market. If this is so, then they have reason to be satisfied, for the basis of the cut from the railway demand for a 7½ point rise was mainly the more optimistic estimate, on the part of the Committee, no doubt backed by the Ministry of Transport, as to the prospective volume of traffic. Under an arrangement which enables the management to recover in higher charges the absolute amount of any rise in working costs not due to expansion in business, every rise in turnover should bring not only the natural increase in net receipts but an addition due to the spread of overheads and fall in the cost ratio. As against this, there is the question of whether or no the basis of the agreement is to be subject to any material alteration. This is a matter on which it is not possible to feel any certainty, although the indications seem to point to very little change. Should this not be the case, there is, however, no need for stockholders to assume that their interests will be jeopardised. The desirable change would be one which stimulated the railway managements to reduce costs, and this should redound in some measure to the benefit of the proprietors. There will remain the perpetual struggle between labour and the stockholders, but this, and the other ills to which rail transport may be exposed once more after the war, has already been discounted in the falls prior to the most recent collapse, which was based on fears of the effects of bombing and of possible defection by the Government. The railways will now have to find the premium for insuring a huge mass of property, but they have to receive a consideration for giving up the £10,000,000 guarantee. Even if there is a net charge against the companies on the operation, the stockholder will at least know where he stands, with a resultant benefit to his holdings.

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Central Argentine Moratorium

Holders of Argentine railway stocks have just received an unpleasant prelude to the accounts for 1939-40 in the shape of a proposal for a 2½-years moratorium on the debentures.

tures and notes of the Central Line. This did not come as a surprise to those who have studied the only figures available, for gross traffics showed a fall of almost 12 million pesos, or over 11 per cent. from the none too good figures of 1938-39, and in 14 weeks of the current year there is a further drop of some 8½ millions. A year ago, the companies received minor concessions in exchange rates, but neither the expansion in business nor the appreciation of the peso, to which some of the managements looked forward, has materialized, while many expenses have increased. The more recent decline in traffics is, of course, due to the overrunning of Europe, a factor which can only be partially offset by joint Anglo-American efforts. The case of the Central is exceptional owing to its heavy reliance upon both maize and wheat, but it is to be feared that the prelude will not belie the showing of the full accounts. The Western secured an increase in gross takings in 1939-40, but the larger part has already been lost this year, and while the gross figures of Great Southern are only moderately reduced, it is impossible to judge what the net showing will be. Stockholders in these companies will have learned the virtues of patience before now, and it is improbable that many will desire to throw away investments at present prices. In the past decade, they have had to suffer, in addition to the ills of all railway proprietors, great exchange depreciation and by no means negligible discrimination. At the outbreak of war there were distinct signs that matters were mending. The effect of road competition was declining; the wage policy of the Government was more enlightened, and it only needed a recovery in demand to ease both the exchange rate and the costs ratio. Given that recovery, there was also a very fair chance that the widening of the basis of Argentine production, both of foodstuffs and manufactures, would rapidly continue. It is idle at this stage to attempt a forecast of the extent of developments in the Republic or to deny that political factors will continue to affect the fortunes of stockholders. There is, however, every reason to suppose that the movement towards secondary and tertiary industry will continue there, as in the Dominions, and it is clear that closer relations and increased trade should be an element in our policy no less than that of Argentina. If these aims can be achieved, British investment there should reap substantial benefit.

* * *

National Savings

Co-operation between Sir Robert Kindersley and the local authorities responsible for the holding of war weapons weeks has contributed to a highly satisfactory rise in subscriptions to 2½ per cent. National Defence Bonds over the past three weeks. The upward trend proceeds impressively from £7,808,480 in the week to October 8th to £14,610,000 in the following week and to £25,603,535 for the week ending October 22nd. The total of moneys received in interest-free loans has risen over the same period from £498,592 to £1,186,436. This success is all the more interesting since the total of receipts from defence bond subscriptions and interest-free loans easily exceeds the £20,000,000 suggested by Sir Robert as the goal of endeavour in his recent broadcast. The moral is, of course, that a loan on tap requires to be constantly publicised with the aid of all the glamorous appeal which can be drawn from local patriotism and the competitive instinct if it is to continue to attract funds. It is not superfluous to point out that even with the inclusion of the latest bumper receipts and of those of the first three weeks of the issue, the weekly average total is still considerably below £20,000,000 at £16,285,844. On the other hand, the recent success for 2½ per cent. War Bonds owes something to the appreciation in the stock values, and suggests that a fresh issue in the market should be further deferred. Against the recent upward trend of "large savings" must be placed a fresh relapse in contributions from the small saver. Whereas the total of receipts from the sale of savings certificates and Defence Bonds and the increase in the balance due to depositors at the Post Office Savings Bank reached nearly £10,000,000 in the week ending September 24th, the total for the week to October 15th was over £1,000,000 lower at £8,915,000. There is no room for complacency here, and though it may well be that the publication of figures for the week to October 22nd will also reflect the influence of war weapons weeks, the trend of small savings during the past month cannot be called satisfactory. This is particularly disappointing, for it is more probable that a rise in this section would represent an undertaking to make regular contributions over a period than would be the case with the large lender.

Thomas W. Ward Earnings

The figures of Thos. W. Ward show a moderate setback in trading profits from £193,225 to £185,293 for the year to June 30, 1940. As, however, these are after all tax provisions, which were calculated at only 8s. 6d. in the £ for the previous year, there was at least a modest rise in the gross figure. A considerable increase in subsidiary sources of income—rents and interest—left total revenue only slightly lower at £193,171 against £196,512. The depreciation allocation is raised from £18,576 to £55,036 and the contribution to employees' benevolent fund from £2,000 to £5,000. Thus, after meeting preference and employees' dividends, the surplus for ordinary distribution is some £20,000 lower at £88,433. The management has decided to raise the total ordinary dividend from 10 to 11½ per cent. and to omit an allocation to reserve—£15,000 was paid in the two previous years. The carry-forward is £14,183 higher at £120,123, having been increased by only £6,387 a year ago. Three years' profits figures are analysed below:

	Years to June 30		
	1938	1939	1940
Trading profit	£211,698	£193,225	£185,293
Total income	215,095	196,512	193,171
Depreciation	56,601	15,576	55,036
Staff funds, etc.	—	2,000	5,000
Preference divs.	43,594	43,125	40,625
Employees' divs.	5,003	4,264	4,077
Ordinary shares—			
Earned	139,897	101,637	88,433
Paid	100,719	79,750	71,250
Earned %	17.3	12.6	13.3
Paid %	12½	10	11½
To reserve	15,000	15,000	—
Carry-forward	99,053	105,910	120,123

‡ After charging works expenses and taxation.
‡ Including 2½ per cent. special bonus.

The shortage of working capital from which the company appeared to suffer in June, 1939, has been repaired by a rise in cash holdings from £1,688 to £58,452, and the acquisition of Government securities amounting to some £26,000 at cost. Stocks have fallen from £706,295 to £582,198, while debtors and creditors have each increased by some £200,000 to £868,725 and £786,289 respectively. The directors state that there are contingent liabilities for discounted bills and for a limited guarantee of bankers' advances to a subsidiary. The company carries on a great variety of different manufacturing businesses of which a number must be working to capacity, while others are much less fortunately placed. It also carries out ship and works dismantling, and acts as machinery and plant factors and valuers. In the past this trade spread has not always assured shareholders against very bad times, but with energetic management there should be opportunities for increased turnover. As the average earnings for the E.P.T. basic period are some 18.8 per cent. there is room for expansion of earnings and perhaps of dividends. The £1 ordinary shares, which stand at 23s. 1½d., yield £9 14s. 7d. per cent.

* * *

Commonwealth Group Delays

It is now nearly two months since the news became public property that Sir William McIntock had delivered his reports, as Board of Trade Inspector, to the companies of the Commonwealth Mining and Finance group. It is almost half as long since the President of the Board of Trade promised publication of the substance of these to the shareholders, but nothing has so far been heard of them. Owing to the fact that it was the companies themselves which made application for the investigation, after being subjected to strong criticism by a body of shareholders, there is no obligation upon the inspector to inform the shareholders, and Section 135 of the Companies Act of 1929 lays no duty upon the board to do so. Granted that the primary intention of the Section was to guard shareholders against criminal acts on the part of the board, it can never have been intended that its wording should provide the directors of a company with a means of escaping investigation, either under the new rule or by the older method of a Shareholders' Committee. Even if the directors can obtain a majority for any policy they put forward, the principle has been recognised that a minority of shareholders may be able to establish a valid claim for special treatment against the verdict of the majority. This is specifically laid down

in the case of reconstructions which vary the rights of different classes of capital when application may be made to the Courts for a ruling. Sir Andrew Duncan appears to have had in mind the need for some extension of this doctrine when he gave the assurance that the shareholders should be informed. Mr. de Bernales has already been responsible for one change in the law by defying the wishes of the Chancellor of the Exchequer and it is to be hoped that the new President of the Board of Trade will be as firm in protecting the rights of shareholders as Sir Kingsley Wood became in safeguarding the revenue. The position of these unfortunate people is in any case very obscure and it were well that anything that is to be done to relieve it should be done quickly.

* * *

Trinidad Petroleum New Issue

The report of Trinidad Petroleum Development for the year to July 31st contains the important information that Treasury permission has been obtained to increase the capital by the issue of 200,000 6 per cent. £1 cumulative redeemable preference shares. The present capital consists entirely of 1,000,000 fully-paid £1 ordinary shares. The new issue is to be offered to present shareholders in proportion to their existing holdings. On the past year's earnings, the dividend on the new capital is covered 14 times and the shares should, in time, command a respectable premium in the market. Trinidad Petroleum has considerable development prospects which are rapidly being exploited and is assured of a market for its crude output through sale under contract to United British Oilfields of Trinidad. The full accounts for 1939-40 show an encouraging increase in total income from £425,376 to the record total of £689,593, for which a rise in the balance on production and oil purchases account is wholly responsible. Expenditure on oil wells development rose from £153,847 to £213,010, and depreciation was £23,446 higher at £112,253. The company must expect to incur a fairly heavy E.P.T. liability, and to meet this contingency £200,000, against £25,000, has been placed to taxation reserve, which stands at £321,686 in the balance sheet. Despite these increased charges against profits, equity earnings show a small rise from £154,453 to £160,677, representing a rate of 16.9 against 15.7 per cent., after allowance for extra directors' remuneration in 1938-39, and the 15 per cent. dividend is maintained. The carry-forward is up by more than £10,000 at £74,305. The following table provides a three years' analysis of the company's profits:—

	Years to July 31		
	1938	1939	1940
Total income	£409,925	£425,376	£689,593
Wells development, etc.	157,325	153,847	213,010
Depreciation	58,843	88,807	112,253
Fees	1,400	3,269	3,653
Taxation reserve	—	25,000	200,000
Ordinary shares:—			
Earned	182,357	154,453	160,677
Paid	120,000	150,000	150,000
Earned %	20.6	15.7	16.9
Paid %	12	15	15

Carry-forward 59,175‡ 63,628* 74,305
* After increase in directors' fees from £1,648 to £3,269 as shown in the 1939-40 accounts. ‡ After £50,000 to general reserve.

The balance sheet shows the realisation of £100,000 of 2½ per cent. Funding, but cash holdings have risen from £45,682 to £211,527 and stocks of crude oil have approximately doubled at £30,258. An indication of the degree of development undertaken during the past year is provided by the rise in the balance-sheet value of buildings and installations from £522,754 to £648,375. The £1 ordinary shares, at present quoted at 48s. 1½d., following the rise of recent weeks, yield £6 4s. 8d. per cent.

* * *

Harrisons and Crosfield Profits

As usual, the Harrisons and Crosfield accounts for the year to June 30th provide little information as to the movement of gross revenue. Profits after depreciation and taxation show a slight fall from £345,310 to £340,622, but the directors state that tax obligations rose considerably during 1939-40 and that the company was liable for retrospective taxation. In the circumstances, it is clear that gross takings were maintained at a highly satisfactory level. The profits figure shown in the accounts includes profits of subsidiaries

to the extent of dividends paid and provision for the loss of one subsidiary company. After meeting preference, preferred ordinary and management share dividends, the payment on deferred stock has been raised from 20 to 25 per cent. This decision restores the rate paid in 1936-37 and 1937-38 on a smaller capital. The deferred stockholder's position is, however, slightly less remunerative than in these years, for with the attainment of deferred ordinary capital to a level of £500,000 in 1938-39, the stockholder's right to take payment of dividends in excess of 10 per cent. in deferred stock at par has lapsed. The past year's 25 per cent. dividend is narrowly covered by earnings of only 25.1 per cent., leaving the carry-forward slightly higher at £164,735 against £164,413. No allocation is made to dividend equalisation reserve, which received £50,000 in 1938-39. The following table provides an analysis of the company's profits and appropriations over the past three years:—

	Years ended June 30		
	1938	1939	1940
Profit after N.D.C., etc.	£333,870	£345,310	£340,622
Preference and pref. ord. divs.	137,800	137,800	137,800
Management share divs.	73,802	52,500	77,500
Deferred stock—			
Earned %	25.5	27.6	25.1
Paid (total)	118,836	100,000	125,000
Paid (total) %	25	20	25
Carry-forward	159,403	164,413*	164,735
Defd. ord. stock in issue	475,346	500,000	500,000

* After £50,000 to dividend equalisation reserve.

The capital position shows little change. A rise in creditors from £564,842 to £883,232 is more than balanced by a rise in debtors from £321,407 to £829,019. Stocks at cost are higher at £374,735 against £250,633. Cash holdings and investments at or under cost remain almost stable at approximately £900,000 and £1,000,000, respectively. The directors state that despite the fall in market quotations of the company's investments in tea and rubber companies, the market value of the investments in the aggregate is well above the balance sheet figure when allowance is made for the special reserve of £350,000. The general reserve, as in the previous year, stands at £250,000. For the future, prospects of the company's tea interests are closely related to Government tea rationing policy. The rubber outlook is distinctly promising, despite inevitable increases in freight and insurance costs. There is every reason to expect that profits in the current year will make at least as good a showing as in 1939-40. The £1 deferred stock, quoted at 75s. ex dividend, yields £6 13s. 4d. per cent.

* * *

Renold and Coventry Chain Recovery

In a year of considerable manufacturing activity to June 30, 1940, Renold and Coventry Chain realised a rise in gross income, after depreciation but before deduction of directors' fees, from £152,581 to £196,430, a total only surpassed, by earnings calculated on the same basis, in 1937-38. Moreover, last year's total is shown before inclusion of profits of subsidiaries which were included in the 1938-39 earnings. Despite a substantially higher tax provision at £94,000, against £58,000, equity earnings are more than £10,000 higher at £89,264, and represent a rate of 16.7, against 12.9 per cent. The ordinary dividend is maintained at 10 per cent., to which it was reduced from 12½ per cent. in the previous year, but a higher allocation to contingencies reserve at £30,000, against £9,126, and a liability of £7,000 for retrospective taxation leaves the carry-forward £1,134 lower at £21,407. Net assets, after deducting current liabilities, stand at some £1,426,000, but of this total £245,000 is represented by interests in subsidiaries, all of which are in enemy-occupied territory and whose value cannot be assessed. In view of the stringency of working capital which is displayed in the balance sheet and the certainty of higher rates of taxation in the future, the conservative dividend policy is undoubtedly wise. The balance sheet provides evidence of a certain overtrading, a normal condition in a period in which the directors state that the company has been working to capacity. Cash holdings have fallen from £42,726 to £3,119 and a bank overdraft of £135,402 has been incurred, though ample liquid resources are still retained. The company holds British Government and other securities with a market value of £197,170—nominal value £201,561—and the total of trade bills and debtors has risen from £124,074 to £253,189. In a period of rising prices, it is satisfactory that stocks have increased from £303,646 to £436,320. The £1 ordinary shares at 27s. 6d. yield £7 5s. 6d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

At the beginning of the week, dealings were on an extremely small scale and prices eased generally. Although the previous upward trend was definitely checked, sentiment became increasingly firm and some interest was stimulated even in the rubber market. The expectation of an increase in rail charges gave rise to marked activity in the home rail section. In mid-week, dealers were encouraged by news that the floor of the "House" would be available for dealing on the following day.

*

Price movements on balance have tended downward in the *gilt edged* market during the past week, though a measure of the previous rise has been held and $\frac{3}{4}$ per cent. War Loan by Wednesday had receded only to 102½. 4 per cent. Consols, Funding and Victory Bonds were offered, losing $\frac{1}{4}$ on Monday and on Wednesday, when $2\frac{1}{2}$ per cent. Consols fell by the same amount. The *foreign bond* market was dull with further falls for Japanese bonds on Wednesday, including South Manchurian and Japanese 6 per cent. issues of 1924 which lost $1\frac{1}{2}$ points. Early in the week, Rumanian issues were eased, while Egyptian Unified went ahead. Support was also forthcoming for Argentine securities.

Home rail stocks consistently advanced on the rail charges announcement, which was considered satisfactory in the market. Rises on Monday were confined to prior charges, but later all ordinary issues were quoted higher. Southern preferred ordinary gaining one point on Tuesday and Wednesday. In midweek, gains for senior issues were around $\frac{1}{2}$ point, L.N.E.R. securities in particular commanding support. In the *foreign rail* market, Central Argentine issues were offered following the announcement of the moratorium. 4 and 5 per cent. debentures lost 2 points on Tuesday.

*

The *industrial* market made mixed showing. The advance of the previous week in the iron and steel group was halted on Monday with a long list of fractional losses, including John Brown, Wm. Cory, Guest Keen, Stewarts and Lloyds and Vickers. Later a measure of recovery raised Staveley and United Steel a few points. In midweek, interest in breweries and in the stores group provided gains for Mitchells and Butlers, Distillers, John Barker, Harrods, Woolworths and Marks and Spencers, though Watney Deferred were marked 1s. 6d. lower. Falls in tobacco leaders were also corrected on Wednesday, but early interest in the shipping section did not survive.

*

On the first two days of the week, interest in *Kaffirs* remained very limited despite some buying from the Cape. Advances were limited to Sub Nigel, Luipaards Vlei and certain developing companies. On Wednesday, sentiment improved and gains were realised by Daggas, Randfontein, Geduld and Grootvlei. Conditions in the *oil* market became increasingly firm. On Monday, all Anglo-Iranian issues were offered, while Shell Transport and Burmah ordinary also lost ground. Later in the week, prices ruled firm and Trinidad Petroleum improved $\frac{1}{4}$. The revival of interest in other sections of the market led to some improvement in *rubber* share dealings. Leading issues were mainly neglected but Highlands, Orient Trust and Bukit Rajah gained a few pence.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Div. 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Oct. 18 ...	1,259	3,205	66.2	121.5
" 21 ...	962	3,475	66.0	121.6
" 22 ...	1,418	3,540	65.7	121.7
" 23 ...	1,177	3,615	65.9	121.8
" 24 ...	1,482	3,570	66.0	121.9

* 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

DEALING on Wall Street has been subdued during the past week, with narrow irregular price changes and the absence of a definite trend. Foreign political news had a sobering effect and traders are not anxious to undertake commitments before the presidential election. Manufacturing activity remains at a high level and is regarded as an encouraging factor. The *Iron Age* reports the level of steel mill activity at 95.5 per cent. of capacity against 94.5 per cent. Delivery periods are still lengthening and, though to date manufacturers have not generally experienced a shortage, it is expected that a system of priorities must be developed in the New Year.

New York Prices

Total share dealings: Oct. 16, 660,000; Oct. 17, 650,000; Oct. 18, 590,000; Oct. 19, 220,000; Oct. 21, 370,000; Oct. 22, 510,000; Oct. 23, 810,000.

	Close Oct. 19, 1940	Close Oct. 22, 1940	Close Oct. 19, 1940	Close Oct. 22, 1940
1. Railroads				
Balt. & Ohio	41½	41½	Chrysler	80½
Ill. Cent.	81½	81½	Eastman Kd.	131½
N.Y. Cent.	111½	111½	Gen. Elec.	34½
Northern Pac.	67½	67½	Gen. Motors	49½
Pennsyl. Rl.	22½	22½	Inland Steel	80
Southern	13½	13½	Int. Harvest	47
2. Utilities, etc.			Int. Nickel	27
Amer. Tel.	160½	160½	Largest Myers	90
Amer. Wkks.	9	9	Nat. Dairy	13
Pac. Light	99	99	Nat. Distillers	20½
Pub. Sv. N.J.	43½	43½	Nat. Steel	65
Shm. Cal. Ed.	27½	27½	Proct. Gamble	62½
United Gas	111½	111½	Sears Roebuck	78½
3. Commercial and Industrial			Shell Union	85½
Amer. Metal	16½	16	Socoy Vac.	7½
Am. Roll. Mil.	12	12	Stan. Oil N.J.	32
Am. Smelting	11½	11½	U.S. Steel	5½
Anacosta	23½	23½	Westchse Hl.	106½
Briggs	21½	21½	Woolworth	31
			Yngstn. Sheet	35½

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940		Oct. 2, 1940	Oct. 9, 1940	Oct. 16, 1940
	Low	High			
317 Industrials	80.9	111.4	95.7	92.8	94.1
32 Rails	20.7	30.7	27.9	26.8	27.1
10 Utilities	71.2	89.4	80.3	79.4	79.6
419 Stocks	69.9	91.8	82.3	80.0	81.0
Av. yield*	6.61%	4.30%	5.82%	6.04%	5.93%

* 50 Common Stocks. † May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

Oct. 10	Oct. 11	Oct. 12	Oct. 14	Oct. 15	Oct. 16
100.90	102.1	Closed	101.60	102.60	103.00

Capital Issues

Week ending October 26, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs.†	2,722,013	2,722,013	2,722,013
3% Defence Bonds†	2,632,615	2,632,615	2,632,615
2½% Nat. War Bonds†	25,603,535	25,603,535	25,603,535

† Week to October 15, 1940. ‡ Week to October 22nd, making total since June 25th £276,859,350.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis) ..	1,210,997,199	858,042,066
1939 (New Basis) ..	1,08,033,674	85,507,732
1940 (Old Basis) ..	1,196,551,695	843,996,554
1939 (Old Basis) ..	71,373,052	49,942,973

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis) ..	857,057,394	984,672	Nil
1939 (New Basis) ..	57,983,052	25,278,948	2,245,732
1940 (Old Basis) ..	813,854,098	142,456	Nil
1939 (Old Basis) ..	33,782,882	15,840,091	320,000

Nature of Borrowing (Conv. Excl.)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis) ..	842,361,751	1,513,755	14,166,560
1939 (New Basis) ..	44,512,640	8,169,172	32,824,920
1940 (Old Basis) ..	842,654,922	132,500	1,209,132
1939 (Old Basis) ..	37,158,921	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.

Industry and Trade

Air Raids and Overseas Trade

The intensification of air attacks early last month does not appear so far to have seriously affected our capacity to import and to export. True, total imports fell from £95.0 millions in August to £80.6 millions in September, while domestic exports declined slightly, from £32.6 millions to £31.2 millions. But if allowance is made for the smaller number of working days last month, the decline in imports from August was only 8.4 per cent., while the value of exports actually rose by 3.3 per cent. But while the import figures, valued on a c.i.f. basis, presumably allow for the loss

U.K. IMPORTS AND EXPORTS

	1938	1939	1940	Change between 1939 and 1940	
	£'000	£'000	£'000	£'000	%
September					
Total imports	74,991	49,895	80,632	30,737	61.6
British exports	39,809	23,087	31,177	8,090	35.0
Re-exports	4,038	2,371	1,192	1,179	49.7
Total exports	43,847	25,458	32,369	6,911	27.1
Excess imports over exports	31,144	24,437	48,263	23,826	97.6
Transshipments under bond	2,913	1,274	562	712	55.9
Nine Months ending September					
Total imports	691,014	655,606	872,692	217,086	33.1
British exports	346,660	336,709	343,594	6,885	2.0
Re-exports	46,344	38,675	23,768	14,907	38.5
Total exports	393,004	375,383	367,362	8,022	2.1
Excess imports over exports	298,010	280,223	505,330	225,108	80.4
Transshipments under bond	23,868	22,864	2,216	20,648	90.2

of shipments through enemy action on the high seas, exports, valued on an f.o.b. basis, probably do not take into account any consignments lost in transit. On the whole, however, the returns for September are not as unsatisfactory as might have been expected. But the need for an export drive remains as urgent as ever, and the dispatch of an economic mission to Latin America is to be welcomed. Among individual imports, the main changes between August and September were reductions in the intake of grain and meat, wool and non-ferrous metals, and a sharp increase in that of vehicles. So far as exports are concerned, shipments of machinery and cotton goods showed reductions, while those of coal and iron and steel registered an improvement. An analysis of imports and exports by commodities in September, 1938-40, is given on page 537.

Food from Home

In Tuesday's debate on agricultural policy the Minister, Mr R. S. Hudson, told the Commons of the material increase in food production and in the reserve of "meat on the hoof" that has taken place since the war began. He did not try, however, to hide the considerable difficulties with which home farming is faced, in particular the shortage of feeding-stuffs and seed. Feeding-stuff supplies have fallen 50 per cent., and the strict order of priorities imposed upon their use, which gives precedence to dairy cattle, foreshadows a reduction of some two-thirds in supplies of pigs and poultry. The seed problem is also serious, since European sources now in enemy hands have formerly supplied them. Arrangements are being made to obtain seeds from Australia, New Zealand and North America, but it will necessarily be some time before the gap can be appreciably closed. It is this shortage, presumably, that stands most in the way of the development of a really large-scale programme of vegetable-growing—the need for which is illustrated, not only by the failure so far to extend potato-growing as it could be extended, but also by the onion "crisis," which (according to report) has led to the Government deciding to fix a lowered price almost as much out of line with the actual scarcity of supply as the inflated prices at present being charged.

*

Feeding-stuffs and seed are not the only shortages. As yet there is little actual shortage of labour, because the incidence of calling-up has not been heavy on agriculture, which is a reserved occupation in its most important branches, and the Government, by raising the minimum wage very considerably and forbidding movement out of farming to other trades,

has protected its personnel. Nevertheless, there was no abundance of farm labour before, and it is likely that farmers will need to show more tolerance and imagination in the recruitment of substitute labour, women and boys, specially for seasonal work, than they have done so far. The first aim must still be to raise the productivity of the land and to bring more into use—though it is still not certain that either farmers or the authorities take the wisest view of the uses to which this land should be put. Field-to-field surveys and intensified schemes of land drainage have given this campaign a plan, and the complaints most heard are still not economic or technical, but financial. Farmers are not satisfied with the prices fixed for their products and are anxious for easier credit, especially in view of the capital development now required of them. Actually, the new attention of the banks to this question, signalled by the appointment of liaison officers to work with the County War Agricultural Committees, and the credit facilities given by the special Agricultural Requisites Assistance Schemes, should meet farming's needs. The first criticism of farming representatives is that the rate of interest is too high. Their more fundamental complaint is that the Ministry of Food, and through it the community, still relies mainly for food supplies upon imports. But, so long as the seas remain open to us, this must be so. It is an economic weapon of great potential strength in this war that, by exporting to gain overseas food and exchange, we can feed ourselves at much less cost, in labour and capital, than our autarkic and blockaded enemy.

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Shipping Losses and Gains

The significance of the figures of shipping losses (which are given in a table on page 532) is not so much the total tonnage sunk since the beginning of the war as the consistent rate of loss during the past four months. The immediate shipping position is fairly satisfactory, and we are a long way from a crisis such as occurred in 1917. But this is due chiefly to the aid of our Allies, the bulk of whose shipping was made available to us after the invasion of Norway, Denmark and the Low Countries. The net result after the first year of war was approximately as follows:—

MERCHANT TONNAGE GAINED AND LOST IN FIRST YEAR

OF WAR	
(In gross tons)	
Gains	
Allied shipping—	
Norwegian	3,750,000
Dutch	2,000,000
Belgian and Polish	500,000
Neutral shipping on time charter	750,000
Captures, etc.*	1,208,000
Total	8,208,000
Losses	
British war losses†	1,712,000
Allied war losses	263,000
British marine losses (approx.)	190,000
Total	2,165,000
Net gain	6,043,000

* Including French and Danish ships of which the Government has taken temporary possession.

† Including ships lost in combined operations off French ports and naval auxiliaries.

These figures take no account of ships built during the year or purchases from abroad—together something in excess of 950,000 gross tons. The striking of a balance is not as

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

ESTD. 1829



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simple as that, since allowance must be made for the greatly increased average length of haul brought about by the loss of the important Scandinavian and Continental sources of supply and by the virtual closing of the Mediterranean route; for the redistribution of tonnage to correspond with the changed character of our imports; and for the diversion of ships trading between foreign countries. But the net gain is sufficiently large to justify the conclusion that the shipping position is now at least as strong as at the outbreak of war.

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The point to be emphasised, however, is that the major part of the shipping gains are non-recurring. It is unlikely—though not out of the question—that further fleets will be transferred *en bloc* from the category of neutrals to that of allies, while the opportunities of purchasing from abroad, mainly America, are becoming fewer. Since the end of last May the weekly losses of British ships have averaged 44,000 tons gross (excluding losses off the French ports during the evacuation of the B.E.F.), against a previous average of 20,000 tons. The figures issued by the Admiralty during these months have not once fallen below 30,000 tons, and have been less than 35,000 tons in only five out of 20 weeks. The highest losses of any single week occurred in the middle of September, when 134,975 gross tons were sunk. The success of the U-boats—still the enemy's chief weapon against merchant shipping—does not match that of 1917, when over 500,000 gross tons were sunk in one month, April, but its consistency is disturbing. The losses of British and allied tonnage since the end of May are equivalent to an annual loss of over 3,000,000 gross tons, which is only 730,000 tons less than the total British losses in 1917 and 3½ times the losses sustained in 1915. The American destroyers may make some difference, and it may be true that submarines are being sunk faster than they are being built, but the situation is serious, though not yet dangerous. No indication has been given of the tonnage being launched by the shipyards. When the subject was last debated in Parliament—as long ago as February 27th last—the bottleneck was in skilled labour rather than in output capacity. But since then both should have increased and should be increasing further.

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No More Cars

On October 19th the Ministry of Transport announced that the manufacture of cars for civilian use in this country had ceased. Moreover, of the new cars still in the hands of manufacturers and dealers, it has been found that all but 400 can be exported. These can now be sold, but only

NEW REGISTRATIONS OF CARS TAXED ON HORSE-POWER (Chiefly Private Cars)

	1939	1940
January	27,326	5,657
February	23,509	3,849
March	39,267	6,611
April	25,645	4,688
May	28,268	3,603
June	26,502	1,891
July	23,967	3,874
August	16,278	234

against licences from the Ministry of Transport, which will not be granted except for essential purposes. But as the current number of licences for private cars is now 1,400,000, against 2,000,000 before the war, second-hand vehicles are still available, though their price may be expected to rise.

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Stocks of Stockings

The announcement on Friday by the Board of Trade that the sale of silk hosiery would be stopped on December 1st seems to have caused more concern to manufacturers than to wearers. There are many substitutes available in all classes of the goods grouped under the title hosiery, and nobody need go short of essential garb. Even the loss of silk stockings, the item which has attracted most attention, will cease to matter much when they are forbidden to everybody equally; to be seen wearing them will no longer be the mark of the woman who likes to be well dressed, but rather of the one who was greedy and bought up large stocks before December 1st. Traders, however, have more cause for complaint. While the need for releasing silk for service uses is obvious, manufacturers have large stocks of finished goods ready for delivery, which they believe will now be left on their hands. The Government wishes these stocks to be diverted to export markets, but traders maintain that these markets are extremely small. The latest available figures

of exports show that overseas sales of stockings and hose "of silk or of which the chief value is silk" have been declining and that in 1938 they amounted to 249,617 dozen pairs, valued at £83,112. A Hosiery Export Group and a Silk Export Group have been formed and these should be taking steps to expand the overseas markets for their products. Stocks which are ready for immediate delivery should assist them in this. Nevertheless, a special conference of all silk interests, which met in Leicester this week, are reported to have decided to ask for an extension of the period before the ban is put into force so that their stocks may be cleared off.

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United States Machine Tool Industry

The machine tool industry holds the key position in America's plan of industrial mobilisation; it is indispensable to the modernisation and expansion of manufacturing capacity in that country. Machine tools, small tools and gauges are necessary before mass production operations can proceed, since they determine not only what, but how fast, products can be produced. The speed factor has become of vital importance to Great Britain in her efforts to increase the capacity of her plants turning out war weapons, and now to America, in its effort to build defence equipment. Machine tools, however, are not made by high-speed mass production methods to such an extent as are products of other industries. The creation of high-speed precision tools depends to a great degree upon the skilled work of machinists—designers and engineers. In 1919 there were more wage earners engaged in the making of tools than in any other period prior to 1937. After the war the number of firms engaged in making tools decreased gradually until in 1933 only 60 were reported. It increased slowly until in 1937 there were 69 firms employing more hands than the 102 companies in 1919. Handicraft tradition colours the whole American tool industry. It is a highly individualistic one. Physically, it comprises 250 small units, many of them family affairs, few with a capital investment exceeding \$800,000 and none of them spanning the incredible diversity of the tools turned out by America. Economically, it is a "feast or famine" business. The index of employment (1926=100) declined to 30.1 in March, 1933, rose to 143.8 in October, 1937, fell to 117.5 in April, 1939, and shot up to 168.5 last April. The industry was working at 65.6 per cent. of its capacity in June, 1939, and at 92.3 per cent a year later.

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This year the American machine tool industry is reckoned to turn out \$400 millions worth of products, or double that for 1939. Many plants are now running three shifts, and at near maximum capacity. So far the situation has been handled through rearrangement and re-equipment to increase efficiency, through multiple shifts, by "farming out" parts to outside firms and by increasing floor space. America will, however, need an output of tools worth \$600 millions in 1941 to keep pace with the munitions programme. In other words, new machine tool and gauge plant capacity must be added at a cost of some \$200 millions. The total output of the industry for 1941 has already been sold out. The entire machine tool industry is co-operating with Mr Knudsen to break the bottleneck of the national re-armament programme. Its exports are shown below:—

UNITED STATES EXPORTS OF METAL-WORKING MACHINERY In \$'000

	1914	1915	1916	1917	1918	1938
France	1,772	8,696	13,317	29,254	15,350	5,702
United Kingdom	3,179	12,296	20,439	16,300	19,257	15,232
Italy	422	511	4,779	8,771	3,251	1,170
Germany	2,167	122	—	—	—	1,128
Russia	1,335	2,489	12,333	15,329	6	34,691
Canada	1,199	1,813	6,464	7,780	4,814	4,968
Japan	120	86	437	1,092	4,047	22,470
Australia	1,317	282	800	664	403	1,750
Total including others	14,011	28,163	61,315	84,935	51,621	100,035

1914-17 figures refer to fiscal, and those for 1918 and 1938 to calendar years.

America has always been the premier producer and exporter of high-production machinery, including machine tools. And much of Russia's industrialisation and Japan's capital equipment in recent years is due to imports of United States tools. The American Government is taking steps to curtail exports of metal-working machinery to those countries in order to satisfy the prior claims of national defence. American machine tools have, however, been reaching this country regularly, and since the capitulation of France, Great Britain has contracted to buy tools originally ordered by that country.

Japan and the South Seas

Japan has already established for herself a privileged position in Manchukuo, Kwantung Leased Territory and North China, and is now striving to set up a new order in Eastern Asia in general and in the South Seas in particular. According to the Japanese spokesmen, the South Seas embrace the Dutch East Indies, British Malaya, Philippine Islands, Thailand (Siam), French Indo-China, British Borneo, Portuguese Timor and the Papua territory under Australian mandate. They comprise relatively rich but economically backward tropical territories, inhabited by a polyglot, indigent population, and belong to several independent sovereign States. Japan's trade with these countries has increased more than sixfold since 1914. In that year her exports to them amounted to about 23 million yen and her imports from them to 53 million yen. In 1939, out of the total imports of Japan proper, amounting to 2,917 million yen, 258 millions came from these territories, and out of Japan's exports of 3,576 million yen they absorbed goods valued at 215 million yen. Trade with the individual territories is shown below:—

TRADE OF JAPAN PROPER WITH THE SOUTH SEAS

	1937		1938		1939	
	Exports	Imports	Exports	Imports	Exports	Imports
Dutch East Indies...	60,348	45,193	32,599	35,629	24,743	49,117
British Malaya	71,928	135,591	22,877	108,334	22,430	93,666
Philippine Islands	60,348	45,193	32,599	35,629	24,743	49,117
Thailand (Siam)	49,381	13,570	39,208	4,950	26,023	5,536
French Indo-China	4,623	27,011	3,181	20,300	1,981	26,651
British Borneo	1,040	18,775	949	13,832	958	11,353

Japan's principal imports consist of rubber, tin, mineral oil, iron ore, tropical woods, vegetable fibres, coal and phosphate. Her leading exports include textile manufactures, followed at a great interval by iron and steel products, potteries, toys and miscellaneous merchandise. Japan's commercial intercourse with the South Seas has benefited both sides. She provides a profitable outlet for the primary products of the adjoining tropical territories, while they absorb increasingly large quantities of cheap-quality Japanese manufactures.

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Tin and a United States Smelter

There have been negotiations for the construction of a tin smelter in the United States for some time, and the Government has now decided to go ahead with the scheme. The Metals Reserve Company will build and operate a plant under a five-year contract capable of producing 18,000 tons a year. The announcement was not unexpected and did not have much effect on the London market; though the spot price weakened a little, the forward quotation continued to advance. The British smelting industry has little to fear from the American smelter. It is expected that the cost of the refined tin will be over 50 cents a lb.; the smelter will thus be a strategic, not an economic, asset. The diversion of raw material will not be serious either. America is to obtain tin from Bolivia, and the amount is about equal to that which formerly went to Holland. Since May that raw material has been coming to this country, but British

smelters are only returning to their pre-war position and are not, in fact, being deprived of supplies. It will be some time before the United States smelter comes into operation, and many orders have already been given to Bolivia with which there will be no interference. In addition, the Metals Reserve Company has agreed to release tin to Britain upon request up to 6,000 tons yearly and to consider further amounts if necessary. The chief economic benefit from the scheme will go to Bolivia, who will almost certainly be able to get a higher price for ore from the United States than from Britain, since the selling price of tin is higher in the former country.

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Roumanian Oil and Nazi Needs

The German occupation of Roumania, coming hard on the heels of the expropriation of the "Astra Romana" Company and the arrest and maltreatment of British engineers, marks the temporary eclipse of British influence in that country's oil industry. The importance of this interest may be appreciated from the fact that over one-quarter of the total of 11,500 million lei invested in the Roumanian oil industry is British owned, while about half the country's crude oil production is controlled by British companies—of which the "Astra Romana" is by far the biggest. The Nazis will now have a clear field and will doubtless exploit Roumanian oil with no regard for economic considerations; but whether this will enable them to solve their own oil problems is highly doubtful. Roumanian oil production has been declining for some years; output fell from a peak of 8.7 million tons in 1936 to no more than 6.2 million tons last year—the principal reason being the exhaustion of the existing fields. Germany's hopes are partly based on the opinion of certain Roumanian geologists that there are still many areas with untapped oil reserves. Professor Macovai, for example, has estimated that there are 30,000 hectares of potential oil-bearing lands still untouched. But the fact that only one-third of the area already explored has proved capable of systematic exploitation shows that a considerable investment both of time and money will be required, with only a doubtful promise of success. Moreover, Germany cannot appropriate the whole output for herself. Italy normally imported some 550,000 tons of Roumanian oil a year, Hungary about 250,000 tons, Yugoslavia 150,000, Bulgaria almost 100,000 and Greece some 200,000 tons. Spain, Switzerland and Sweden were also important customers. Production in Hungary has been growing fairly rapidly of late but, owing to the operation of the British blockade, Europe's dependence upon Roumanian oil will increase. Since Germany cannot starve her junior partner, nor the rest of Europe, of Roumanian oil, it follows that the quantity she can take for herself is strictly limited. Nor must the problem of transport be overlooked. More than three-quarters of Roumania's exports of oil products used to be shipped via Constanza, but the bulk must now be sent up the Danube. The tanker fleet is believed to total 300 vessels with an aggregate capacity of 220,000 tons; with a maximum of seven round trips a year, these would suffice for the transport of little more than 1½ million tons a year to Germany. Hence, though the securing of Roumanian oil supplies was doubtless of crucial importance for the Nazis, they must, willy nilly, share the spoils with the rest of Europe.

COMMODITY AND INDUSTRY NEWS

THE question of a revision of iron and steel prices is still being discussed, but no announcement has yet been made. Officials of the South Wales Miners' Federation met the Secretary of the Mines Department in London this week in an endeavour to avoid having to close certain anthracite collieries this week. Such closure would mean loss of employment to about 7,500 men. The retail prices of several foods have recently been fixed. That for milk for November will remain at the present level, eggs have been increased this week but onions, which had reached scarcity prices, are now to be sold at a maximum of 4½d. per lb. Industrial developments in this country and overseas are discussed in greater detail in the monthly *Trade Supplement* published with this issue of *The Economist*.

Cotton (Manchester).—Inquiry has been on rather broader lines with actual

business irregular. Traders have welcomed the firmer rates for raw cotton and buyers have displayed a little more confidence in current values. Spinners have made further attempts to adjust matters to meet the revised conditions relating to raw material supplies. An active demand has again been experienced in coarse American counts and fair operations have occurred in medium numbers. There have been few signs of any improvement in demand for Egyptian yarns. Cloth inquiry for export has been larger. Java has been the most active outlet and only occasional transactions have been put through for India. Irregular buying has occurred in lawns for Rangoon, dyed fancies for Singapore, light whites for Egypt, prints for West Africa, finishing styles for South America and standard makes for the Dominions. Home trade purchases have been small, and developments in this

section are dependent upon the effects of the Purchase Tax. Numerous Government contracts have been arranged.

RAW COTTON delivered to Spinnors

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Oct. 11, 1940	Oct. 18, 1940	Oct. 18, 1939	Oct. 18, 1940
American	22.9	16.9	228	205
Brazilian	6.6	8.9	101	81
Peruvian, etc. ...	3.2	2.4	51	39
Egyptian	3.7	3.7	64	48
Sudan Sakel ...	0.5	0.2	49	8
East Indian	8.9	9.1	64	62
Other countries ..	8.7	7.9	39	49
Total	54.5	49.1	596	562

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—Tin price movements this week have been influenced by the announcement that a tin smelter is to be constructed in the United States which is

Continued on page 532

COMPANY MEETINGS

A. C. COSSOR, LIMITED

RECOVERY IN EARNINGS AND SALES

The second ordinary general meeting of A. C. Cossor, Limited, was held, on the 23rd instant, at Winchester House, London.

Mr T. A. Macaulay (the chairman) said it was to be expected that their contribution to the present war effort would provide a material increase in output, but nevertheless, he was glad to report that their general valve and set business had been substantially maintained notwithstanding the inevitable limitations imposed by the present conditions. Total sales for the year showed an advance of nearly 30 per cent. upon those of the previous year, while the trading profit, including dividends and interest, was £136,027.

During the year under review the work of national importance which they had carried out had materially increased. An additional large factory had been acquired and equipped, and the number of workpeople employed had reached the highest figure in the company's history. The company was engaged on work of a highly technical nature for most of the Government Departments, and he was happy to say that all deliveries made to date had met with entire satisfaction.

As their Government contracts increased it was natural that their production of radio sets should decline. They were satisfied, however, that their proportionate position in the radio industry had been maintained. In connection with the work which the company was doing for the national interest, he was sure shareholders would be pleased to hear that they had been asked by the Government to become managers on their behalf of a shadow factory "somewhere in England."

It was a fair expectation that in happier circumstances they would now have been reaping the reward of their extensive research work in the television field, but although this, unfortunately, was deferred, he had no doubt that when television was resumed, they would be in a strong position to take a prominent part in this business.

He might say that they had broadened the scope of Cossor's operations in the electrical field and had been most successful in their efforts. The company was now established on sound foundations

and notwithstanding the troublesome times through which we were passing, he looked forward to its future success with great confidence. The report was unanimously adopted.

CABLES INVESTMENT TRUST, LIMITED

SATISFACTORY RESULTS

The fifth ordinary general meeting of the Cables Investment Trust, Limited, was held, on the 23rd instant, at Electra House, London. The Rt. Hon. Lord Pender (the chairman) in the course of his speech said: The capital remains unchanged, but the capital reserve has been reduced, and now stands at £147,210, against £157,996 last year.

Debenture stock amounting to £15,000 has been purchased and cancelled during the year to June 30, 1940, in accordance with the trust deed, and a further £10,800 has been purchased and is available for re-issue.

The gross income for the year from investments was £333,428 against £344,308 for the preceding year. And the net income was £228,222 against £219,259 an increase of £8,963.

a very satisfactory result in view of the International situation and other difficulties.

After payment of the final dividend of 3 per cent., less tax, making a distribution of 5 per cent., less tax, for the year, the amount to be carried forward is £135,955 against £97,733, being an increase of £38,222 over the previous year.

The market value of the securities at June 30th last was £4,840,174, against a book value of £7,106,000, but in present conditions a valuation bears no relation to the intrinsic value of the securities.

I am sure you will agree that the balance sheet is a satisfactory one, and the result of the year's working shows that our securities have yielded a very stable return which has enabled us to increase our amount carried forward by over £38,000, as previously mentioned in spite of the chaotic condition the world is in at the present time.

The report and accounts were unanimously adopted.

(Continued from page 531)

discussed in a Note on page 531. Other prices have been unchanged. According to reports from Mexico City substantial quantities of quicksilver have been obtained by Japan in the face of severe American competition. Mercury production is being increased rapidly in Canada and exports to the United Kingdom have recently averaged 200 flasks a month. Conditions in the iron and steel industry are satisfactory and the scrap position continues to improve. Very good results are being obtained from the scrap survey organised by the Ministry of Supply.

Grains.—Most markets have been quietly steady during the week. There are reports that Greece is making inquiries about 500,000 quarters of Russian and as much Australian wheat but no definite contracts have been fixed. The recent upward movement of prices on the Chicago market has encouraged farmers to offer their "free" wheat, and a considerable quantity was pledged against loans. The abundant supplies and the slowness of export business caused maize prices to reach a new low level, and it is reported that Canada is buying maize from Argentina instead of from America.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Oct. 12, 1940	Oct. 19, 1940	Oct. 21, 1939	Oct. 19, 1940
N. America	346	318	5,552	3,889
Argentina, Uruguay	281	173	4,640	2,736
Australia	...	...	612	...
Russia	...	...	1,114	...
Danube and district	...	...	1,412	182
Other countries	...	...	268	...
Total	627	491	12,598	6,807

* Unobtainable. † Incomplete.
Source: The Corn Trade News

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Oct. 12, 1940	Oct. 19, 1940	Oct. 21, 1939	Oct. 19, 1940
Argentina	86	79	10,688	5,438
Atlantic America	179	169	737	1,817
Danube Region	...	...	1,095	678
S. & E. Africa	...	...	2,350	1,081†
Indo-China, etc.	...	...	973	91
Total	265	248	15,863	9,135

* Not received. † Incomplete since August 30th.
Source: The Corn Trade News.

Oils and Oilseeds.—Plate shippers are offering linsseed freely, and though there is little interest in the United Kingdom, shipments to non-European destinations have been fairly substantial. The exportable surplus has been reduced to 144,000 tons compared with 167,000 on September 28th and 130,800 tons a year ago. More than half of the United States new crop, which is of nearly record dimensions, has now been marketed. Indian oilseeds are steady, the U.K. Control again being a buyer of Coromandel groundnuts. Production of oilcakes and meals is on a good scale and, supplemented by imported concentrated feeding stuffs, supplies to fat-stock rearers and dairy farmers have been increased to 60 per cent. of those of a year ago. With the increased supplies of fodder now available on farms it is expected that livestock production will be maintained.

Rubber.—The rubber market has shown a marked increase in firmness. The possibility of an extension of the war to the Far East has led to more commercial purchases as a safeguard against an interruption in supplies. In addition, consumers who do not wish to hold large stocks are now having to buy for their current needs. Standard sheet spot rubber closed at 11½d. per lb. on Wednesday compared with 11½d. per lb. a week earlier.

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

	Mar. 31, 1937		Aug. 30, 1939		Oct. 31, 1939		Oct. 8, 1940		Oct. 22, 1940	
	1937	1939	1939	1939	1939	1939	1940	1940	1940	1940
The Economist Index (U.K.):—										
Cereals and meat	91.0	66.9	80.9	96.4	96.2					
Other foods	70.4	61.1	78.2	82.7	84.3					
Textiles	74.2	54.3	68.1	88.0	87.7					
Minerals	113.2	95.4	99.9	121.0	120.9					
Miscellaneous	87.0	77.6	90.5	105.5	105.6					
Complete Index	87.2	70.3	83.3	98.7	98.9					
1913 = 100	119.9	96.8	114.6	135.9	136.2					
Irving-Fisher Index (U.S.A.)	100.4	83.4	89.0	86.3	...					

* This figure is the latest available; it relates to August 17th.
† Highest level reached during the 1932-7 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	July 1-28, 1940		July 29-Sept. 1, 1940		Sept. 2-Sept. 29, 1940		Sept. 30, 1940	
	Tons gross	Tons gross	Tons gross	Tons gross	Tons gross	Tons gross	Tons gross	Tons gross
British:—								
Merchant ships:	219,480	306,988	270,022	1,792,124				
Naval operations*	...	...	...	73,220				
Naval Auxiliaries	...	39,220	...	151,033				
Naval Trawlers†	2,300	1,870	604	17,709				
Allied	221,780	348,078	270,626	2,034,086				
Neutral	27,739	26,586	56,199	519,120				
Total	70,536	46,819	47,064	816,277				
Grand Total...	320,055	421,483	373,889	3,369,483				

* Diverted from mercantile voyages for naval purposes, e.g. evacuation. † Formerly commercial vessels; in a few cases the tonnage has been estimated.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 19, 1940, total ordinary revenue was £22,753,000, against ordinary expenditure of £75,335,000 and issues to sinking funds of £130,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,315,826,000, against £364,980,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Oct. 21, 1939	Apr. 1, 1940, to Oct. 19, 1940	Week ended Oct. 19, 1940	Week ended Oct. 19, 1939
ORDINARY REVENUE					
Income Tax...	510,500	60,019	122,125	2,009	11,107
Sur-tax...	83,000	9,550	12,280	240	120
Estate, etc.,	...	...	...	...	...
Duties	86,100	43,740	42,540	1,520	230
Stamps	19,000	9,630	7,528	700	...
N.D.C.	70,000	13,680	11,727	690	130
E.P.T.	...	...	29,142	...	200
Other Inland Revenue	1,000	400	230	10	...
Total In. Rev.	769,600	137,019	225,572	5,169	11,787
Customs	309,350	149,243	165,144	6,132	7,558
Excise	213,550	72,510	90,001	8,370	2,401
Total Customs and Excise...	522,900	221,753	255,145	14,502	9,959
Motor Duties P.O. (Net Receipt)	35,000	8,511	10,598	...	257
Crown Lands Receipts from Sundry Loans	1,150	4,004	7,950	900	750
Mis. Receipts	5,000	3,490	787	...	...
Total Ordinary Revenue	1,360,191	385,123	513,329	21,328	22,753
SELF-BAL. Post Office and Broadcasting	86,222	42,896	44,050	950	900
Total	1,446,413	428,019	557,379	22,278	23,653

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Oct. 21, 1939	Apr. 1, 1940, to Oct. 19, 1940	Week ended Oct. 19, 1940	Week ended Oct. 19, 1939
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	137,116	142,459	5,052	9,335
Payments to N. Ireland	9,400	3,961	4,046	...	...
Other Cons. Fund Serv.	7,600	3,684	3,442	...	...
Total	247,000	144,761	149,947	5,052	9,335
Supply Serv.	321,970	599,388	167,326	2,650	6,600
Total Ordinary Expenditure	568,970	744,149	317,273	7,702	15,935
SELF-BAL. Post Office and Broadcasting	86,222	42,896	44,050	950	900
Total	655,192	787,045	361,323	8,652	16,835

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £181,971 to £2,875,039, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,157,000 to about £10,261 millions.

OTHER ISSUES (NET) (£ thousands)	
P.O. and Telegraphs	250
Anglo-Turkish Agreement	2
Overseas Trade Guarantee	12
Total	264

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to October 19, 1940, are:—

£ thousands	
Ordinary Exp.	1,823,153
Misc. Iss. (net)	6,038
Inc. in balances	479
Total	1,829,670
Ord. Revenue	517,329
Gross bor.	1,322,343
Less—	
Sinking fds.	6,002
Net borrowing	1,316,341
Total	1,829,670

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939					
Oct. 21	546.0	699.9	49.0	...	1,294.9
1940					
July 20	815.0	906.5	43.6	...	1,806.2
Aug. 3	831.0	...	...	...	...
" 10	836.0	...	...	...	...
" 17	836.0	...	...	...	...
" 24	836.0	...	...	...	...
Sept. 7	836.0	1,042.6	60.7	...	1,969.3
" 14	836.0	...	...	...	...
" 21	836.0	1,085.1	91.5	...	2,136.7
Oct. 5	836.0	...	...	...	...
" 12	836.0	...	...	...	...
" 19	836.0	...	...	...	...

TREASURY BILLS

(£ millions)

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at Minimum Rate
	Offered	Applied for		
1939				
Oct. 20	50.0	98.2	50.0	31
1940				
July 19	65.0	118.8	65.0	20
" 26	65.0	125.8	65.0	20
Aug. 2	65.0	122.1	65.0	20
" 9	65.0	122.5	65.0	20
" 16	65.0	116.5	65.0	20
" 23	65.0	109.7	65.0	20
Sept. 6	65.0	134.9	65.0	20
" 13	65.0	125.8	65.0	20
" 20	65.0	124.7	65.0	20
Oct. 4	65.0	123.5	65.0	20
" 11	65.0	131.9	65.0	20
" 18	65.0	122.5	65.0	20

On October 18th 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 36 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 October 25th. For the week ending October 26th the banks will be asked for Treasury deposits to the maximum amount of £15.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Bonds	2½% Bonds
Sept. 24	3,373	2,422	8,207
Oct. 1	2,879	2,140	10,942
" 8	3,114	2,336	7,808
" 15	2,722	2,633	14,610
" 22	...	...	25,604
Totals to date	162,323*	160,809*	276,859†

* 47 weeks. † 18 weeks.
Interest free loans received by the Treasury up to October 22nd amounted to 9,639, of a total value of £21,354,034. From the beginning of the campaign up to September 30th, principal of Savings Certificates to the amount of £22,422,000 has been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 23, 1940

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circul.	593,229,269	Other Govt. Securities	615,818,456
In Bkng. Department	37,012,306	Other Secs.	3,157,064
		Silver Coin	9,380
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
		Total	630,241,575

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	137,352,838
Res.	3,128,021	Other Secs.	2,

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 15th; France, of June 8th; Switzerland, of June 15th; Java, Egypt, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, Lithuania and Sweden, of October 5th; Argentina, Australia, of October 12th; Meliê Iran, Japan, New Zealand, South Africa, Yugoslavia, Bulgaria, and Turkey, of October 19th.

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

ASSETS	Aug. 31, 1939	June 30, 1940	July 31, 1940	Aug. 31, 1940
Gold in bars	29.6	29.7	31.0	29.4
Cash	25.6	42.2	29.5	38.9
Sight funds	13.0	16.6	16.3	15.4
Commercial bills	135.1	112.7	111.4	117.4
Treasury bills	42.1	32.7	34.5	26.3
Time funds at interest	35.6	21.4	21.2	21.4
Sundry bills & invests.	229.6	211.1	209.2	208.4
LIABILITIES				
Deposits—Annuity	153.1	152.7	152.7	152.7
German	—	76.3	76.3	76.3
Central banks	5.5	32.3	21.4	23.2
Other	0.7	0.8	0.8	0.8
Gold	14.1	12.2	14.1	15.8

U.S. FEDERAL RESERVE BANKS
Million \$'s

12 U.S.F.R. BANKS	Oct. 1939	Oct. 1940	Oct. 1940	Oct. 1940
Gold certificates on hand and due from Treas.	14,804	18,953	19,032	19,077
Total reserves	15,157	19,293	19,363	19,415
Total cash reserves	3,444	328	319	327
Total U.S. Govt. secs.	2,736	5,650	2,399	2,384
Total bills and secs.	2,753	2,438	2,415	2,396
Total resources	18,708	22,617	22,584	22,999
LIABILITIES				
F.R. notes in circ.	4,744	5,464	5,479	5,508
Excess int. bank res.	5,530	6,720	6,820	6,870
Mr. bank reserve dep.	13,800	13,927	14,016	14,016
Govt. deposits	326	678	507	463
Total deposits	12,668	16,065	16,080	16,139
Total liabilities	18,708	22,617	22,584	22,999
Reserve ratio	85.6%	89.6%	89.8%	89.7%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	17,039	21,271	21,349	21,373
Treas. & bk. currency	2,929	3,046	3,048	3,052
LIABILITIES				
Money in circulation	7,302	8,172	8,199	8,229
Treas. cash and dep.	2,556	2,972	2,873	2,731

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

ASSETS	Sept. 1939	Sept. 1940	Sept. 1940	Sept. 1940
Loans, total	8,319	8,566	8,665	8,692
Investments	14,020	15,622	15,629	15,592
Reserve with F.R. banks	9,723	11,418	11,471	11,490
Due from domestic bks.	3,021	3,171	3,226	3,296
LIABILITIES				
Deposits: Demand	18,175	20,901	21,079	20,984
Time	5,225	5,358	5,360	5,355
U.S. Govt.	540	531	527	530
Inter-bank	8,434	9,175	9,241	9,370

BANK OF CANADA.—Million Can. \$

ASSETS	Oct. 1939	Sept. 1940	Sept. 1940	Oct. 1940
Reserve: Gold	225.7	51.4	31.9	20.3
Other	233.8	540.6	533.1	565.5
LIABILITIES				
Notes in circulation	227.2	327.4	332.0	335.1
Deposits: Dom. Govt.	97.4	26.8	4.4	17.9
Chartered banks	215.0	228.9	231.3	223.7

† Gold and foreign ex. transferred to Foreign Exchange Control Board against securities.

BANK OF ESTONIA

Million Estonian kronas

ASSETS	Aug. 1939	July 1940	July 1940	Aug. 1940
Gold coin & gold bullion	40.91	47.83	47.85	47.76
Net foreign exchange	8.54	22.82	23.22	21.44
Home bills discounted	11.90	37.70	34.18	32.34
LIABILITIES				
Notes in circulation	51.10	95.29	88.49	85.30
Sight dep., of which	23.60	23.64	28.28	27.99
(a) Government	9.21	10.87	13.03	13.21
(b) Bankers	12.16	7.56	9.27	9.34
Reserve ratio	66.2%	40.2%	41.0%	42.2%

NATIONAL BANK OF HUNGARY
Million pengos

ASSETS	Aug. 1939	June 1940	July 1940	Aug. 1940
Metal reserve:				
Gold coin and bullion	124.1	124.1	124.1	124.1
Foreign exchange	98.9	59.1	59.2	54.8
Int. bills, wts., & secs.	420.5	670.2	676.3	698.7
Advances to Treasury	297.7	342.8	337.1	336.5
LIABILITIES				
Notes in circulation	848.1	1,077.5	1,099.7	1,109.6
Sight liabilities	169.2	162.1	151.8	141.7
Cash certificates	99.0	93.5	93.5	86.8

RESERVE BANK OF INDIA

Million rupees

ASSETS	Oct. 1939	Sept. 1940	Sept. 1940	Oct. 1940
Gold coin and bullion	733	444	444	444
Rupee coin	733	328	320	314
Balances abroad	150	344	385	373
Sterling securities	695	1,315	1,315	1,315
Indian Gov. rupee secs.	374	496	496	496
Investments	63	82	80	81
LIABILITIES				
Notes in circ.: India	1,994	2,172	2,211	2,233
Burma	104	120	121	119
Deposits: Govts.	130	144	127	141
Banks	176	457	459	451
Reserve ratio	50.7%	68.1%	68.3%	68.5%

BANK OF PORTUGAL

Million escudos

ASSETS	Aug. 1939	July 1940	Aug. 1940	Sept. 1940
Gold	920.1	921.1	921.2	921.5
Balances abroad	665.6	612.6	609.3	613.1
Discounts	407.3	480.7	475.5	469.1
Securities	117.8	278.4	278.4	278.4
LIABILITIES				
Notes in circulation	2145.1	2684.3	2658.7	2645.6
Deposits: Government	383.4	273.8	268.8	248.3
Bankers	645.7	506.1	546.6	478.8
Other	63.3	131.6	128.3	126.2
Foreign commitments	231.0	257.0	257.0	256.9

NATIONAL BANK OF ROUMANIA

Million lei

ASSETS	June 1939	June 1940	June 1940	June 1940
Gold and gold exchange	24.24	31.563	31.563	31.563
Foreign exchange	1,416	3,822	3,783	3,609
Commercial bills	10,832	19,094	19,175	18,953
Treasury bills issued	4,674	4,470	4,470	4,470
Advances on secs.	5,583	3,566	3,566	3,566
Total debt	2,265	2,389	2,418	2,418
Secs. and participatns.	38,604	52,911	53,645	54,185
Other sight liabilities	10,730	18,229	18,302	17,643
Long-term liabilities	5,060	2,654	2,720	2,715

BANK OF SWEDEN.—Million kronor

ASSETS	July 1939	July 1940	July 1940	July 1940
Gold reserve	236.2	783.1	752.7	726.8
Secondary cover	696.0	554.6	557.2	578.5
Swedish assets	236.2	783.1	752.7	726.8
Foreign assets	696.0	554.6	557.2	578.5
LIABILITIES				
Notes in circulation	1,025.1	1,388.9	1,355.3	1,430.1
Deposits: Government	349.8	39.2	4.2	135.7
Banks & others	549.4	123.0	144.1	159.4

† Including "gold abroad not included in gold reserve."

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
Financial Land, etc.		£	£	£	£	£	£	%	£	£	£	£	%
Caledonian Prop. Invest.	July 31	3,027	400	1,155	1,155	—	1,155	5	—	—	3,341	1,436	5
Odham's Properties	Mar. 31	152,711	—	78,762	78,895	17,107	60,900	12	—	+ 755	170,129	92,263	12
Real & Deb. of Scotland	Aug. 31	136,587	—	59,097	140,894	17,844	26,767	11	—	+ 14,486	135,697	65,314	11
Rio de Janeiro Land	Dec. 11	11	—	Dr. 2,305	Dr. 36,247	—	—	—	—	+ 2,305	25	Dr. 2,405	Nil
Iron, Coal and Steel													
Doxford (William) & Sons	June 30	282,154	30,000	132,899	158,572	13,000	62,500	12½	50,000	+ 5,399	274,795	162,381	12½
Sneyd Collieries	June 30	64,206	—	32,661	133,029	4,972	26,625	15	—	+ 1,064	90,669	69,573	15
Ward (Thos. W.)	June 30	193,171	55,036	133,135	239,075	40,625	78,326	11¼	—	+ 14,184	196,542	148,966	10
Motor, Cycle & Aviation													
Aircraft Components	Mar. 31	143,254	—	11,978	38,414	—	11,500	10	—	+ 478	131,749	70,135	25
Renold & Coventry Chain	June 30a	193,330	—	99,330	114,871	10,066	53,398	10	30,000	+ 5,866	148,782	90,782	10
Oil													
Trinidad Petroleum Dev.	July 31	689,593	—	160,677	224,305	—	150,000	15	—	+ 10,677	425,376	156,074	15
Rubber													
Banteng (Selangor)	Apr. 30	12,746	700	4,666	9,939	—	3,712	33¼	—	+ 954	3,641	1,391	Nil
Bernam-Perak	June 30	9,009	—	3,830	5,670	—	1,500	10	—	+ 1,840	5,002	2,027	Nil
British Borneo Para	Apr. 30	5,652	—	4,840	4,852	—	1,500	3	—	+ 3,340	1,697	1,000	Nil
Durian Sebatang	Mar. 31	3,627	123	2,324	5,110	—	1,688	3	—	+ 636	1,601	842	Nil
Johore Rubber Lands	Mar. 31	7,800	261	5,396	13,365	—	5,488	5	—	+ 92	3,317	1,709	2
Karman	May 31	12,108	500	3,781	14,122	—	3,750	33¼	—	+ 31	3,800	2,027	Nil
Textiles													
Boister (M. C.) Clay, &c.	June 30	103,460	15,350	26,859	27,634	—	—	—	—	+ 36,049	54,940	Dr. 5,425	—
Keystone Knitting Mills	June 30	89,587	15,610	1,304	2,666	—	—	—	—	+ 1,304	45,203	Dr. 5,425	—
560													
Other Companies													
Anglo-Thai Corporation	Mar. 31	95,529	1,940	36,047	94,512	4,550	20,000	10	7,500	+ 3,997	74,826	37,706	10
Brush Rayophone	Mar. 31	42,051	16,210	7,250	7,692	—	6,058	5	—	+ 1,192	31,776	12,738	Nil
Brown, Hopwood and Gilbert	June 30	15,171	—	14,142	27,194	1,564	11,343	20	—	+ 1,235	15,832	14,469	17½
Castle Bros. (Furniture)	Aug. 4	71,032	—	11,671	15,763	1,684	6,325	10	6,000	+ 662	53,279	11,513	4
Edler, Smith & Co.	June 30	753,136	—	190,154	382,891	—	189,000	7	75,000	+ 73,846	702,426	175,500	7
Ernest, Ltd.	July 31	51,599	9,889	22,681	27,700	1,980	9,488	6	10,000	+ 1,213	15,503	5,910	Nil
Foran, Ltd.	June 30	141,693	61,438	78,159	141,200	35,000	18,000	6½	20,000	+ 5,159	117,991	79,383	6½
Harrisons and Crosfield	June 30	340,622	—	325,622	337,800	187,500	39,876	30	—	+ 322	345,310	330,310	20
Highland Distilleries	Aug. 31	68,391	2,500	44,151	86,103	—	10,000	25½	—	+ 4,275	72,145	64,429	30
Morris (Herbert)	July 31	163,508	17,092	145,715	227,476	10,000	125,000	25½	10,000	+ 715	203,636	183,894	22½
Nasmith, Wilson & Co.	Dec. 31	Dr. 2,663	—	Dr. 2,295	Dr. 2,295	—	—	—	—	+ 2,663	94,730	34,135	Nil
Canams (Watford)	Mar. 31	115,173	44,478	21,450	21,450	21,450	—	—	—	+ 745	5,047	Dr. 3,375	—
Sadier and Co.	June 30	12,710	6,000	4,876	7,282	—	4,131	5	—	+ 314	31,562	14,151	10
Pettie Limes	July 31	35,440	—	7,165	8,893	—	6,851	6	—	+ 17,055	26,817	14,943	Nil
Soho Limited	Dec. 31	46,995	12,379	21,892	27,634	7,837	—	—	—	+ 3,430	35,124	23,696	8
Wake and Dean	June 30	35,971	2,973	15,570	21,499	10,200	8,800	8	—	+ 6	30,610	17,903	25
Wright's Biscuits	June 30	39,768	9,034	7,868	14,768	4,093	3,781	12½	—	—	—	—	—
Totals (£'000's)	No. of Cos.												
Week to Oct. 26, 1940	35	4,128	302	1,718	2,688	342	1,129	199	—	48	3,555	1,881	—
Yrs. 1 to Oct. 26, 1940	1,804	348,524	27,877	184,655	263,198	41,856	112,625	—	21,851	+ 8,323	322,415	192,939	—

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks. Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to Oct. 23, 1940		Name of Security	Price, Oct. 23, 1940	Ch'ge since Oct. 16, 1940	Yield Oct. 23, 1940	Prices, Jan. 1 to Oct. 23, 1940		Last Two Dividends	Name of Security	Price, Oct. 23, 1940	Ch'ge since Oct. 16, 1940	Yield Oct. 23, 1940
High	Low	High	Low					High	Low					
British Funds														
71 1/8	61	76 3/4	68 1/8	Consols 2 1/2%	75	- 3/8	3 6 9	34 1/2	20 1/2	12 1/2	Iron, Coal, &c.—cont.	25 1/2	+ 7 1/2	4 12 0
107 1/8	98	110 1/2	103 1/8	Do. 4% (aft. 1957) ...	110 3/8	- 3/8	3 12 10 1/2	54 9/16	33 9/16	12 1/2	S. Durham Ord. £1	40 6	+ 6 1/2	3 19 0
96 3/4	90 1/4	98 1/2	95 1/2	Conv. 2 1/2% 1944-45 ..	98 3/8	- 1/8	2 3 1	47 1/2	26 1/2	12 1/2	Staveley Coal, etc. £1	39 3	- 3 1/2	6 7 0
99 1/8	92 1/8	100 1/2	97 1/4	Do. 2 1/2% 1944-49 ..	99 1/4	+ 1/8	2 12 1	39 1/2	17 1/2	12 1/2	Stewarts & Lloyds £1	26 10 1/2	+ 7 1/2	10 15 0
99 1/8	92 1/8	102 1/4	94 1/2	Do. 3% 1948-53	101 1/8	- 3/8	3 9 0	24 3/4	11 1/2	2 1/2	Swan, Hunter, £1	19 6	+ 6 1/2	8 4 0
112 1/8	103 1/8	112	107 1/2	Do. 3 1/2% after 1961 ..	101 1/8	- 3/8	3 9 0	21 10 1/2	9 6	6 1/2	Un. Steel Cos. Ord. £1	13 9	- 3 1/2	7 5 0
87 1/4	79 3/4	92 3/4	86 3/8	Fund. 2 1/2% 1956-61 ..	91 1/4	- 1/8	3 1 7	8 10 1/2	2 6	Nil	Textiles	3 6	- 3 1/2	Nil
93 1/8	87 3/4	98 1/2	92	Fund. 2 1/2% 1952-57 ..	97 1/8	- 1/8	2 18 10	38 6	21 3	5 1/2	Brit. Celanese 10%	29 6	- 9 1/2	6 17 0
95 1/8	87 1/2	99 1/2	95	Fund. 3% 1959-69	97 7/8	+ 1/8	3 2 3	39 10 1/2	20 3	7 1/2	Courtaulds £1	28 6	- 9 1/2	4 19 0
109 1/2	100 1/2	113 3/4	105 3/8	Fund. 4% 1960-90	111 3/4	- 1/2	3 3 10	35 9	21 10 1/2	5 1/2	English Swg. Ctn. £1	22 6	- 6 13 3	3
99 1/4	94 1/4	102	98 1/2	Nat. D. 2 1/2% 1944-48 ..	100 1/2	- 1/2	2 8 9 1/2	24 4 1/2	11 9	Nil	Lancs. Cotton Corp £1	16 6	+ 3 1/2	9 0 0
96 1/8	91 1/8	101 3/4	95 1/8	Do. 3% 1954-58	101 3/8	- 1/8	2 18 4	61 3	42 6	11 1/2	Patons & Baldwins £1	46 3	- 3 13 1/2	6 1/2
108 3/8	102	100 1/4	100	War Bds. 2 1/2% 1945-47 ..	100 1/8	- 1/8	3 5 7 1/2	43 11 1/2	26 3	10 1/2	Electrical Manufg.	36 1/2	+ 6 1/2	5 11 0
98 1/8	86	105 1/8	103 1/8	Victory Bonds 4%	110 3/8	- 1/8	2 19 11 1/2	66 3	10 1/2	10 1/2	Associated Elec. £1	77 6	+ 1 1/2	3 3 0
98 1/8	86	103	93 1/4	War L. 3% 1955-59	102 1/8	- 1/8	3 8 9 1/2	69 1/2	10 1/2	5 1/2	British Insulated £1	55 3	- 5 9 0	0
83 1/8	73	89 1/4	80 1/4	Local Loans 3%	87 1/4	- 3/8	3 8 10	69 1/2	66 3	10 1/2	Callenders £1	55 3	- 5 9 0	0
99	91	100	97 1/2	Austria 3% 1933-53	99	- 1/2	3 3 4	20 1/2	11 6	12 1/2	Crompton Park A 5%	15 6	+ 6 1/2	6 9 0
64	55 1/2	71 1/4	59 3/4	India 2 1/2%	67 1/2	+ 1/4	3 14 2	33 9	16 3	10 1/2	English Electric £1	26 6	+ 9 1/2	7 11 0
90	78	97 1/4	82 1/4	Do. 3 1/2%	92	+ 1/4	3 16 0	83 1/2	52 6	20 1/2	General Electric £1	72 1/2	+ 1 1/2	5 10 0
115 1/4	104 1/2	115	105 1/4	Do. 4 1/2% 1958-68	110	+ 1/4	3 14 4	38 3	23 6	5 1/2	Gas and Electricity	31 3	- 3 1/2	5 2 0
106 1/4	95	107 1/4	101	Dom. & Col. Govts.	104 1/2	- 1/2	4 3 9	42 6	20 6	10 1/2	Clyde Valley Elec. £1	26 6	+ 3 1/2	7 19 0
112 1/2	103	110 3/4	106	Austria 5% 1945-75	108	- 1/4	4 1 10	27 1/2	18 1/2	21 1/2	County of London £1	22 1/2	- 5 9 0	3
103 1/2	92	100 1/2	93 1/2	Nigeria 5% 1950-60	102 1/2	- 1/2	4 14 0	18 3	11 6	11 1/2	Edmundsons £1	5 13 0	- 5 13 0	3
110	102	108 1/2	103	N. Zealand 5% 1946	107	+ 1/2	3 12 9	33 1/2	29 9	4 1/2	Gas Light & C. £1	37 1/2	- 16 0 0	10
111 1/4	104	110 1/4	104	S. Africa 5% 1945-75 ..	107	+ 1/2	3 12 9	33 1/2	29 9	4 1/2	Imp. Cont. Gas Stk.	37 1/2	- 16 0 0	10
81 1/8	72	85	78	Corporation Stocks	105	- 1/2	4 1 8	21 1/2	12 1/2	2 1/2	Lancashire Elec. £1	25 6	- 5 18 0	3
93 1/8	85 1/2	94 1/2	87 1/2	Birham 5% 1946-56	82	- 1/2	3 13 5	31 4 1/2	17 6	4 1/2	London Ass. Elec. £1	22 6	+ 6 1/2	6 5 0
102 3/4	95	104	97	L.C.C. 3%	90	- 1/2	3 12 10	42 3	22 1/2	6 1/2	North-East Elec. £1	28 6	- 5 12 0	6
				Liverpool 3% 1954-64 ..	100	- 1/2	3 10 3	38 7 1/2	24 1/2	5 1/2	Northmet Power £1	28 6	- 5 12 0	6
				Middx. 3 1/2% 1957-62 ..	77	- 1	5 16 0	39 6	24 1/2	5 1/2	Scottish Power £1	28 9	- 5 12 0	6
				Foreign Governments	28	- 1/2	17 6	7 6	30 1/2	15 1/2	Yorkshire Electric £1	29 6	- 5 10 0	3
				Argen. 4 1/2% Stg. Bds.	27	+ 1	9 5 0 1/2	16 4 1/2	6 1/2	4 1/2	Miscellaneous	13 9	- 5 9 0	0
				Austria 4 1/2% 1934-59 ..	22	- 1/2	11 10 0 1/2	16 4 1/2	6 1/2	4 1/2	Austin 5%	10 1/2	+ 6 10 0	0
				Belgian 4% (36) 1970	19	- 1	11 10 0 1/2	16 4 1/2	6 1/2	4 1/2	Bristol Aero. 10%	21 1/2	+ 6 10 0	0
				Brazil 5% Pd. 1914	27	+ 1	9 5 0 1/2	16 4 1/2	6 1/2	4 1/2	De Havilland Air. £1	55 3	- 1 1/2	3 3 0
				Chile 6% (1929)	13	- 1	11 10 0 1/2	16 4 1/2	6 1/2	4 1/2	Fairley Aviation 10%	11 3	- 11 2 3/4	3
				China 5% (1913)	19	- 1	11 10 0 1/2	16 4 1/2	6 1/2	4 1/2	Ford Motors £1	15 6	- 17 2 0	0
				Czechoslovakia 8%	51 1/2	+ 1 1/2	6 2 6	18 7 1/2	12 4 1/2	15 1/2	Hawker Siddeley (5%) ..	48 9	- 10 8 6	6
				Egypt Unified 4%	65 1/2	+ 1 1/2	6 2 6	15 7 1/2	6 1/2	17 1/2	Lucas, J. (£1)	55 1/2	+ 1 1/2	7 5 0
				French 4% (British)	5 1/2	- 1 1/2	6 2 6	60 7 1/2	39 4 1/2	12 1/2	Leyland Motors £1	22 1/2	- 9 2 0	0
				German Dawes 5%	2 1/2	- 1 1/2	6 2 6	88 3	28 9	25 1/2	Morris Motors 5% Ord. ..	31 1/2	- 5 8 0	0
				Do. Young Ln. 4 1/2%	14	- 1/2	6 2 6	27 7 1/2	16 9	45 1/2	Rolls-Royce £1	11 6	- 16 17 0	0
				Greek 6% Stab. Ln.	14	- 1/2	6 2 6	42 3/4	2 1/2	22 1/2	Standard Motor 5%	17 9	- 3 1/2	5 12 6
				Hungary 7 1/2%	14	- 1/2	6 2 6	22 7 1/2	12 3	4 1/2	Shipping	17 9	- 3 1/2	5 12 6
				Japan 5 1/2% 1930	*	- 1/2	6 2 6	23 9	13 6	4 1/2	Furness Withy £1	20 1/2	- 1 1/2	6 10 0
						- 1/2	6 2 6	20 1/2	13 6	5 1/2	P. & O. Def. £1	15 1/2	- 6 13 3	0
						- 1/2	6 2 6	10 9	4 1/2	Nil	Royal Mail Lines £1	7 1/2	+ 6 13 3	0
						- 1/2	6 2 6	16 7 1/2	5 9	6 1/2	Union Castle Ord. £1	8 9	- 3 1/2	9 2 0
						- 1/2	6 2 6	27 3	14 1/2	2 1/2	Allied Sumatra £1	14 9	- 3 1/2	8 2 0
						- 1/2	6 2 6	31 11 1/2	20 1/2	2 1/2	Anglo-Dutch £1	28 11 1/2	- 6 4 3	3
						- 1/2	6 2 6	34 9	20 1/2	6 1/2	Jokai (Assam) £1	3 1/2	- 6 13 3	0
						- 1/2	6 2 6	3 3	1 1/2	6 1/2	London Asiatic 2%	25 9	- 3 1/2	7 0 0
						- 1/2	6 2 6	60 33 1/2	23 11 1/2	20 1/2	Rubber Trust £1	2 1/2	- 4 15 0	0
						- 1/2	6 2 6	67 13 1/2	14 1/2	20 1/2	United Serang 2%	25 1/2	- 1 10 1/2	0
						- 1/2	6 2 6	73 6	35 1/2	16 1/2	Oil	25 1/2	- 6 0 0	0
						- 1/2	6 2 6	81 10 1/2	28 9	12 1/2	Anglo-Italian £1	45 1/2	- 9 6 6	6
						- 1/2	6 2 6	80 1/2	45 6	7 1/2	Apex (Trinidad) 5%	35 7 1/2	- 2 12 6	6
						- 1/2	6 2 6	62 6	38 9	7 1/2	Burmah Oil £1	68 9	+ 1 1/2	4 7 0
						- 1/2	6 2 6	44 3	23 9	5 1/2	Shell Transport £1	59 4 1/2	- 7 1/2	4 4 5
						- 1/2	6 2 6	50 1/2	27 6	m29	Assoc. P. Cement £1	30 9	- 3 1/2	0
						- 1/2	6 2 6	107 6	53 1 1/2	120	Barker (John) £1	40 9	- 1 1/2	0
						- 1/2	6 2 6	62 6	42 6	7 1/2	Brit. Aluminium £1	38 9	- 1 1/2	0
						- 1/2	6 2 6	52 6	32 6	7 1/2	Brit.-Amer. Tob. £1	82 1/2	- 6 4 12 0	0
						- 1/2	6 2 6	65 1/2	27	4 1/2	British Oxygen £1	61 3	+ 1 1/2	5 10 0
						- 1/2	6 2 6	31 1/2	15 1/2	15 1/2	Brookhouse (J.) £1	33 9	- 1 10 0	0
						- 1/2	6 2 6	38 9	19 9	9 1/2	Cable & Wir. Hdq.	50	- 8 0 0	0
						- 1/2	6 2 6	10 11 1/2	4 1/2	Nil	Carreras 'A' Ord. £1	34 1/2	- 14 7 2 0	0
						- 1/2	6 2 6	28 3	16 3	15 1/2	Dunlop £1	30 1/2	- 6 0 0	0
						- 1/2	6 2 6	65 1/2	25 1/2	5 1/2	Elec. & Mus. Ind. 10% ..	7 9	- 3 1/2	Nil
						- 1/2	6 2 6	40 6	25 1/2	5 1/2	Ever Ready Co. 5%	25 3	+ 6 17 8 3	0
						- 1/2	6 2 6	28 1/2	16 3	25 1/2	Gestetner (D.) 5%	48 1/2	- 3 1/2	6 5 3
						- 1/2	6 2 6	93 9	64 4 1/2	5 1/2	Harrison & Cros. Def. £1 ..	75 1/2	- 6 13 3	0
						- 1/2	6 2 6	40 6	25 1/2	5 1/2	Harolds £1	26 3	- 5 6 6	6
						- 1/2	6 2 6	33 9 1/2	17 6	5 1/2	Imp. Chem. Ord. £1	27 6	- 5 17 0	0
						- 1/2	6 2 6	13 9	5 1/2	Nil	Imp. Smelting £1	9 9 1/2	+ 6 7 3 1/2	0
						- 1/2	6 2 6	61 1/2	25 1/2	17 1/2	Imp. Tobacco £1	5 1/2	- 4 10 5 1/2	0
						- 1/2	6 2 6	12 3/4	6 1/2	22 1/2	Inter. Nickel n.p.	11 1/2	- 1 1/2	0
						- 1/2	6 2 6	22 1/2	12 3	4 1/2	International Tea 5%	11 1/2	+ 1 1/2	8 0 0
						- 1/2	6 2 6	12 3/4	6 1/2	4 1/2	Lever & Unilever £1	38 4 1/2	- 7 1/2	3 14 0
						- 1/2	6 2 6	15 1/2	9 6	34 1/2	Longsight & Co. £1	13	- 1 1/2	8 16 0
						- 1/2	6 2 6	67 6	67 6	11 1/2	Lyons (J.) Ord. £1	78 9	- 3 1 1/2	9 1 1/2
						- 1/2	6 2 6	54 4 1/2	25 1/2	15 1/2	Marks & Spen. 'A' 5% ..	34 6	- 1 1/2	5 11 0
						- 1/2	6 2 6	41 3/2	23 1/2	5 1/2	Metal Box £1	31 4	- 5 7 1/2	0
						- 1/2	6 2 6	87 6	45 1/2	7 1/2	Murex £1 Ord.	70 1/2	- 5 14 0	0
						- 1/2	6 2 6	23 7 1/2	13 9	6 1/2	Pinchin Johnson 10%	17 3 1/2	- 1 3 1/2	4 12 0
						- 1/2	6 2 6	17 6	12 6	15 1/2	Ranks Ord. 5%	15 3	+ 3 1/2	5 18 0
						- 1/2	6 2 6	61 6	36 3	12 1/2	Spillers Ord. £1	52 6	- 5 14 0	0

Shorter Comments

This Week's Company Results.—

WILLIAM DOXFORD AND SONS, shipbuilders, earned a higher total profit at £282,154, against £274,795, but increased allocation to tax reserve and A.R.P. expenditure led to a moderate fall in net earnings from £162,381 to £132,899. The 12½ per cent. dividend is maintained. Heavy E.P.T. charges reduced the net income of AIRCRAFT COMPONENTS from £70,135 to £11,978, despite a rise in gross earnings from £131,749 to £143,254. The dividend is cut from 25 to 10 per cent. This week's rubber company results show the recovery in net earnings, characteristic of the past year. In all cases, the ordinary distribution is raised, and BERNAM PERAK, with net earnings of £3,830 against £2,027, is paying 10 per cent. against nil. Although no preference or ordinary dividend is yet paid, FOISTER, CLAY AND WARD has realised a satisfactory recovery in earnings from a net loss of £5,425 to a net profit of £26,859. The ANGLO-THAI CORPORATION is repeating the 10 per cent. dividend, despite a slight decline in net earnings from £37,706 to £36,047. ELDER SMITH AND COMPANY have earned higher gross and net revenue at £753,136 against £702,426 and at £190,154 against £175,500 respectively. The 7 per cent. dividend is paid as before. FERRANTI, LTD., is repeating the previous year's 6 per cent. tax free dividend. A substantially higher depreciation provision is responsible for a fall in net profits from £79,383 to £78,159, despite higher gross earnings at £141,693 against £117,991. SETTLE LIMES' gross income rose from £31,562 to £35,440, but higher taxation caused a decline in net earnings from £14,151 to £7,165, and the ordinary dividend is reduced from 10 to 6 per cent.

MISCELLANEOUS

Union Corporation.—Interim dividend of 2s. 6d. United Kingdom currency, a share, (unchanged). This dividend becomes due on November 6, and warrants will be issued about five weeks after that date.

Stevenson Hardy and Company.—Net profit for year to April 30th, after taxation of £20,000, £16,157, against £1,798 previous 16 months. Dividend 10 per cent. (5 per cent.), carry forward £3,771 (£113).

Erinoid, Ltd.—Trading profit, year to July 31st, £51,480 (£15,368). Net profit (before tax) £38,787 (£5,910). General reserve £10,000, taxation reserve £16,107. Carry forward £6,233 (£5,020). Ordinary dividend 6 per cent. (nil).

Wall Paper Manufacturers, Ltd.—Trading profit for 11 months ended July 31st £506,969 against £425,305 previous year. General reserve £100,000, pension funds £10,000, carry forward £220,684 (£209,310). Ordinary dividend again 10 per cent. and deferred 6 per cent.

George West (Weatherproofs).—Trading income, year to March 31st, £49,587 (£27,279). Net income, after taxation, £23,922 (£24,539). All preference dividend arrears are to be met, and £4,000 added to reserve.

Electric and Musical Industries.—Net profit for year to September 30th, after meeting exceptional charges and contingencies, £38,048 (net loss £131,968). Ordinary dividend again passed.

Salts (Saltaire), Ltd.—Profit, year to March 31st, £356,845 (£147,075). Ordinary dividend (first since 1937) 25 per cent.; preferred ordinary, 100 per cent. (25 per cent.).

Ferranti, Ltd.—Trading profit, after taxation, for year to June 30th, £141,693 (£117,991). Depreciation £61,438 (£36,619), net profit £78,159 (£79,383). Reserves £20,000 (£20,000). Preference dividends £35,000. Ordinary dividend again 6 per cent. tax free. Carry forward £68,200 (£63,041).

Malayalam Plantations.—Final dividend declared of 6 per cent. (less tax at 7s. 10d.) making total of 10 per cent., for year to March 31st, as before. General reserve £20,000 (£25,000). Dividend equalisation reserve £20,000 (nil). Carry forward £100,074 (£101,695).

Prices, Tailors, Ltd.—Trading profit, year to June 30th, £542,216 (£452,864). Taxation £153,000 (£70,000). Deprecia-

tion £96,302 (£95,322). Net profit £291,581 (£286,042). Prices Trust final ordinary dividend 12½ per cent., making 25 per cent. for year, as before.

Imperial Smelting.—Ordinary dividend announced of 3½ per cent., first since 5 per cent. payment for 1937.

Wm. Doxford and Sons.—Trading profit, year to June 30th, £282,154 (£274,794). Depreciation £30,000 (£25,000), A.R.P. expenditure £16,651 (nil), net profit £232,899 (£247,381). Ordinary dividend again 12½ per cent., taxation reserve £100,000 (£85,000), general reserve £50,000 (£100,000), carry forward £31,072 (£25,673).

Elder Smith and Company.—Total income for year ended June 30th, £753,136 (£702,426). Net income £200,154 (£185,500). Total ordinary dividend again 7 per cent. (on larger capital). Provident fund £10,000, reserve fund £75,000 (nil).

Transvaal Working Profit, Sept.—Total estimated working profit of gold mines for September, 1940, £3,929,140 against £4,049,460 for August.

Anglo-Thai Corporation, Ltd.—Final dividend on preference shares, 3½ per cent. actual (8.4d. per share) and 7½ per cent. actual on ordinary shares (1s. 6d. per share), both less income tax at 8s. 6d. in the £, for year to March 31, 1940, payable on or after November 7, 1940, making 7 per cent. and 10 per cent., respectively, for year. Net profit for year ended March 31, 1940, £39,047 (previous year, £40,706).

A. C. Cossor, Ltd.—This company is paying a dividend of 15 per cent. on the ordinary shares for the year to March 31, 1940. This compares with 6 per cent. for the previous accounting period February 24, 1938, to March 31, 1939. The profit amounted to £130,000. In the previous period there was a total profit of £87,878.

Beralt Tin and Wolfram.—Profit, year to March 31, 1940, £81,394 (£83,591). To taxation, £41,000 (£7,000). Ordinary dividend reduced from 20 to 10 per cent. Provision for normal depreciation, £19,871. A further £5,000 against £10,000 is reserved for depreciation. Carry forward, £7,923 (£5,629).

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Italy's War

THE Italian attack on Greece runs true to the normal type of Axis aggression. The aggressor has repeatedly guaranteed Greece's neutrality, the most recent occasion being but four months ago. Thereafter, the usual campaign of lies and abuse was launched, troops were massed in Albania, and now invasion is justified on the grounds that Greece has violated her own neutrality in the interests of Italy's enemy. Only in one or two particulars does the Italian attack offer variations on the general theme of aggression. The time of year is unusual. A campaign in mountainous country, launched on the threshold of November, must be certain of a very speedy success if it is not to end in the snowdrifts. The half-heartedness of the first air attacks is in singular contrast to the murderous bombing of Rotterdam, and little use appears to have been made of parachute attack and air landings. And the whole procedure of an ultimatum with a time limit is surely retrograde. Germany invades before the ultimatum is dispatched or, at the latest, in company with it. True, Italy, attacking at 5.30 on the morning of October 28th, did so half an hour before the ultimatum was due to expire, but at least General Metaxas had five hours in which to decide that Italy's demand to occupy certain—apparently unspecified—bases was tantamount to a declaration of war and to order general mobilisation.

The most obvious Italian plan of campaign would be a drive from the Koritza front over the mountain road towards Edessa and on to Salonika. According to Italian reports, the town of Breznica, at the junction of the Florina and Kastoria roads, has been taken and if Italy continues to confine herself to this rather limited objective, it will be in keeping with her policy in recent months of avoiding any direct engagements with the British Navy. Attempts to land on the Ionian islands or in Crete would expose warships and supply ships to British naval and air attack, whereas the consolidation of Italy's position at Salonika

might enable the Italian Navy, operating in relative safety north of the Dodecanese, to establish its control in the intervening Greek islands and to dominate the Aegean and the approaches to the Straits.

The Greeks' power of resisting the Italian onslaught is difficult to gauge. When fully mobilised, the army is roughly 600,000 strong, and it is doubtful whether the Italians have more than 200,000 men in Albania. But the inferiority in armament is manifest. Greece has only 140 aircraft, and the army's equipment, though modernised, is hardly on a scale to resist mass attacks launched by a Great Power. Rumours that Germany, too, has divisions in Albania have not been confirmed, but are a grim reminder of the odds against successful Greek resistance.

Greece does not, however, stand alone. Great Britain has already gone to her aid in fulfilment, first of all, of the guarantee given last year, but also in recognition of the fact that in striking at Greece the Axis is in reality striking at the British position in the Mediterranean. Within the larger strategic problem of the war as a whole, the purpose behind the timing of the Italian offensive is even more difficult to assess than in its local aspects. From the Axis standpoint, although Greece's economic resources, discussed on pages 558-9, offer little bait, the occupation of the country would offer certain advantages; in the Balkans, the process of encircling Yugoslavia would be complete, while the extension of Italian power to the frontiers of Turkey, coupled with Germany's growing hold on Bulgaria, might well immobilise Turkey—as Yugoslavia has been immobilised—and deliver up the control of the Straits without any resort to force.

In the Eastern Mediterranean, the seizure of Crete, by closing the narrow Crete-Bardia line, might confine the British Navy to the eastern basin, and thereby open up the vital supply route between Italy and Libya, which has so far been at the mercy of British submarines and aircraft.

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Crete might also serve as a useful stepping stone *en route* for Syria, and its possession might render easier the occupation by air of Britain's exposed Near Eastern flank. Again, the diversion of Britain's attention and of her aircraft and warships from the defence of Egypt fits well into the general Axis technique of "the indirect offensive." If the British defence were weakened by dissipation of its fighting power, Graziani might strike in the western desert, while the Germans put their pressure on General Franco to draw Spain, and with her Gibraltar, into the conflict.

All these are possibilities. But it must be remembered that their fulfilment demands from Italy a willingness to take risks and commit herself to hazardous combat to an extent out of all proportion to any prowess she has exhibited hitherto. It is possible that the Turkish objective may be achieved, for the attack on Greek independence is probably Turkey's last chance of fighting effectively in defence of her own. The outcome of the tug-of-war between King Boris's genuine desire for neutrality and the Germanophil tendencies of Bulgaria's wild men is still undecided. On the outbreak of war, the summoning of the Sobranje was postponed, but King Boris read his Speech from the Throne, again underlining his desire for genuine neutrality. But the Italians are stirring up trouble in Macedonia and the Germans are quietly reinforcing what will soon amount to a virtual occupation. At the same time, the tone in the German press towards Turkey is aggressive, and effective German aggression against Turkey can only be launched from one quarter. The situation in Bulgaria is thus extremely precarious, and it may well be that the passive rôle adopted by Turkey—that of discouraging any act of aggression on Bulgaria's part by a strong show of force on the Thracian frontier—should be complemented, if it is to be effective, by more active participation in other battle zones. Greece, Turkey and Great Britain are known to be in consultation; but so far there is little to suggest that Turkey has gauged the measure of the crisis and of her own jeopardy.

But in so far as the attack on Greece is designed to destroy Britain's power in the Mediterranean and to render Graziani's task more easy, the possibility of an Axis success is far more uncertain. A crucial point is the seizure of the Greek islands. If Italy can seize them, so can we, and we should have the inestimable advantage of doing so in co-operation with their inhabitants. In a race between Italian forces from the Dodecanese and British forces from Alexandria, the Italians' advantage in distance might well be offset by the resistance of Crete, where parts of the Greek army are stationed. If Great Britain succeeded in establishing herself in the islands of Greece or even on the Greek mainland, the result of the campaign would be a net loss for the Axis. Italy is, after all, already in possession of a group of Aegean islands. Rhodes could already provide

a stepping stone a hundred miles nearer to Syria than Crete. For us, an Aegean foothold is pure gain. Crete is barely a hundred miles from the Dodecanese, only two hundred miles from the Libyan coast, and hundreds of miles nearer the Italian mainland than any of our Egyptian bases. If the offensive launched in Albania were to render possible concentrated British air attacks upon Rome, we could wish Mussolini joy of his Greek mountains. The tables would have been turned.

Indeed, the new field of action which has suddenly been opened up to us in the Near East is on such a scale that one is tempted to ask whether the outcome of the Italian ultimatum did not come as an unpleasant surprise to Rome and Berlin. The Balkans' history in the last two months has been on the whole a melancholy chronicle of capitulation. No obstacle has been placed in the way of the passage of troops and the occupation of strategic points. The process is complete in Hungary and Roumania, Bulgaria is threatened, Yugoslavia has abandoned her Danubian rights. Now it is remarkable that Italy asked of Greece only what in other countries had been so often conceded—the right to send troops across Greek territory and to occupy certain strategic points "without prejudice to Greek sovereignty." Is it fanciful to suggest that Greece's refusal and determination to fight were the last reaction expected? Other factors bear out the supposition—the date, the delays and uncertainties of touch evident in the first Italian offensive, the lack of preparatory propaganda in Italy, even the reported presence of three *Lufthansa* aeroplanes on the airfield at Tatoi. Or even if the Axis Powers took into account a show of resistance, clearly they are banking on its immediate collapse. Germany has innocently feigned ignorance of the whole manoeuvre, and while Hitler was conferring with Mussolini in Florence, the German Minister in Athens was making a show of asking for information about the whole incident. This preliminary demonstration of ignorance has been followed by a spate of rumours of a rift within the Axis—Italy breaking out on her own and Germany vainly trying to patch the matter up with a compromise solution. And these naturally lead to rumours of a German offer of mediation. Backed with the assurance of British aid, the Greeks are most unlikely to swallow the bait, but it is a new and interesting experiment in disintegrating tactics, a new light on the infinite variety of Hitler's destructive genius.

The Greeks' decision to resist in spite of the tremendous and obvious odds against them of itself deserves the utmost aid their British ally can give. But if, in addition, Greek resistance has upset Axis calculations and has launched Italy upon a war she did not mean to fight, there is all the more reason for Britain to strike back with all the force she has at her command in this new theatre of war, and with all the speed, weight and daring she can achieve.

Imperial War Economy

ONE answer to the Italian threat to Athens—and Alexandria—is being sought in Delhi. There, representatives of Australia, New Zealand, South Africa, India, Burma, Ceylon, Southern Rhodesia, East Africa, Hong-kong, Malaya and Palestine are discussing the "more effective integration" of their economic resources. When Italy came into the war in June, spreading the conflict to the Mediterranean and Africa and placing Britain's inner trade route to the East in jeopardy, it was promptly decided to examine ways and means of supplying Allied forces in Eastern theatres of war from Eastern sources. The fall of France made the problem graver by removing the buttress of French support in the Levant. The assault upon Britain, by intensifying the strain on Western sources of supply on both sides of the Atlantic, made the problem pressing.

The first aim of the Delhi Conference, then, is to relieve the burden at present laid upon British factories. The second is to lighten the load upon British shipping, whose charge it is to ferry war supplies by the long Cape route, through dangerous waters, to Egypt and Palestine. Even

in the few days that have elapsed since the Conference began last week, its task has been rendered more urgent by the outbreak of hostilities in Greece and the Aegean. It is the duty and the interest of the peoples represented at Delhi to give every possible assistance to the British and Greek forces who are standing on the Near Eastern outworks of their own defences.

The conception of regional co-operation for the protection of the Empire is not new. The scattered character of the Commonwealth and the independent nationhood of the Dominions have long caused self-help to be the goal in matters of defence. The task now is, in the words of Mr Churchill's message to the Conference, to make that co-operation "more effective"; and, as Lord Linlithgow said in his opening address, to act with "promptitude and energy."

There has been no lack of Imperial co-operation in the first year of war. Men have come from the Dominions and India to Britain and the Near East. Canada has served as the link between this country and the United States of America in the working-out of a common naval and indus-

trial plan for the defence of the Atlantic countries. But in the main the co-operation has been commercial. It has been based upon the traditional conception of a battlefield in Western Europe, fed with war supplies by industrial Britain and supported indirectly by the flow of raw materials and foodstuffs from every part of the Empire. The Empire's foodstuffs have been bought up by the British Government. Australian wool; New Zealand meat and dairy produce; South African gold; Indian jute; Rhodesian copper; Malayan rubber—these and a host of other commodities have furnished the sinews of war. They have been Britain's strength in contrast to blockaded Germany. They have filled in the gaps made by the loss of supplies from European farmers. They have been powerful counters in the trade with neutral America for dollars and aircraft and munitions.

It would be an error to suppose that the use of commerce as a weapon of defence, within and without the Empire, has reached its limit. There is still room to organise the growing export industries of India and Australia more directly to win foreign exchange or to supply needs in the Empire east of Suez which at present have to be met from Britain. It is time to realise that an export from Calcutta or Sydney is as valuable to the war effort as a shipment from Liverpool; and there is still scope for more skilful use of the sale of Empire raw materials in the world markets which they dominate.

Even so, it is production rather than trade that must be deliberated at Delhi. The assembled countries' wealth of economic resources is being employed, and it is their industrial capacity, their power to produce the finished goods of war and commerce, that now needs the most strenuous development, if the burden upon Britain is to be relieved and if the Eastern theatres of war, of which the Levantine front may only be the first, are to find support on their own side of the globe. There are obvious obstacles. Pittsburg and Sheffield were not built in a day, any more than Rome. Moreover, British manufacturers have a distaste for the development of rivals within the Empire, and Dominion manufacturers in their turn have no great eagerness to extend their output and capacity to a scale that will be redundant and unprofitable when war, the great consumer, goes out of business.

In the context of a struggle that is life-or-death for every part of the Commonwealth, the natural fears of manufacturing groups have little relevance. It should not overtax the common sense of Imperial statesmen to guarantee the separate corps of their industrial army against crippling loss. The sole aim now must be to maximise the Empire's total power to produce the goods of war, and the only true barrier is the factor of time, the impossibility of creating great arms industries overnight and the difficulty of recruiting, transferring and training sufficient workers.

In quality, the industry of the Dominions is apt for enlistment. They rank with the United States and Britain as the countries whose income per head is highest in the world; that is, after the basic necessities of existence have been provided, countries like Canada, Australia and New Zealand have, like their associates on the Atlantic, the greatest margin per worker left for the production of other things. In peacetime this margin is spent in maintaining a high standard of living, of comfort, convenience and wealth; in wartime its proper rôle is to be dedicated to the common effort. According to the reckoning of Mr Colin Clark, Australia and New Zealand not only show the highest productivity in the world in the various forms of agriculture; they also rank next to the United States with the highest real income per head both from manufacturing and services—that is, both from making finished goods and selling and transporting them. It was suggested in *The Economist* a fortnight ago that "a belligerent country should seek by all the means in its power to transfer labour from the service trades to munitions production." Only Britain and the United States exceed New Zealand and Australia in the ratio of their occupied population engaged in services; in New Zealand nearly a tenth of the entire labour force is occupied in transport alone. It is true that, in numbers, Australia, New Zealand and South Africa, all represented at Delhi, together have only 10½ million white

inhabitants, the same as Canada, and not much more than a twelfth of the populations of Germany, Austria and Italy. This gives the greater reason why the superior efficiency of British and Dominion workmen—*due less to any inherent qualities than to the autarkic and blockaded economy which Nazi Germany has imposed upon itself, with its wasteful and extensive concentration on producing goods at home which could be more cheaply and economically obtained in trade from abroad—should be deliberately applied to war production, and to nothing else that is not absolutely necessary.*

It is not just another survey of Imperial resources that is most wanted from Delhi, then, but a mutual act of dedication, a decision swiftly and effectively to employ the labour of the conferring countries on nothing but necessary work; and drastic and detailed programmes to transfer resources from needless employment to the production of as many of the goods of war and export trade as possible. It will involve sacrifice, for it will mean inroads into that high standard of life which gives the British Dominions their special qualities; and it might well be heralded by the decision on the part of Britain herself to go further than has yet been done in the mobilisation of all her resources for the war, and for no other purpose. If there is a general awakening at Delhi to the full realities of war economics, and if action follows in the supply and labour policy of each Dominion, it will be tantamount to a victorious campaign.

On the other hand, it would be a mistake to expect too much even from the total enlistment of the Empire's industry. The Dominions are relatively small countries in population. Those represented at Delhi have no broad basis of heavy industry; their progress towards the building up of war industries, though appreciable, has not yet made great strides; and neither New Zealand nor South Africa can yet supply its own local defence needs. Moreover, in India, where half as many people again live as in the Axis States and their occupied territories together, there is not the same factor of superior economic efficiency and productivity as in the Dominions. India's resources are indeed vast, but her consumption is very great as well; and the great bulk of her people have little or no margin above the level of bare necessity. It will be an achievement if, in the measurable future, the Delhi States succeed in mutually meeting their own requirements, by pooling their resources and production and by "marrying" the deficiencies and surpluses of their economies. To that effort and to the aid of their defenders in the Near East, the Dominions can contribute the capital and labour of their "luxury" or non-essential industries and services; they can concentrate on the manufacture of small arms and ammunition, light artillery and shells; where they have motor-car factories and electrical and precision engineering they can make aircraft and tanks. Indian industry can develop in the same way; it can expand its output of steel and leather goods; it can aim at the building-up of a central arsenal of the Eastern Empire. But for a long time the basic contribution of that part of the Empire must be materials: wool, lead, zinc, meat, dairy produce, chrome, asbestos, jute, cotton, hides, timber, oilseeds, rubber, tin and manganese.

This does not mean that the development of war industries in the Eastern Empire is not all-important; rather the reverse. At Delhi the common industrial effort is to be given new momentum, because the bottlenecks which arise from dependence upon British factories and long and perilous sea routes have become a serious restraint upon the Imperial war effort. The immediate result may be modest; but the eventual effect may be decisive. At this Conference, there is the chance to do three things: to see straight the true principles of war economy throughout the Empire; to agree upon at least the outlines of a specific programme; and to obtain firm pledges of prompt and drastic action. It may be that a fourth step will be needed: the setting up of a single, central Economic War Council with authority to direct the programme. Such a body is probably far more needed than the looser Imperial War Cabinet so often asked for; and its institution would be another landmark in the development of free co-operation within the Commonwealth.

Roosevelt and Willkie

THERE is always an element of the gladiatorial show about an American Presidential election. Hot political passions, it is true, are often aroused and great principles are frequently at stake. But the election is also a great sporting event; it is a match between two personal champions, and the stake is the White House. This year, more than ever, the interest is concentrated on the personalities of Franklin Delano Roosevelt and Wendell Lewis Willkie. It would not be correct to say that this is so in spite of the world's crisis; at least in part it is because of the crisis, since the very urgency of events has compelled a certain agreement on policy between the two candidates. But it is also because, for the first time, Mr Roosevelt has an opponent with personal charm and magnetism equal to his own. Mr Willkie is no embarrassed Hoover, no tongue-tied Landon. He virtually forced his nomination on an unwilling Republican Party, and he has fought a forceful and effective campaign. At one point, it is true, his inexperience was revealed in a series of blunders and the odds against him lengthened; but he has fought back, and the signs are that, up to a fortnight before the election at least, he was still gaining supporters.

Presidents are often not without honour save with their own electors, and it is not easy for an English observer, who can see so clearly the historical rôle that Mr Roosevelt has been playing, to appreciate the violence of the opposition to him. It is an amalgam of many elements. There is the world of business, which hates the controls and regulations of the New Deal and the subsidised competition of the Government. There are the isolationists, who distrust Mr Roosevelt's open hostility to the dictators. There are the natural conservatives, who deplore the attempt to shatter precedent and secure a third term in office. Mr Willkie has collected supporters from all these groups. He has behind him an even more overwhelming majority of the Press than Mr Landon had, including such influential, sober and sincere journals as the *New York Times*, which is normally Democratic. He has the support of a number of conservative Democrats, with Mr Al Smith at their head. Mr John L. Lewis has given his blessing, though it remains to be seen whether that will carry with it the votes of the members of the C.I.O. unions and of the section of "progressive" opinion that has been accustomed to listen to Mr Lewis. Perhaps the element of personal rancour was too obvious in Mr Lewis's words, and the paradox of a labour leader deserting a Roosevelt for a Willkie too great; it may be that Mr Lewis's support will bring Mr Willkie fewer votes than that of Joe Louis, the heavyweight champion and idol of the Negro vote. But these accretions to the alliance behind Mr Willkie have stirred the President out of his dignified silence. Hitherto he has seemed to be conscious that the mantle of history was on his shoulders and unwilling to expose it to the perils of the hustings. But he has now rediscovered that interest in politics and politicians which he seemed to have lost in the summer. He has been making a series of fighting speeches in the crucial and important states of Pennsylvania, New York and Massachusetts, and Mr Kennedy has lent his aid by denying in the most specific manner that the President has committed the United States in any way to armed intervention. The odds are still on his re-election; but it will be a close thing.

We in England are rather more than mere spectators at this election; our fate is its main topic. Superficially, there is little to choose between the two candidates in the ardour of their desire to help Britain hold the fortress of liberty. If anything, Mr Willkie's protestations have been the stronger, and there is a good deal of substance in his argument that he, the successful business-man, would be better fitted than Mr Roosevelt, the enemy of Big Business, to organise that great increase in munitions production out of which alone effective aid to Britain can come. But if he were elected, he would not be in office for another two months. As with every new President, his early months

would be absorbed with patronage. New men—and perhaps new policies—would be injected into the machinery of Anglo-American collaboration, which seems, since the destroyer-bases bargain, to have been functioning very smoothly. It is very doubtful whether we could afford such a hiatus, even if at the end of it the flow of assistance were quickened. Moreover, it is a little alarming to observe that Mr Willkie conceives of the problem of munitions production so exclusively in terms of the sort of organisation to which a successful business-man is accustomed. It needs more than that; it needs the establishment of priorities, the restriction of civilian demand, the mobilisation of labour, the rationing of plant capacity and raw materials. Is Mr Willkie, whose campaign is based on the liberation of free enterprise from present controls, the relief of profits from the burden of taxation and the restriction of the sphere of government activity, a better man to accomplish this than Mr Roosevelt, advised by men like Mr Knudsen, of General Motors, and Mr Stettinius, of United States Steel?

Furthermore, can Mr Willkie's assertions of support for Britain be taken exactly at their face value? There are isolationists in his entourage; the senior Republican member of the Senate Foreign Relations Committee—whose views would have to be taken into account, even though, in a still Democratic Senate, he would not be Chairman—is Senator Hiram Johnson; the Republican Party in Congress, as Mr Roosevelt has pointed out, has voted against both the amendment of the Neutrality Act (which alone made possible any aid for Britain) and the Conscription Act. Would Mr Willkie be able to pursue the policy he has outlined? He himself, in his passionate desire to attack Mr Roosevelt, has been manoeuvred into some curious positions. He is for giving Britain more help, but not by denuding the present stocks of the United States Army and Navy. He has attacked Mr Roosevelt as the great appeaser; but what is to be made of his own statement that his first action would be to send an Ambassador to Berlin? It would be foolish for any Englishman to attempt to influence the American electors. But perhaps it is permissible, in an issue of *The Economist* which will not reach the United States until after the election, to endorse, from the British angle, the comment that the known vices of Mr Roosevelt are to be preferred to the unknown virtues of Mr Willkie.

Difficult though it is to distract attention from the war, it is not on foreign policy that the election will be decided. Mr Willkie's attack is on domestic matters; his chief slogan is "American Democracy and Free Enterprise are inseparable." In British eyes, it is laughable to dub Mr Roosevelt a Socialist, or worse, because of the very limited social reforms of the New Deal, or to call him a would-be dictator because, having occupied an office with far less real power than that of the British Prime Minister, he now wishes to retain it for a few more years than Mr Asquith or Mr Baldwin was at Downing Street. But these things are real issues in America. The New Deal in the last four years has lost a fair proportion of its earlier attraction. For one thing, it has been less successful than in Mr Roosevelt's first term. Recovery has seemed to be marking time and there have been fears that America is settling down to a permanent state of under-employment. The movement for reform has seemed at times to be more like a vendetta against the rich and powerful. The quality of the personnel in office at Washington—with several notable exceptions, such as Mr Hull, Mr Wallace and Mr Morgenthau—has unquestionably declined.

But Mr Roosevelt's great strength, as in 1936, lies in the opposition. If he has done less than before, it is because he has been more successfully obstructed. And does Mr Willkie really offer a more promising formula? The United States is moving into a period when there will be far more obstinate and far more difficult problems for the Federal Government to meet than were ever dreamed of

before 1932. There is the problem of curing unemployment without lowering the standard of living—and meantime of succouring the unemployed. There is the chronic problem of agricultural over-production. There is the delicate matter of the control of credit and the security of the banking system. There is the fundamental difficulty of adapting American ideas and institutions, formed in a period of rapid growth, to the close prospect of a stable population. Can these problems be solved by preaching the inseparability of democracy and free enterprise? It is not that Mr Willkie's slogan is wrong. No country can be a democracy unless it ensures the widest possible freedom of commercial action to its citizens. No democracy can be successful unless it finds room for adventurous enterprise. These things are axiomatic. But is it the rôle of the statesman to

emphasise them, or rather to reveal the other facet of the truth, that democracy will crash in ruins unless some means is found by which the State, without infringing the fundamental liberties of the citizen, can turn its attention to the problems which it alone can solve? That democracy and free enterprise are inseparable is true; but it is far more important at this stage of history to prove that democracy and communal enterprise are compatible.

This, for all his mistakes, is the vision that Mr Roosevelt has seen. This, for all his charm, his sincerity and his energy, is what makes Mr Willkie sound like a voice from the past. The judgment that *The Economist* expressed four years ago can still stand: Mr Roosevelt may have given the wrong answers to many of his problems; but he has at least asked the right questions.

Back to Work

OFFICIAL statisticians have lately taken great pains to sort out the unemployable and partially unemployable from the total of the unemployed, but no comparable effort is made to make the disabled workers among them fully employable again. When the Minister of Health spoke of "rehabilitation" in the Commons two weeks ago as one of the chief objectives of the medical services in war-time, he gave publicity to a word which hitherto has had only a specialised and rather obscure meaning. In spite of the urgent appeals of doctors and social workers, there is no provision for rehabilitation in the health insurance schemes or Workmen's Compensation Acts of this country.

Rehabilitation has been defined as "the process of reconditioning which will be required in certain cases after clinical treatment in order to obtain full restoration of working capacity." It means more than medical recovery; it involves not simply patching up the injured person at home or at a clinic, but seeing that his ability to work is restored. Its importance is not simply humanitarian. It is economic; and the bringing back of disabled men and women into work with full output and full earnings was never more needed than at this stage in the present conflict of industrial man-power.

The methods of rehabilitation, right through from disablement to employment again, were described in a pamphlet recently put out by the Central Council for the Care of Cripples. Specialised clinical treatment (in, say, fracture clinics supplemented by orthopaedic centres) begins the process. Then follows "reconditioning" by gymnastic exercises, games and occupational therapy, light occupations, handicrafts and technical work at the bench. Finally, the work is finished off by vocational training in training centres, special workshops or residential settlements. No link in this chain can be left out if the disabled person's capacity to work is to be restored.

It may well be that the Minister of Health had all this in mind last week. A co-ordinating committee on rehabilitation has already been formed by his Ministry. Actually, the first effect of the war was to cut down the scattered facilities for rehabilitation that did exist; the report of the Central Council for 1939 drew attention to a serious curtailment; and much work which was developing with promise was abandoned. Stanmore Cripples' College ceased its vocational training; some institutions were obliged to move out of danger zones; others, like the Robert Jones Memorial Workshops for Cripples in Liverpool, had to close. Staff left to take up war service, and others had to be dismissed for lack of funds. There has been some improvement. The Lord Nuffield Fund for Cripples has helped generously; and 250 places in one training college and 200 in another are guaranteed by the Central Council. But these numbers are derisory in comparison with the scale of the problem, the size of which is abundantly shown by overwhelming pressure upon the few active institutions for rehabilitation and the vocational training centres. The trouble is that there is no single central authority with the will to lay down and administer a policy. The Admiralty, the War Office, the Air Ministry, the Ministry of Health, the Ministry of Pensions, the Board of Education and the

Ministry of Labour—all these departments have to deal with disabled persons or vocational training in one way or another; and only in the Ministry of Pensions, which has just taken over the duty of compensating workmen injured in air raids, has there been the slightest trace of a rehabilitation policy until the new committee of the Ministry of Health was set up.

Moreover, even the institution of a comprehensive policy to rehabilitate the disabled, that is, to restore their working capacity, would only be the preliminary step. The goal, for the individual and for the community, is re-employment, and this is where the economic problem begins. No part of our existing legislation places any binding obligation upon employers or insurance institutions to secure the reinstatement of injured workmen. Partially disabled men and women return to the labour market without any aid, and unless their old employers take them on, their chances of re-employment are slender. Nystagmic miners, for instance, are fit to do light or surface work, but a few years ago it was shown that 56.9 per cent. of partially incapacitated nystagmic miners had no work at all. This was a time of widespread unemployment, but at all times employers are afraid of second accidents, of the aggravation of disabilities, of the development of new troubles through old injuries, of higher compensation claims and litigation.

It is useless to treat and train these industrial casualties unless they are given a chance to work at the end. Without re-employment, rehabilitation is ineffective. What is the solution? One approach to the problem was suggested in a recent report of the National Institute for the Deaf. "If it were possible (the report observed) to arrange for the possibly increased liability or risk to the employer in engaging a deaf person to be borne by some special form of insurance, there would be less hesitancy on the part of industry to absorb the deaf by giving them work which they can readily do." At the end of the last war the Disabled Men (Facilities of Employment) Act of 1919 made provision for employers to be relieved or indemnified from any increase in expenditure attributable to employing disabled ex-Service men; insurance companies undertook to insure employers in respect of such men at the general flat rate without any increase in premiums; and the Home Office agreed with various insurance offices and mutual indemnity companies to make payments from the Exchequer to cover any increase in expenditure on compensation or damages in these cases. This Act might well be extended now—at the least to cover all workers hurt in air raids but employable after recovery. It is true that very few claims have been made under this measure, but that does not prove that it was not needed. Rather it might be that the employment of disabled men was facilitated by its provisions, and that in the event the fears of employers about taking them on were shown to be groundless.

Treatment for the injured workman, rather than charity; insurance for the employer, rather than exhortations—the rest is the task of the labour exchanges, for it is a grave gap in the mobilisation of men for war work that skilled and able workers should be lost to industry by disablement. It is a financial loss to the community, as well as a technical

one, at any time. The British Hospitals Association recently calculated that industry could be saved about £2½ millions a year simply by the substitution of proper hospital treatment for fractures in place of insufficient treatment at home, even on the assumption that the number of total and temporary disablements was only reduced by a fifth. An inquiry by the British Medical Association recently showed that, of the fracture cases investigated, only one per cent. of those treated in special fracture clinics, but as many as 37 per cent. of those treated otherwise, were permanently incapacitated—and, out of the 200,000 fracture cases a year normally treated by the hospitals of this country, only 50,000, a mere quarter, are treated in specialised departments. The wastage of men and money is wanton. Dr Nicoll, in a recent news sheet of the Central Council, points out that if there are 200 preventible cases of miners

reduced to light work by fractures in a year, the capital loss to the industry in compensation payments is £100,000, while the cost of setting up a rehabilitation centre capable of dealing with 200 such cases is a mere £3,000 or so.

The cripple begging in the streets has been practically banished from the public eye already; but the real problem is not solved simply by keeping cripples at home or in institutions. Their place, for their own sake and the community's, is in factories, workshops and offices, living useful and independent lives. These men have a right to rehabilitation and work; the nation needs their services; and all men and women who expose themselves to the risk of injury at work are entitled to a guarantee that they will be made fit for work again, if humanly possible, should they be unfortunate.

NOTES OF THE WEEK

The New Order

Germany's diplomatic activity of the last three weeks is beginning to take on a certain shape. In Eastern as in Western Europe it has had the character of "mopping up" operations. An attempt has been made to tie up the loose strings of diplomacy into a neat new "European Order" which could be presented to the world as a *fait accompli* awaiting only Britain's acknowledgment of the uselessness of war to transform it into an unbombled millennium of work and plenty. The advantage of achieving some such harmonious picture before the Presidential Election was obvious enough, given America's sensitiveness to "war-mongering," and it would at the same time have placed the onus of further destruction upon Britain and condemned the British people to a winter of disintegrating stalemate. The negotiations with France and Spain were accompanied by persistent rumours of a peace offer, and at one point the Reichstag was almost summoned to yet another "last appeal to reason." But the loose ends have not gone into the neat knots which were expected. Only in France has real headway been made. Spain still hesitates, and in the South-East something like a first-class diplomatic blunder seems to have followed from Greece's decision to fight. The truth is that Hitler cannot reverse the order of victory. He cannot consolidate Europe and get Britain out of the war by the spectacle of a functioning "new order." He must get Britain out of the war; in other words, defeat her. Only then can he begin to plan for his Brave New Europe.

France on the Verge

The fate not of France but of French honour hangs in the balance. France itself is safe in our keeping for, as the King assured Marshal Pétain in his recent message, France will share in our victory. But in the meantime, Hitler's skill coupled with the abject mentality of the Laval clique may well conspire to bring France to unimaginable depths of degradation. We must recognise the diabolical genius with which the German conquerors have set about the defeat and disintegration of France. The technique was worked out years ago—in the writing of *Mein Kampf* in the prison at Landsberg. "A shrewd conqueror will always enforce his exactions on the conquered only by stages. Then he may expect that a people who have lost all strength of character . . . will not find in any of these acts of oppression, if one be enforced apart from the other, sufficient grounds for taking up arms again." France's position today is exactly described. The armistice terms were light in territory, but were compensated by the cost of occupation, the condition of the prisoners of war, the systematic plundering of French resources. Now peace terms are under discussion. Various accounts suggest that, this time, territorial claims will be serious, but the mitigation of the Vichy Government's difficulties over prisoners, food supplies and reparations are being used as baits to secure acceptance. The old French leader is bewildered by this judicious mixing of threats and concessions, by these still provisional settlements—for further revision is forecast for the end of the war—these vague terms designed to mask outright expropriation: an "international zone" from Switzerland to the Channel ports for example, or a "joint mandate" with the Axis for France's Colonial Empire. He has seen—or rather the Germans have shown him—the misery in the prison

camps in occupied France. The food shortage, thanks to Nazi plundering, is alarming. The French State, with its agriculture stripped and industries at a standstill, cannot meet the costs of occupation. If we are to judge by Marshal Pétain's broadcast to the French people, it is a German promise to alleviate these hardships that has led him to accept "collaboration in principle."

But this compromising readiness to collaborate in Europe's "new order" of slavery and exploitation does not only spring from Hitler's skill in confusing the issue. Pétain is surrounded by evil counsellors. Laval is now Foreign Minister and is already in Paris to turn the agreement in principle into concrete terms. He has apparently only one desire—to conciliate France's new masters by the most servile compliance with all their demands. France, he has argued in his *Moniteur*, cannot stand alone. Britain's power is waning. There is only one alternative—willing and trustful collaboration within Germany's new Europe. From accepting the necessity of conciliating the Nazis, it is a very short step to accepting the necessity of buying their goodwill with large portions of French colonial territory, with air and naval bases on the Atlantic coast, with the remainder of the French fleet. To all this Laval will have no objection. Since his aim is to "cash in" on Hitler's European racket, he is indifferent to the entrance fee which the gangsters extort. French land, French lives, French honour belong to a forgotten past. Yet even if Laval's memory is so short, it is hard to believe that Pétain can voluntarily accept the ignominy of dividing the Empire and of co-operating with Germany against Britain. A struggle has been going on in Vichy. The old statesman still hesitates and, although the ultimate fate of France does not depend upon his hesitations, the immediate fate of the French fleet and the next step in Hitler's strategy in the West undoubtedly do. And his fading memories of an honourable independence, his ability to withstand the insinuations of a Hitler and a Laval, his ability, at so venerable an age even to grasp what is at stake—these are the tenuous barriers between France and ultimate disgrace.

Spain Hesitates

Hitler's visit to the Spanish frontier, seen in retrospect, contains an obvious element of failure. The Fuehrer, touting for help in Western Europe is playing a new rôle, and the Spaniards have not been slow to read into the first touch of uncertainty in German diplomacy the repercussions of Britain's victories in August and September. If Hitler came to bribe the Spaniards into the war, it seems that he has failed. The Falangist Press has confined itself to the vague generalities about Spain's position in the "new order" and there was a significant outburst of "absolute faith and confidence" in the Caudillo, whose opposition to further war for his exhausted country is fairly generally recognised. Perhaps Hitler chose the wrong moment for bargaining. The only real concession which he could offer Spain was Morocco, but to offer Spain French Morocco while trying at the same time to inveigle France into readiness to collaborate with Germany may well have been beyond even Hitler's diplomatic skill. But if Spain's voluntary entry into the war seems no nearer, there is a certain uneasiness among Spaniards lest Hitler should decide to force the issue

Hummel's visit is generally regarded as a tour of inspection—and resented as such. Anti-German feeling is strong, particularly in Navarre, where the effects of German purchases of Spain's meagre food supplies have been especially felt. Yet Hitler retains a great asset—his victories. So long as the Germans can impress on people the inevitability of their victory, there will always be a host of opportunists—Italian, French or Spanish—to argue that to wait for final victory is too late. The smaller States must cash in on victory in time to share in the spoils. Hitler is playing on Spain's imperial appetite, and the bait will be attractive until our ability to smash Hitlerism is more obviously proved.

Quieter London

Londoners have lately had some relief from bombing. The nightly raids have gone on, still in the main with fast fighter bombers, but they have been less intensive, and most parts of the London area have enjoyed long periods of quiet. Perhaps it was to be expected that, when the Italian air force first took an official hand in the bombing, quietness should have reigned almost supreme; Mussolini's bombers were heavily escorted for their courtesy visit, and they were admirably discreet. By day British fighter squadrons still prevent all but isolated raiders from penetrating to the capital, and the very few bombs that are dropped there on cloudy days, though inconvenient and sometimes alarming, do no real damage. The Germans' day losses have lately been sharply curtailed by their use of fighters in place of the bombers they formerly lost so prodigally; and, on the only occasion this week when the old style phalanx of heavy raiders reappeared, the ratio of German to British losses was once more 4:1. The German plan, since they have failed to wear down Britain's defences by a series of hammer blows, would now seem to be to nibble away our fighter strength by continuous forays. The line still holds, and our fighter strength is growing. At night the raiders on London are faced by a barrage vastly improved both in power and disposition. But they have not been driven away; and they may come back in force any night. London has had smoother nights because the *Luftwaffe*, apart from the weather difficulties, which are increasing, now has other targets for its intensive form of attack. The crazy hope that London could be hammered into panic or despair has apparently waned; and there are transport and production targets elsewhere that are far more worth attacking, strategically, than the hospitals and homes of London. The fact is that the German air offensive has met frustration everywhere. It has not yet been beaten off, but it is still beating the air—and nothing else.

Traffic Experiment

For a long time pundits have maintained that the traffic of Inner London could be eased and loosened by the institution of fast road services exclusively to carry passengers non-stop to and from the near suburbs. The transport hitches due to bombing have done what argument failed to achieve. The scheme is being tried. Buses on ten routes are running express between fixed points on the rim of Inner London and the city's centre; and four Green Line coach services, hitherto run right through London between country termini, will operate as "shuttles," running with fixed stops into London and out again to their start. Two thousand buses have been enlisted from the provinces. It is evident from the working of any Southern Railway terminus in London how the non-stop trains to outer suburbs drain away great masses of travellers swiftly and regularly. Given the co-operation of the public and provided the suburban pick-up and clearing points are well-chosen and served with sufficient buses, the new plan should work with similar, if not comparable success. This experiment should be only the beginning. The haphazard knocks given in air raids call for an elastic transport system able to adjust itself to sudden calls, and the express buses, while a promising start, will still have something of the rigidity of the old-style tram service. Something after the fashion of an omnibus-taxi plying for hire might not be unserviceable. The belated announcement that information officers will be posted at key points to advise about alternative routes that are accessible and untroubled is very welcome. The traveller has been left too long to find his way through the *Blitzkrieg* by the light of nature; on the Underground systems he has been helped; elsewhere, not at all. The sole aim of every improvisation must be to keep passengers and conveyances on the move, in

raids as well as in clear periods, and the institution of sky-watchers on bus routes, together with the opening of Underground stations hitherto shut on alerts, should assist materially. In the last resort it is not by any of these expedients, and certainly not by the device of crowding London's streets with passenger-carrying private cars supplied with extra petrol (though in the circumstances this will be extremely helpful) that the problem will be solved. The solution will only come by the regular services running more speedily and more often—even in periods of danger.

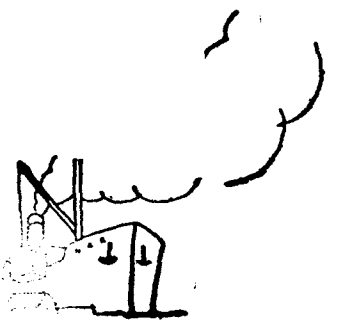
A Post Office Apologia

Of all the public utility services the one that has come in for most abuse since the air raids started has been the one which is State-owned and State-controlled—the Post Office. The others have shown considerable qualities of improvisation, though there have, naturally, been local breakdowns, but delayed posts, unobtainable telephone numbers and telegrams that are slower than letters have been general and continuous. The Postmaster-General has now attempted to answer his critics. He points out that damage from bombs occurs to underground telephone cables as well as to gas mains, and that repair is a complicated process which is carried out as soon as possible. Moreover, traffic in telephone calls and telegrams is heavily increased in raid periods. Mr Morrison emphasises that the entire Post Office staff is trying, under peculiarly difficult, and often dangerous, conditions to maintain an essential service as efficiently as possible. Certainly, nobody wishes to cast aspersions on the courage of the employees, and the technical problems are fully realised; and in the actual work of repair the aid that can be given by signalmen from the Army will be invaluable, for there is a perceptible shortage of skilled technicians in the face of sudden and scattered damage. But the public has a right to ask whether all these postal delays are inevitable, and why, even when there is no air raid, it is at times quite impossible to obtain an answer from toll or trunk operators.

War Economy

At Manchester last week-end the new President of the Board of Trade took the nation somewhat to task. We were not yet making sufficient sacrifices in the routine matters of life, he said. Individuals must accept sharp restrictions of supplies and endure taxes imposed to cut down their consumption, Mr Lyttelton, of course, is right, and it is refreshing to hear this doctrine from Ministers instead of promises of greater comfort. If we are to make full use of our resources for the war, and especially if we are to harness completely the superior efficiency of our labour force compared with that of the enemy, whose autarkic system is extremely wasteful of both men and materials, we must devote far less of our energies than we are doing to pursuits that are not strictly necessary—to non-essential manufactures and to those conveniences of selling and distribution that are dispensable. Where Mr Lyttelton was wrong was in his suggestion that the obstacle to these sterner ways was the reluctance of the public to accept discipline. There are grumbles, no doubt, and there are obdurate vested interests in the ranks of both labour and

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capital; but the *fons et origo* of our comparatively sluggish progress in the economic war lies higher up.

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For a year, our Governments have shown timidity in this matter. They have given no convincing lead, and they have expected the eking out of men, materials and plant that is only possible if their use for civilian purposes is severely reduced to be obtained by what Mr Lyttelton called "self-imposed" discipline. This is nonsense. The individual consumer, the individual workman, the individual employer—none of these can see the nation's war economy in the round. To leave the great change-over from total peace to total war to their struggling efforts is just to drift. Everywhere the story is the same: there is no national programme for the release, transfer, training and employment of the labour at present in needless jobs; there is no wages policy; there is no total mobilisation of productive industry for munitions work; closing of the financial gap is left inequitably to disparate individual effort. Mr Lyttelton spoke of the "sinister and formidable" planning of Nazi Germany. But it is not formidable because it is sinister. The Nazi war economy is formidable simply because, to a greater extent than ours, it does achieve the allocation of Germany's resources to the greatest effect. We have no need of Gestapo or S.S. methods to do the same. What we do need, on the part of those who rule us, is as clear a perception as Germany's of the real character of the economic problem in wartime; and plain instructions from them how to solve it—not exhortations.

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Cost-of-Living Index Recovers Prestige

The trade unions, apt to belittle the official cost-of-living index in times of falling prices because it is out of date—it is based largely on the average expenditure of 1,944 urban working-class families as ascertained by the Board of Trade in 1904—have rallied enthusiastically around this despised and tattered standard since the outbreak of war initiated an upward movement in prices. Union after union has sought to protect the purchasing power of its members by linking wage rates to the Ministry of Labour's index; and this has meant steadily rising wages. There is another, and more rational, reason for the recovery in the prestige of the index. The index had ceased to be representative in the years before the war, owing to the rise in the standard of living and the changes in the distribution of family expenditure and its widening. But we now have to reduce consumption, not simply below its level before the war, but to the level consistent with the maintenance of health and efficiency. And, as the old index is based on the simpler way of living before the last war, and since we shall in any case have to give up many of the trimmings added in the interval—the criticism that it does not include silk stockings among its constituent items has already been answered by the prohibition of their sale next month—the index has once more become a much more accurate guide to changes in the cost of living of working-class families, even though it is still far from being really representative. Instead of publishing a new index, based on the investigation into working-class budgets in 1937 and 1938, the Government might do well to consider the construction of an index measuring changes in the cost of the items required for the maintenance of the nation's health during the war. Such an index might be invaluable to the Government for the introduction of minimum wages and family allowances and, in case of need, it would provide it with a handy measure for skimming off incomes in excess of the minimum standard, either by taxation or compulsory saving or both.

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Russia Looks On

The Italian attack on Greece is being watched with caution by the States lying to the East. Russia has committed herself to nothing—unless Red Army praise of Britain's naval control in the Eastern Mediterranean can be taken as a semi-official approval of Britain's willingness to aid Greece. Certainly the Axis threat to the Dardanelles cannot be a matter of indifference to Russia, but German circles have recently expressed their confidence—based on the Roumanian venture—in their ability to persuade Russia to join in a redivision of the Middle East. It is the old technique. Germany's encroachment on Russia's sphere of influence has been by stages and it is still proceeding by stealth and under cover of collaboration. Russia is therefore at a loss over the point at which a stand should be made. And each time no stand is made, the chances of making an effective one next time are lessened.

Schulenberg is back in Moscow with plans and blandishments and Russia has been permitted to gain her point over her representation on the Danubian Board of Control. The new Japanese Ambassador has also arrived and if the Japanese press gives any indication of official opinion in Tokyo, then Japan's readiness for bargaining and negotiation is greater than at any previous time. Some reports even suggest concessions in the delicate sphere of the Siberian fisheries. The aim in all this is transparent. Russia is to be persuaded to recoup herself in Iran for her loss of freedom of action in East and West. The decadent British Empire is to be the prey—and its satellite, Turkey. Turkey may well be the crux. If Russia can be persuaded by the Triangle to place an embargo on Turkish intervention in the struggle for the Near East, then Turkey, threatened by Germany through Bulgaria and by Russia in the rear, will be reduced to the impotence of encircled Yugoslavia. Russia's relations with Turkey have improved of late, but Russia has made not the slightest sign of desiring to break the German alliance. And if an Axis advance to Syria and the oil of the Near East is the only alternative to an Axis drive through the Ukraine to Baku and Batum, Stalin must prefer to sacrifice other people's territory rather than his own.

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The Czechs' Independence Day

The meagre reports which come from the Protectorate tell an unrelieved tale of misery and oppression. The policy of exterminating together with Czech political independence all trace of an independent Czech culture which was inaugurated by the closing of all institutions of higher education after last year's Day of Independence has been carried on with vigour all through this year. It is, in a sense, an old policy, for in the Austro-Hungarian Empire the Czechs' struggle for independence was intimately bound up with the language question and governments could fall in Vienna over the changing of a street name or the dismissal of a schoolmaster. To-day more brutal masters than could ever have been dreamt of in the liberal atmosphere of the old Habsburg regime are once more putting up German street and place names, forcing German into the Czech schools from the lowest classes to the highest, abolishing Czech text books and histories and endeavouring to put on everything the uniform stamp of a debased Germanism. And the new barbarisation is accompanied by a scientifically conceived exploitation unknown to a nineteenth century, far gentler in spite of all its economic liberalism and *laissez-faire* than the new system of State plunder. Food supplies, raw materials, man-power, are swept off to the Reich. In return, emigrants from the Baltic countries come to settle on Czech lands, the administrative posts pass to *Reichsdeutschen*, the management of those industries that remain is gradually transferred from the hands of "untrustworthy" Czechs. Yet the memory of Austria-Hungary is in a certain sense encouraging. Germany is always a hard master, but the Czechs still exist. Nothing has wiped them out. Short of physical extermination, nothing can; and it is apt and fitting that their second Day of Independence spent in captivity should have been signalled by two events which point to a future liberation. On October 25th, Great Britain concluded a military agreement with the Provisional Government of her Czech ally and on the Day itself, October 28th, R.A.F. bombers systematically bombed the SkoJa works.

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Test Case in India

While representatives of the Commonwealth and Empire are holding their conference on Eastern war supply problems at Delhi, Mr Gandhi is intent upon making the freedom of pacifist speech the crux of the conflict between Congress and the Government of India. In their recent interview, the Viceroy refused Mr Gandhi's plea for immunity for pacifist utterances if they were calculated to impede the prosecution of the war; all he could allow was freedom of speech and conscience as they are guaranteed and limited by British law. Now the Mahatma has carried his campaign—to secure more licence for Indians than Englishmen have, or ask for—a stage further. Significantly, he has not called for general disobedience; he has repudiated any wish to embarrass the Government; and he still believes that an understanding can be reached. Instead, he has sent out two champions, Mr Vinoba and Pandit Jawaharlal Nehru, president of Congress, to defy the law by making anti-war speeches, and the former has been committed to prison—as he and his leader intended—for three months. This week, Mr Gandhi has replied

characteristically—not by violent protests or menaces, but by closing down a newspaper which was forbidden to comment on the Vinoba incident without first referring to the Chief Press Adviser at Delhi. How long Mr Gandhi will be able to occupy his cohorts on this sidetrack it is hard to say; already there are reports of a disagreement between Mr Gandhi and Mr Nehru. To suggest that the vital questions of the part of Indians in the war and of their constitutional future afterwards could be solved by more lenience towards conscientious objectors is absurd. Nor is it in any way likely that such a change of policy will occur. So far, Mr Gandhi's characteristic tactics in this dispute have largely immobilised his followers, and kept their extremer members out of mischief. But if he carries disobedience beyond these chosen test cases, the position will alter, and the Mahatma, no longer able to restrain those who follow, but do not think like him, may find himself responsible for precisely the sort of acrimonious struggle that he is presumably seeking to avoid. It would be an aid to peace and reconciliation at this stage if, from the Viceroy himself or from Westminster, there were to come a clear and encouraging interpretation of the Government's offer to the people of India.

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Mr. Menzies' New Government

Since the new Commonwealth Government has, after all, had to be completed without the inclusion of members of the Labour Party, it can hardly be considered as anything but an interim body and a rather makeshift one at that. There are six new Ministers, three of whom replace those who were killed in the Canberra air crash, and the most important of them, politically, is Sir Earle Page, Minister of Commerce, whose reconciliation with Mr Menzies is one of the few fruits of the election. The most important omission is Mr Cameron, former leader of the Country Party, an omission which removes one of the chief obstacles to any future attempt to persuade Labour to join in a National Government. A new Department of Labour and National Service has also been formed under Mr H. E. Holt, which is to have the same functions as the corresponding British Department, but which will also study the question of reconstruction in relation to manpower and training for civil life. The Prime Minister, the Treasurer, the three Service Ministers and the Minister for the Interior will also be members of the new Advisory War Council, on which Labour is to be represented, and owing to the extra work thus imposed on the senior Ministers, two more Assistant Ministers will probably be appointed. The difficulty that Mr Menzies has had in finding suitable persons to complete his Government in the absence of Labour is shown by the fact that he again retains the offices of Defence Co-ordination and Information in addition to the Premiership, though he has announced that a new Minister of Information will be appointed shortly.

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The Release of Internees

Three more categories were recently added to the White Paper giving the conditions under which enemy aliens may be eligible for release from internment. Category 20 covers persons of eminent distinction who have made outstanding contributions to Art, Science, Learning or Letters, for which still more committees have been set up to consider cases; Category 21 covers students at a university or technical college; and Category 22 covers any person of whom yet another tribunal reports that he has, since his early childhood, or for at least 20 years, lived in the United Kingdom and that he has lost all sense of nationality and is friendly towards this country—it will come as a shock to many people to find that aliens with such lifelong connections with this country have been interned at all. Since the publication of the original White Paper, the new categories have been added on the advice of the Asquith Committee, which seems to have been guided by an attempt to generalise from the individual cases of hardship it has come up against. But it is so difficult to generalise in this matter that in practice each application has to be investigated individually, and it is surprising that in the circumstances as many as 5,200 internees had been released by the middle of October. Unfortunately, the Home Secretary has not given the number released under the various categories except for Category 19, but the time taken in reviewing cases under this Category, which allows as grounds for release active opposition to the Nazi system, shows how cumbersome the whole procedure is. Up to last week—two months after the category was added to the White Paper—applications had been received in respect of 135 persons. The tribunal had held six

meetings and considered 70 cases, but in only 17 of these were its inquiries complete and its recommendations in respect of these 17 are still being considered by the Home Office. The existence of the categories does, it is true, establish a minimum standard of eligibility for release. But perhaps there is something to be said for scrapping the whole system and reviewing each case—in Category C and unconfirmed Category B—on its merits. The same tribunals could be used, so that special classes of aliens, such as political refugees, would be reviewed by persons sympathetic towards them. A general review would, of course, take a long time, but not much longer than the present system of adding categories at intervals; and for most of the internees it would put an end to uncertainty as to their future.

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Railway Charges Report

In fulfilment of the promise given last week by the Minister of Transport, the report of the Charges (Railway Control) Consultative Committee, covering the second application of the railway companies for an increase in charges, is now available to the public. It detracts nothing from the value of this defeat for obscurantism that the Minister had actually revealed most of the facts a week before, since it was the strong demand for the report that presumably produced the statement to the Press. So far as the recommendations are concerned, the full document makes two additions to the preliminary information. It gives, as a further justification for maintaining season tickets and workmen's fares at the old level, the fact that in recent years they have not benefited from reductions, as have other sections of the public. Also, in justifying the cut in the companies' demand, it is specifically mentioned that the prospect of a quarterly review—at the instance of the companies—has been kept in mind. For the rest, the report consists mainly of the special demands of sectional interests and the reasons given for rejecting or accepting them.

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Shorter Notes

In the week ended October 20th, merchant shipping losses, due to enemy action, were the heaviest since the war began. The figures were: 32 British ships of a total tonnage of 146,528; 7 Allied ships of 24,686 tons; and 6 neutrals of 26,816 tons—making a total of 45 ships of altogether 198,030 tons.

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A Supplementary Estimate is to be presented to Parliament, which increases the grant-in-aid to the Central Committee for Refugees by £375,000 to £606,000. The limitation of the Government grant to half the expenditure incurred by the committee will be waived.

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Summer time is to be extended throughout the coming winter. The earliest time for black-out will, therefore, be 5.19 p.m. at Greenwich, but from December 27th to January 3rd it will last until 8.38 in the morning.

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In the first six months of the war, members of the Merchant Navy and Fishing Fleets who were killed by enemy action numbered 926.

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The Treasury has announced that Treasury certificates in respect of loans made directly to the Treasury free of interest will, in the event of the death of the lender, be accepted in payment of death duties on the lender's estate. The number of interest-free loans is now 9,839, amounting to a total value of £21,851,933.

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THE WORLD OVERSEAS

Ulster at War

(From our Belfast Correspondent)

THE Government of Ireland Act, 1921, under which a separate legislature and administration were created in Northern Ireland, contained the provisions:

The Parliament of Northern Ireland will not have power to make laws in respect of the following matters in particular:—

(2) The making of peace or war, or matters arising from a state of war, . . .

The participation of Northern Ireland in the war, and the regulation of conditions in the area in relation to the national war activity, have thus been matters for the Imperial Government. The measures "arising from a state of war" adopted by that Government have not, however, been identical in Great Britain and Ulster. Indeed, the position of Northern Ireland in the war has demanded a number of special measures and has certainly created a large number of problems on account of the neutrality of the southern portion of Ireland. Free communication exists between Northern Ireland, which with the rest of the United Kingdom is at war with Germany and Italy, and Eire which is neutral and where diplomatic representatives of the German and Italian Governments continue to function. The task of supervising passenger traffic across 200 miles of land frontier would obviously have presented the greatest difficulty, and it is natural that the Government should prefer to control entry into Great Britain at the ports rather than entry into the United Kingdom of Great Britain and Northern Ireland by regulating passage across the land boundary. As a result, Northern Ireland has been in large measure isolated from the rest of the United Kingdom. The greater difficulties of sea transport across the Irish Channel in wartime would in any event have accentuated the special position of Ulster, but, in addition, travel between Northern Ireland and Great Britain has been severely restricted except on business of national importance. Private travel between the two countries has been almost completely interrupted, apart from single journeys for the purpose of permanent residence in one country or the other.

While measures such as food and petrol rationing exist in Northern Ireland on the same basis as in Great Britain, it was decided by the Imperial Government that military conscription should not be applied in the Six Counties, despite the representations of the Government of Northern Ireland that similar conditions should apply throughout the whole of the United Kingdom. A Home Guard has, however, been created by the Northern Ireland Government on lines broadly similar to the organisation in Great Britain, while extensive voluntary recruiting has taken place for the various armed forces. Northern Ireland is also being extensively utilised as a military training ground, and large forces of troops are stationed in Ulster. In view of the possibilities of the invasion of Ireland, the importance and advantage of

Ulster as a depot for troops and an entrepot for war material for use in such an eventuality cannot be over-emphasised.

Big Unemployment

In the economic field, the war has created difficulties in the primary peacetime industries of the country. The Lagan shipbuilding yards have, of course, been fully occupied, while there has also been a considerable development of armament production by the engineering firms in the area. It is felt, however, that the engineering resources of the province have not been fully tapped, and there are numbers of engineering workers who have not been absorbed into war work. Meanwhile, the general level of unemployment remains disconcertingly high. The September figures showed a total of 73,591 persons unemployed, compared with 63,113 in August, 1939.

The greatest volume of unemployment is in the linen and textile trades, where shortage of raw material has been a very severe limiting factor. The unemployment figures at September 16th were about 37,000. Before the war the flax requirements of the industry were approximately 30,000 tons, of which only some four or five thousand tons were home-produced. The war has now completely shut off the previous sources of supply—the Russian Succession States of the Baltic, Holland, Belgium and Northern France. The acreage of home-produced flax in 1940 was 46,500, compared with some 21,000 in 1939. A greater extension of acreage in 1940 was hardly possible on account of shortage of seed. This difficulty has been overcome by the saving of large quantities of seed in the United Kingdom this year, and plans exist for the planting of 100,000 acres of flax in Northern Ireland next year. The linen industry has been handicapped, not only by the shortage of raw material, but also by the sharp advance in price. The price guaranteed to the grower by the Ministry of Supply for 1941 is some 150 per cent. above the pre-war price, while the release price by the Flax Controller is even higher. Sales on the home market are restricted, other than, of course, for Service requirements, and the flax released to the trade must be utilised for export purposes. Although the depreciation of sterling in terms of dollars has provided some help to the export market, the American demand has been sluggish in face of advancing prices for linen goods, and it is generally felt that current prices represent the maximum that can be obtained.

Agricultural Revolution

The principal industry of Northern Ireland is, however, agriculture, and here a veritable revolution has occurred since the war. Before the war, the tendency of Northern Ireland agriculture was more and more in the direction of livestock and livestock products, particularly pigs and poultry. The area under the plough had steadily declined since the last war, and in 1939 was only 470,000 acres, or less than 20 per cent. of the crops and grass in the country. Livestock and their products accounted for over 80 per cent. of the gross output of the industry in 1933-36, and the percentage was rising. The principal tillage crop was oats, almost entirely used for livestock feeding on farms, but in addition large quantities of feeding-stuffs had to be imported, particularly maize. A shortage of feeding-stuffs was felt almost immediately war broke out, and the difficulty in obtaining supplies has necessitated a decrease in the numbers of pigs and poultry. Just before the war, Northern Ireland was producing some 25 per cent. of the bacon produced in the United Kingdom, and the policy of restricting pig production has necessarily affected the farming community here with particular severity. Increasing use is, however, being made of home-produced feeding-stuffs, and there has been a very great expansion in the ploughed area, principally under crops

Trust in Benes

The trust in President Benes as a liberator is tremendous. He and M. Jan Masaryk are the most popular figures in the Protectorate. There are Czech families who keep the Tricolour covered in black cloth, determined not to unveil it until they can cheer Benes when he enters Prague in triumph.

German propaganda naturally makes people nervous, even if they refuse to believe its stories and even if they listen, in considerable danger, to the B.B.C. broadcasts. But news such as this—that 2,000 aircraft set London on fire and destroyed most of it on August 16th—is bound to be depressing, especially as many Czechs have relatives in Britain. Many more, though, have relatives in Germany where 300,000 Czechs were taken for forced labour. In exchange, Prague has been honoured by the visit of 30,000 Nazis who are to take over and organise industry and commerce. If they have to, they even pay something for their acquisitions, and here the new Reichsmark exchange rate comes in handy.

Czechs whose presence is not absolutely necessary in the capital are sent to the country. Soon, the whole nation, more or less, will be sent there, as the Germans intend to use the Protectorate as a source of foodstuffs only. How they can do so will be a problem for them, as in the beginning of September the Czech Government reported to Berlin that the harvest was expected to be a failure and that there might be shortages in the spring.

Even if spectacular deeds cannot be looked for from the oppressed and captive Czechs, their time will come, and they can be relied upon. Among the shaky buildings of Europe's "New Order," they are a time-bomb, destined to explode at the appropriate moment and to bury its architects, its builders and its caretakers.

October 30th.

Czechoslovakia in Captivity

[BY A CZECH CORRESPONDENT]

FREE Czechoslovakia has already celebrated in London the twenty-second anniversary of the Republic's independence, an independence which, spiritually at least, still flourishes in Czechoslovakia in captivity. Neither political nor economic oppression can quench the confidence in ultimate liberty that still exists in Hitler's "Protectorate."

Economically, the country has been squeezed like a lemon. Gold and foreign exchange were pounced upon at the time of invasion. Foreign markets, which did not want German goods, were supplied with Czech goods, but the resulting foreign credits were seized. The Czech crown has now disappeared as an international currency, and the new rate fixed for the Reichsmark, Kc. 11.75, gives it an even better purchasing power than it had previously enjoyed when it was fixed at Kc. 10. Not that there is very much left for individuals to purchase. Good quality merchandise, which the Czechs were accustomed to produce and consume, was greedily grabbed by the German soldiers, accustomed to *Ersatz*, and by privileged Nazis who were allowed within the Protectorate. For other persons, the frontier was closed until these had bought up everything of value.

Approximately 60 per cent. of the livestock was transferred to the Reich, and the output of foodstuffs is very poor. The standard of living is falling rapidly. Leather soles have been replaced by wooden ones; dress and suit materials are almost unobtainable; soap and cooking fats are difficult to find; silk stockings and cosmetics are rare; few cars are to be seen on the roads.

Economic troubles might be borne readily were not the whole atmosphere poisoned. The Czechs never forget that their country is not merely occupied, but occupied by their worst enemy, whom they despise profoundly, and whose whole outlook is opposed to their own. They feel they have a part to play in this war, and they play it. News which leaks through always contains some report of men who suffer on this quiet battlefield, far from the fighting front. Not very long ago, a Czech fitter at the steel and armaments factory at Brno, where the Bren gun was first produced, was sentenced to death by court-martial for sabotage, and another worker at the same factory was sentenced to five years imprisonment for being in possession of anti-Nazi leaflets. Dr. Otakar Klapka, Lord Mayor of Prague, has been arrested by the Gestapo, and Professor Wenzig, Dean of the Juridical Faculty of Prague University, has been interned for working against the Nazis. In the first week of September alone, 160 people were arrested in Prague, and about 500 in the country. Some of them were charged with concealing arms, others with distributing leaflets. Most of them were former members of the Socialist parties or adherents of President Benes.

Hongkong at the Delhi Conference

[FROM OUR HONGKONG CORRESPONDENT]

AN official delegation is being sent from Hongkong to attend the Eastern Group Conference on War Supplies, which opens at Delhi on October 25th. It will be headed by Mr D. J. Sloss, C.B.E., Vice-Chancellor of Hongkong University, who, as Chairman of the recently-formed War Supplies Committee, has been making a survey of the productive capacity of Hongkong's industries. Shipbuilding yards, under British management, are already employed in constructing naval craft for the Admiralty, and so long as steel supplies are available the stocks need never be empty for long. The main source of industrial supply, so far as the Delhi Conference is concerned, is in the local knitting, weaving, torchlight, rubber footwear and similar factories, under Chinese management but in many cases financially supported by British commercial firms. These factories can supply various items of military stores, and already not only the local garrison, but also the military authorities in Malaya and Ceylon, have been obtaining certain requirements here. One example of how such local purchases can save time and money was recently brought to light by the arrival from India of an indent placed several months previously. The articles were electric torches which on examination were found to be stamped "Made in Hongkong."

The outcome of the Conference may have important results for Hongkong. There is ample labour for any expansion of industry called for, and the necessary finance should not be difficult to arrange. The main problem may be to secure sufficient raw materials, but there is a possibility that Hongkong may work in with Shanghai as a producing

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unit for the Eastern Group. In that case there would be a much larger area of supply available, and certain articles might be partially manufactured in Shanghai to be finished in Hongkong. The Conference will have to devise machinery for securing the supplies and meeting the demands of scattered units of the Eastern zone, and with so many diverse interests concerned the work of co-ordination will be no light task. Hongkong, however, is ready to take its share in the Empire's war effort, and there is no reason why its financial, commercial and industrial advantages should not be used to the fullest extent.

Trade with Indo-China

The Tripartite Pact between Germany, Italy and Japan has done little to change the existing political situation. The occupation of Indo-China is, however, more disturbing. Last year, this Colony imported from Indo-China and the French leased territory of Kwong-chow-wan goods to the value of \$67 millions, mostly rice, cattle, pigs and vegetables. Exports were over \$98 millions, some \$65 millions above the exports for 1938, made up of many varieties of merchandise, of which piece-goods were the most important. The surplus above normal requirements was destined for unoccupied China. This blockade running is now brought to a standstill, and so, unfortunately, is the normal trade between Hongkong and French territory, since, for the present, steamship services are suspended. The most serious feature of this impasse is the diversion of rice, which comes here in large quantities for local consumption and re-export. The imports of cattle and pigs from Kwong-chow-wan were almost entirely for local consumption, and unless this trade can find other channels the food supplies for this Colony will be seriously affected.

Canton has been completely cut off from Hongkong for the past eight weeks. Although the river remained closed to non-Japanese trade, the weekly passenger steamer connections had enabled contact to be kept, and a good deal of trade was being carried by the Japanese-sponsored tug and lighter service. An epidemic of cholera, both in Hongkong and Macao, was made the excuse for the Japanese ban on passenger traffic. It is believed that extensive troop movements in connection with the Indo-China operations were the real motive, as the Japanese have a childish dislike of foreigners viewing any of their military activities.

October 4th.

Canada's Large Wheat Crop

[FROM OUR OTTAWA CORRESPONDENT]

THE first official estimate, published by the Bureau of Statistics on September 10th, of the yields of Canada's principal field crops in 1940 forecasts a total wheat crop of 561,104,000 bushels, which would be 71½ million bushels larger than the wheat crop of 1939 and only some 5½ millions short of the record crop of 1928. The 534 million bushels allocated to the three prairie provinces, compared with 463 millions in 1939, was a substantial increase on earlier unofficial estimates, and was the result of surprisingly favourable returns from threshing operations, which are now well advanced and which show a high percentage of wheat reaching the top grades.

The estimated yields for the other principal field crops are as follows:—

	1939	1940
	('000 bushels)	
Oats	384,407	405,095
Barley	103,147	110,538
Rye	15,307	14,593
Flaxseed	2,169	3,490

The production of hay and clover is estimated at 13,716,000 tons, compared with 13,377,000 tons in 1939. A decline is forecast for the yield of autumn fruits, as great damage was done to the important fruit crop of the Annapolis Valley in Nova Scotia by a hurricane on September 16th; and the tobacco crop in Ontario, for which the acreage had been sharply cut owing to the loss of export markets, has suffered from frost.

The increase in the prospective yield of the western wheat

crop has intensified the storage and financing difficulties. It is now estimated that at least 250 million bushels will have to be kept on the farms this winter through lack of elevator space, and the Government has decreed a limitation of deliveries of wheat by each farmer to 8 bushels per seeded acre after the original limit of 5 bushels had evoked strong protests. But the grain-growers want to get at least some payment for the portion of their wheat which they will hold, and various plans were discussed at Ottawa early in September at conferences between Federal Ministers, on the one hand, and representatives of the banks, the grain trade, the farmers and western commercial organisations, on the other. But a scheme under which the banks and elevator companies would make loans to the farmers for their home-stored wheat with a limited guarantee from the Federal Government was unacceptable to the banks, and another scheme through which the Federal and provincial Governments would become joint guarantors in arrangements for making payments to the farmers was rejected by the latter. So the exploration of the problem continues, but a solution must be found soon or the King Ministry will become very unpopular in the West.

The St. Lawrence Waterway

The Roosevelt administration, which is notoriously anxious to have a treaty between Canada and the United States about the St. Lawrence Waterway project signed before the Presidential election, has recently made fresh representations to Ottawa, and it is understood that the latest proposals lay special stress upon the power aspects of the scheme in their relation to the co-operative defence programme now being worked out by the Joint Defence Board. The view in official circles at Ottawa is that they represent "a big step forward" to the consummation of the project and that they will receive sympathetic consideration from the King Ministry.

Some difficulty was experienced in getting the full amount subscribed for the new Federal War Loan of 12-year 3 per cent. bonds, which was offered to the public on September 9th, and the books had to be kept open nearly two weeks. Corporations subscribed on a generous scale, but private investors showed a disappointing apathy towards the loan. The *Financial Post* of Toronto estimates that only about 40 per cent. of the loan was taken up by private investors, compared with 66 per cent. of the January loan, and it asserts that the promotion of the loan and its publicity were inadequate and in some features inept. But it also complains that the Government has done nothing to explain its wartime financial policy, to make the public appreciate its basic factors and to impress upon it why some self-denial is vital.

The Federal revenues remain buoyant, and their yield in August was \$54,092,876, compared with \$33,516,682 in August, 1939, but expenditure for the month totalled \$90,599,526, of which about \$59,250,000 was on war account, compared with \$28,439,093 in August, 1939.

Canada's exports (excluding gold) in August were valued at \$110,548,015, compared with \$110,782,000 in July and \$75,559,608 in August, 1939.

September 24th.

Shorter Notice

"Studies in Indian Economics." Issued by the Office of the Economic Adviser, First Series: Aspects of the Indian Tariff. No. 1.

"The Burden of the Indian Tariff." By T. E. Gregory, D.Sc.(Econ.) and W. R. Natu, B.Sc.(Econ.). Delhi, Manager of Publications. 6 annas or 7d.

The nature of these two reports appears from their titles. They represent an effort to examine the problems of the tax burden associated with the various classes of duties imposed by the Indian tariff in recent years. The *de facto* burden of the tariff is measured by the ratio of yield of Customs Duties to value of imports, and is to be distinguished, on the one hand, from the level or height of the tariff and, on the other hand, from the economic burdens imposed by it. The magnitude of the *de facto* burden of the Indian tariff has been calculated for every fiscal year between 1926-27 and 1937-38, and the trends are analysed in relation to the three factors that can cause a variation in the burden, namely, the absolute level of the tariff rates imposed; the price level of imports; and the distribution of imports among the various categories assessable to tax and between those dutiable and those on the free list. The reports are models of the judicious use of statistical material, and Dr Gregory, the Economic Adviser to the Government of India, is to be congratulated on their publication.

Germany at War

(It has been found possible to resume the publication of Germany At War, which is compiled by the editorial staff of The Economist from German and neutral sources. It is hoped that the page will appear at frequent intervals in the future.)

War Insurance.—Germany has not yet introduced insurance schemes against war damage similar to that established for traders' stocks in Britain or to the proposed compulsory insurance against damage to property by enemy action. German wartime insurance legislation has hitherto been restricted to two important fields. As far as life insurance is concerned, assurance companies are instructed to cover the death of all assured persons whose death is caused by war (not necessarily enemy) action. This applies to both existing and new policies. No extra premium may be charged. As long as the companies have reserves, they must bear the extra burden. Should reserves become exhausted, the companies may raise a levy on all assured persons. The strain on the companies is extremely heavy, but their existence is safeguarded.

The extent of war mortality is not known. The companies do not publish any figures, and the official information about losses of life by war action can be accepted only with scepticism. The results of the companies for 1939 give no reliable hint, though a third of that year fell in the war period. The reason for this is that there were, apart from the Polish campaign, no major operations in 1939, and no more than a few hundred of the claims of war victims had been finally settled by the end of the year. Mortality in Germany during the last war was between 40 and 65 per cent. higher than in 1913. Nevertheless, the companies then stood the strain fairly easily, as they were in a strong and stable financial position. The years before this war, however, were full of difficulties; there were such incidents as the collapse of the *Favag* (Frankfurter Versicherungs Konzern) and of the *Lebensversicherungsgesellschaft Phoenix, Vienna*. Some help for the companies just now is the fact that the family allowances for men called up are fairly generous—they aim at securing to the family a considerable part of the conscript's peacetime income. In consequence, regular premium payments on behalf of assured soldiers can be expected. As for the insurance of property, the authorities, strangely enough, did not think it necessary to take special precautions in the assurance field for the case of damage by air bombardment. Pre-war policies exclude (by the war clause) damage caused by war action. But the compulsory cartel of the insurance companies recently published a statement which in effect suspends the war clause, so that war damages would in general be compensated under existing policies. Circumstances have changed, but the argument of the cartel then was that war damage up to July, 1940, had been so trifling that the companies could meet the cost without endangering themselves, and the companies, under the existing legislation, are entitled to recourse to the Government in certain circumstances.

Employment.—At the outbreak of war, employment in Greater Germany (without the Eastern districts) amounted to 24.66 millions; of these, 8.13 millions were women. Mobilisation caused great changes. The number of women in employment had only increased by 200,000 up to June last; but, altogether, 1.75 million persons have been gradually called up for obligatory work (*Dienstverpflichtung*, not to be confused with the *Arbeitsdienst*). Under this compulsory service any German worker can be put by Government order into any job, usually for a period of a few months; and the number of this workers' army was given in the summer at about 350,000. Some 250,000 women have come under this forced scheme since the beginning of the war, but a general extension to all single women and to married women without children, between the ages of 18 and 50, is intended.

About half a million foreign workers have been enlisted for agriculture, most of them from Poland, Italy, Slovakia and Holland. The number of war prisoners doing farm work in Germany is still greater, and amounts, according to official statements, to 700,000. In industry, about 400,000 aliens, recently "imported," and more than 200,000 war prisoners, are engaged. Some of the prisoners have been released (Norwegians and Belgians), but have stayed in Germany as fully paid workers. There is virtually no unemployment. The June figures showed 39,000 unemployed, and only 3,500 of these were really able-bodied.

The strength of all the German armed forces has been estimated at nearly ten million men, which would mean that there are about 14½ million Germans (male and female) at work now. To these have to be added one million foreign labourers and one million war prisoners, making a total of 16.5 millions, a third fewer than at the outbreak of war. Actually, 10 millions is probably much too high for the present strength of the armed forces. A large proportion of the men over 40 have been demobilised, and it is not unlikely that the armed forces number no more than six to seven millions, which would bring the total labour force up to over 20 millions.

Shipbuilding.—A German technical journal reveals that one of the biggest shipbuilding programmes in German history has been brought to a standstill "owing to the war." At the beginning of the war many merchant ships were being built. The Hamburg-Amerika Line alone had twelve merchant ships under construction, including a 30,000-ton turbo-electric North Atlantic passenger liner and several Diesel-electric vessels. Work has now been stopped, and the programme which has been abandoned also included eleven ships aggregating about 34,000 tons, all of them motorships and most of them to be fitted with Krupp Diesel engines. Five of these eleven ships were being built at Hamburg, two at Kiel, two at Vegesack and two at Lubeck. The persistent R.A.F. visits to Hamburg and Kiel have put the shipyards there out of action, and this is the chief reason for work being suspended.

Norwegian Labour.—The Norwegian authorities, in co-operation with the German authorities, have issued a new decree to control unemployment which will make a fundamental alteration in Norwegian labour legislation. In future, every worker is to be registered and is to be forbidden to leave essential work, such as agriculture, forestry, fishery and shipping, without permission. Children when at home must remain in the same branch of work as their parents. If workers are required for other work, the authorities will arrange the transfer; and all unemployed persons will be sent to work in Germany. A paper published in Norway by the German authorities says that about 50,000 to 100,000 workers can obtain employment in Germany.

Norway expects a hard winter. Free meals for the poor have been started all over the country, especially in the war ravaged districts. In Namsos, Narvik and Kristiansund, a large proportion of the population is being fed in national kitchens; and even in Oslo over 3,500 people are fed daily in this way.

STATISTICAL CALCULATIONS FOR BEGINNERS

by E. G. Chambers

7s. 6d. net

This book, intended in the first place for students of the biological sciences, and in particular for students of psychology, explains as simply as possible how to perform the calculations involved in the commoner statistical methods, and should prove useful to anyone who has to make use of elementary statistical methods.

Cambridge University Press

THE BUSINESS WORLD

E.P.T. Examined—I

THE Excess Profits Tax applies to all business profits earned since the beginning of April, 1939. Although the rate of tax on all chargeable profits over the datum level was increased from 60 per cent. to 100 per cent. only this year, the severity of its incidence, even on the lower basis, on businesses with an unfortunate assessment position, is being amply attested by contemporary reports. In many instances, liability for the initial period has not yet been agreed between individual companies and the revenue authorities, and it may be presumed that the reserves which have been made against it have, with customary accounting prudence, been estimated on the generous side. Their total, however, has frequently been large enough, in conjunction with provision made for income tax at increased wartime rates, entirely to negative any increase in earnings due to wartime activity and, frequently, to involve an actual reduction in dividends to shareholders. It may be relevant, therefore, to examine the way E.P.T. law appears to be working out in practice, as illustrated by the published reports of a number of public companies, and, in a later article, to suggest possible ways of mitigating hardships without involving an unduly heavy loss of revenue to the Exchequer.

In the last war, the Excess Profits Duty proved itself an excellent "mopping-up" tax, against an inflationary background. Whether E.P.T. will fill the same rôle before the present war is over is a matter on which opinions may be divided. But so far, there have been few outward and visible signs of active price inflation. The tax, consequently, is being levied, at the moment, chiefly on the financial first-fruits of an increased volume of industrial and commercial activity. That the increase is due far more to the war (or, in the five months between April and August, 1939, to Defence preparations) than to any other cause is beyond dispute, and no criticism of the principle of E.P.T. has come from any section of public opinion—even from ordinary shareholders, on whom its impact mainly falls—while debenture and preference holders are largely exempt. There is a growing body of complaint, however, of the harsh effects of the tax, with its present administrative provisions, not on a small minority of enterprises whose experience illustrates the tendency of good laws to make hard cases, but on large groups of enterprises from whom a maximum productive effort is demanded in time of war.

Some idea of the high proportion of present industrial earnings which is being appropriated by the State may be obtained from the published accounts of the United Steel Companies for the year to June 30th last. The company, which is one of the largest and most efficient of British steel producers, set aside £1,493,000 for taxation out of profits of £2,246,000. E.P.T. and income tax together, in other words, absorbed nearly 70 per cent. of the total earnings. But United Steel has no reason to complain of any exceptional elements in its E.P.T. position; its experience is fairly typical of many businesses whose profits were on a satisfactory scale before the war, and have subsequently increased in response to a considerable increase in output. How hardly the existing law can bear, however, on a company engaged in essential war work, whose E.P.T. basis happens to be unfavourable, is illustrated by the case of Aircraft Components. Here, the State's share of total profits for the year to March 31, 1940, was 91 per cent., and the shareholders' proportion 9 per cent. The company's experience exemplifies two main defects of the present E.P.T. system. The first is penalisation of concerns which were in process of development during the pre-war datum years. The second defect is the inadequacy of the only alternative that is permitted to the company whose profits in the basic period were unduly low—namely, the charging of E.P.T. on profits above a given percentage on capital—a practice which allows only a relatively low and uniform rate of return to all trades (with a very slight concession to mining enter-

prises), whatever their respective "industrial risks" or customary rates of return on effective capital. Aircraft Components, in its two best years within the E.P.T. standard period, earned trading profits equivalent to £18,500 and £35,000, respectively. Last year, trading profits were £143,000. The earlier figures were entirely unrepresentative because the company had not then found its feet. But the capital standard offers no way of escape. The company's issued capital (which is all in ordinary shares) is only £200,000, on which the maximum allowance of 6 per cent. would give an E.P.T. standard of only £12,000.

The experience of Settle Limes, a limestone and granite quarrying enterprise, affords an apt instance of the penalisation of foresight by the present regulations. During the E.P.T. standard years, the company carried out an extensive scheme of reorganisation, largely as a result of which profits were subsequently doubled. Last year, the Government's share of total net earnings was 72½ per cent. and the shareholders' 24½ per cent.

The latest report of Parnall Aircraft, by contrast, illustrates the disadvantages of being "youthful" before, and indispensable during the present war. The company has not disclosed its E.P.T. provision for the year to July 31st last, but the grievousness of the company's fiscal burden can be inferred from two cognate sets of figures. During the past year the stock item in its balance sheet increased in value by 166 per cent.—from £170,000 to £452,000. Its net profit, after taxation, rose by only 10 per cent.—from £80,000 to £88,000.

Perhaps the most striking example of the inadequacy of the existing "capital standard" provisions is provided by the figures of Clifford Motor Components, for the year to May 31st last. The total taxation provision was £263,000, but the company's entire issued capital is no more than £170,000!

Other instances of disproportionate hardship might be given and company records during the next few months will be prolific of them. Special interest attaches, however, to most of the examples which have been cited, because the companies concerned are operating in vital war industries, where Government costing of contracts is notoriously efficient—and where, consequently, there is strong presumptive evidence that increased gross profits, before taxation, stand in direct relationship to increased effort. Such profits are, in one sense, the most appropriate objective of special war taxation. If any profits are "due mainly to the war," they certainly are. Yet these are the industries where incentives to maximum effort and to the elimination of wasteful and unnecessary expenditure should count for most. But, under a regime of 100 per cent. E.P.T. (however reasonable the pre-war basis of assessment), all financial incentive is denied, except to wage-earners who, unlike managers and shareholders, are allowed a higher financial reward for an increased volume of output. Doubtless those concerned are as patriotic as the rest of their fellow citizens. But, with the best will in the world, are they likely to find the eventual transition from war to peace-time production particularly easy, if the liquid resources which they would normally have accumulated during the war, to tide them over, have all been drained away by the Treasury?

The disadvantages of E.P.T. in its present form, in short, are at a maximum in the case of companies whose present profits bear no direct relationship to pre-war earnings, either because the businesses concerned were more or less in an embryo state in the datum years, or because their share of Government contracts came late in the rearmament period or after the actual outbreak of war. For all businesses, E.P.T. at 100 per cent., whatever the moral argument in its favour, affords a standing temptation to evasion or to slackness in costing. And it is calculated to denude businesses of liquid funds for use after the war—a disability which will be at its

maximum in the case of concerns whose entire production has been switched over to war work. In this sense, the argument for relaxation is strongest where the quasi-moral case for 100 per cent. E.P.T. appears at first sight to be most powerful; for the higher the "war profits" of a business, as such, the more difficult will be the ultimate transition from war to peacetime production.

So much for businesses which are engaged directly in war industries or have unfavourable bases of assessment, or both. In a second article, the E.P.T. position of a number of "normal" trades, taken as a whole, will be discussed in the light of their results before and after the outbreak of war, and certain suggestions will be offered for amendment of the existing laws.

Finance and Banking

Floating Debt Expansion

The Treasury memorandum giving details of the National Debt on October 26th shows that over the preceding four weeks £206,893,000 of net new debt was created. Of this total, £125,485,000 was accounted for by an expansion in the Floating Debt. Details of changes in the Floating Debt over the preceding four weeks are as follows:

	Floating Debt outstanding on		Rise or Fall
	Sept. 30	Oct. 26	
	£000's	£000's	£000's
Treasury bills issued by tender	836,000	840,000	+ 4,000
Treasury bills issued by tap...	1,085,135	1,145,870	+ 60,735
Ways and Means Advances by Bank of England.....	Nil	7,750	+ 7,750
Ways and Means Advances by Public Depts.	91,545	69,045	- 22,500
Treasury deposits.....	124,000	199,500	+ 75,500
Total	2,136,680	2,262,165	+ 125,485

The main element in the increase of the Floating Debt has been the growth in Treasury deposits. It should, however, be noted that the increase of £75,500,000 in this item is £5,500,000 less than the amount of new money raised by this means during the four weeks in question. During this period £5,500,000 of Treasury deposits were paid off. It may be assumed that this represents the conversion by one or more banks of Treasury deposits into 2½ per cent. War Bonds. It will be recalled that when this new form of short-term borrowing was introduced, it was announced that the lending banks would be given facilities for converting Treasury deposits into longer term Government issues. The Treasury deposits also carry the right to repayment under rebate at Bank rate, but it is inconceivable that any bank should have been so hard pressed for cash as to claim this expensive right at any time during the past month. The next contribution to the expansion in the Floating Debt comes from Treasury bills, which increased over the month by £64,735,000. All but £4,000,000 of this total has come from the issue of bills from the tap. It is clear that substantial sales of gold and dollar exchange by the Exchange Equalisation Account are reflected in this movement. The total of Treasury bills outstanding had reached £1,985,870,000 last Saturday, and by now their total will no doubt have passed the £2,000 millions mark.

The Turn of the Month

The money market has navigated the turn of the month on a flood tide of credit. Though most of the banks have been making up during the past week, they have at all times been keen buyers of bills. The discount market obtained only 30 per cent. of its applications for Treasury bills at last week's tender and has thus been a decidedly diffident seller to the banks. Were it not for the fact that the banks have been called upon to pay £20,000,000 in deposits to the Treasury this week, the position in the money market would have been one of abnormal abundance. Easy conditions will be accentuated after the turn of the month with the disbursement of interest on Government securities. The Bank return fully reflects this position. It shows bankers' deposits at £108,004,000, an increase of £2,862,000 over the week. This movement owes £1,658,000 to a further return of notes from circulation. This change gains significance from the fact that the Bank return is dated October 30th, when end-month currency requirements should have been at their peak. This suggests that the steep upward basic trend in the circulation has been arrested. The trickle of notes from foreign countries is one explanation of this fact. Another may be found in the slight slowing up of trade in areas affected by air bombardment and in others, such as South Wales, where loss of foreign markets has, for the time being, more than offset the intensification of armaments produc-

tion. The Government has during the past week repaid its Ways and Means advances from the Bank of England, which figured in the Floating Debt return for last Saturday, and the Bank return consequently shows a reduction of £7,315,000 in Government securities. Public deposits have thus failed to benefit by the increase in the banks' Treasury deposit payments this week and have fallen by £5,435,000 to £18,250,000.

Greek Exchange Position

The drachma exchange position has been sufficiently nominal for some time past to allow the Italian invasion of Greece to leave it undisturbed in its coma. The free rate as quoted in London remains at 515 drachmas to the £—sellers only. This free rate, however, has little significance in the present mechanism of exchange operations between Greece and the sterling area. The whole of the trade between the United Kingdom and Greece is now financed through Special sterling accounts opened with London banks. The important purchases of Greek goods which have recently been made by this country through the United Kingdom Commercial Corporation (whose position in our trade with the Balkans is becoming more and more that of a monopolist) has caused some accumulation of sterling in these accounts. The credits which are being made available to Greece by our Government for the prosecution of the war, will in all probability also be handled through the existing Special account system. There will, of course, be no question of blocking these accounts or any other Greek assets in this country unless there is some danger of the nominal title to such assets falling into the hands of the invader. The blocking of Greek assets in the United States must be regarded as a somewhat overhasty measure of precaution and will be relaxed on the slightest indication that it is hampering Greece's resistance against Italian aggression.

On the morrow of the invasion of Greece it was announced in London that Greek residents had been given the right to open sterling area accounts, in addition to the Special accounts through which the whole of the payments between the two countries have recently been passing. This particular timing of the announcement was a pure coincidence. The grant of such facilities to Greek nationals had been under discussion for some time past. There has been a demand in banking quarters here for an extension of the very restricted facilities which are now granted to residents abroad to open sterling area accounts. The procedure of exchange control would be considerably simplified by this means. The main objection to this course comes from the foreign central banks concerned, which see in the extension of such facilities an encroachment on the profitable business which reaches them through their control of the Special account operations.

Payments to Canada and U.S.A.

Some amendments have been announced this week in the method of regulating payments between the United Kingdom, on the one hand, and Canada, Newfoundland and the U.S.A. on the other. By the Regulation of Payments (Canada and Newfoundland) (No. 3) Order, 1940 (S.R. & O.I., 866), exports to Canada and Newfoundland which hitherto had to be made in the respective dollars of the two Dominions may now also be made in sterling from a "Canadian authorised account." These accounts are being opened in London and must be recognised as such by the Bank of England. They add one more to the rapidly growing variety of sterling accounts. The other Order (S.R. & O.I., 867) adds the Philippine peso as a permitted method of payment to persons in the territories covered by the Order (including the Philippine Islands) and as a permitted method of payment for exports from the United Kingdom to those territories.

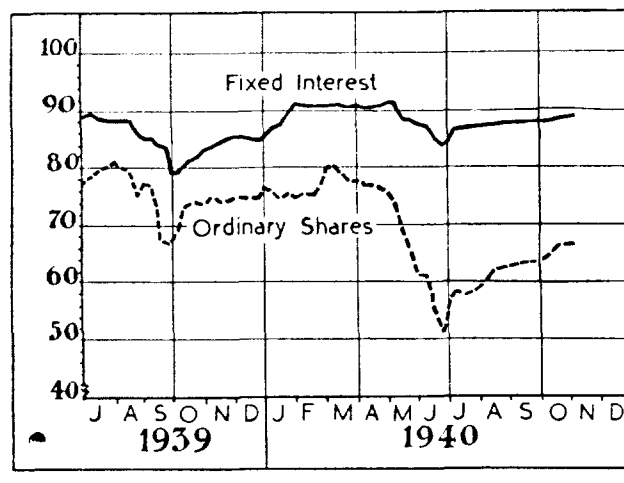
Investment

Greece and the Market

The event of the week, the extension of active warfare to Greece, has been received with *sangfroid* by the stock market and the investor. There was some marking down of prices in anticipation of such a development, and again when it occurred, but as there were no sellers and the market remains short of most securities, jobbers quietly but quickly restored quotations to previous levels. In consequence, it is not easy to detect any net movement on the week in the whole body of investments. Where changes are appreciable, they are upwards. There has been a very slight tendency for the position of the Funds to be consolidated by a small rise in a few Dominion and municipal stocks and first-class industrial debentures, including some of those of the railways. Brewery shares continue their rise and electrical equipment and supply shares are firm. This general resistance to the actual event is not an uncommon phenomenon, but it is all the more satisfactory in that the market looks upon the attack on Greece as the opening of a new phase in the general campaign, an alternative to the invasion of this country, and one which raises a host of doubts. Dealers are also keenly aware that it is the reaction of our Govern-

ment has been added to the list of S.1 (B) stocks, and this, too, is to be taken over at once. The calling up of Canadian stocks can scarcely have come as a surprise despite the taking over of maturing Canadian Government 3½ per cent. and 4 per cent. loans in October, 1939, and June, 1940, respectively. Of the first two orders, that dated February 17th covered a general list of American equities, including very few commonly held here. The second, a much longer list, covered some bonds and a higher proportion of market leaders than the former. This third list has again avoided the dollar stocks of which the public is an appreciable holder and the impression created in the market is that,

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.



ment and fighting forces that really matters, and it is upon this that the future tone of the market will inevitably depend. The technical position is, however, likely to offer resistance to any decline, as few holders care to sell at present prices and jobbers continue to run short positions, as far as that is possible under cash dealings. Thanks to this steadiness in time of trial, the month of October shows a resumption of the improvement in both equities and fixed-interest stocks, which was virtually halted early in September. The chart appearing in this column shows the appreciation in the indices compiled by *The Financial News* up to October 25th. Since then there has been a further slight improvement under both heads and quotations are in general back to approximately the levels registered towards the end of May this year. Fixed interest shows an appreciation of almost 7.7 per cent. on the year, but equities are down by nearly 10.8 per cent. on that period. It is just possible that the very modest appreciation in levels over the past two or three days represents the beginnings of the reinvestment of the proceeds of the third Treasury requisition, the amount of which the market places tentatively at around £40 millions. It is, however, early to look for any great evidence of this—a "bull" factor which may assume very considerable importance if there is any marked success for the Allies in the Eastern Mediterranean theatre.

* * *

Canadian Stocks Requisitioned

After an interval of more than six months, the Treasury has decided upon a third requisition order, this time relating exclusively to Canadian securities. There are, in fact, three orders, for the Grand Trunk Consolidated 4 per cent.

Shares	£	s.	d.	Bonds	£	s.	d.
Andian National (Bearer : cum Coupon No. 24) ...	6	10	1	Great Lakes Power 4½% 1st Mtge. Series "A" 1956	22	0	1
Bathurst Power and Paper Common Class A	2	12	2	Hydro-Electric Bond and Share 5% 1st Mtge. Col. Trust Gold Series "A" 1957	22	17	1
†Bell Telephone of Canada	35	4	0	Hydro-Electric Power of Ontario 4% Gold Debts. 1957	23	10	7
Bralorne Mines	2	4	11	International Power 6½% 30-year Gold Debts. 1957	22	10	7
British American Oil	4	3	0	Do. 6% 20-year Sec. Debts. 1955	23	1	6
Canada and Dominion Sugar Common	6	10	1	McColl - Frontenac Oil 4½% 1st Mtge. Series "A" 1949	22	14	2
†Canadian Industries 7% Cum. Pfd.	36	15	5	Mersey Paper 5% 1st Mtge. S. F. Series "A" 1957	22	6	3
Consolidated Mining and Smelting of Canada \$5 Shares	8	14	11	Montreal Light Heat and Power Consolidated 3½% 1st Mtge. 1956	22	7	8
Distillers-Seagrams Com. Hollinger Consolidated Gold Mines \$5 Shares	*2	16	1	Do. 3½% 1st Mtge. Bonds 1973	21	13	3
National Breweries Com. Stock	6	10	1	Do. 3% 10-year Convertible Note Certificates 1949	22	3	11
National Steel Car	9	12	10	Nova Scotia Light and Power 4% 1st Mtge. S. F. 1957	22	11	1
†Saguenay Power 5½% Cum. Pfd.	*23	1	10	Ontario 5% Debts. due October 15, 1948	24	16	2
†Simpson (Robert) 6% Cum. Pfd.	*30	0	10	Ottawa Light Heat and Power 4% Refunding Mtge. S. F. Series "B" 1957	22	5	2
†Southern Canada Power 6% Cum. Part. Pfd.	23	1	10	Quebec Power 4% 1st Mtge. Series "C" Bonds 1962	22	11	1
Steel Company of Canada 7% Cum. Pfd. \$25 Shs.	*16	16	4	Shawinigan Water and Power 4% 1st Mtge. S. F. Series "F" 1961	22	18	7
Bell Telephone of Canada 5% 1st Mtge. Gold Series "B" 1957	27	11	7	Do. Series "G" 1969	23	0	2
British Columbia Power 4½% 1st, Refunding Series "A" 1960	22	13	6	Smith (Howard) Paper Mills 4½% 1st Mtge. Series "A" 1951	23	9	7
Calgary Power 5% 1st Mtge. S. F. Gold 1960	23	12	4	Toronto 4½% Debts. due Feb. 1, 1951 (Coupons due 1 Feb. and Aug.)	24	18	0
Canada Cement 4½% 1st Mtge. Series "A" 1951	23	11	2	Toronto 4½% Debts. due April 1, 1951 (Coupons due 1 Apr. and Oct.)	24	14	8
Canada Northern Power 5% S. F. Gold Series "A" 1953	23	17	3	Union Gas of Canada 4½% 1st Mtge. 1950	23	5	6
Canadian Breweries 5½% S. F. Deb. Series "A" 1946	22	7	10	United Corporations 5% Cum. Income Series "A" 1953	20	3	7
Canadian International Investment 5% 1st Collateral Trust Gold Series "A" 1959	18	9	3	Grand Trunk Pacific 4% Sterling Bonds 1962	117	14	2
Canadian Internatl. Paper 6% 1st Mtge. S. F. Gold 1949	23	6	0	Grand Trunk Pacific 3% 1st Mtge. Sterling Gold Bonds 1962	107	5	8
Canadian Natl. Rly. 4½% Gtd. Gold 1951	25	6	5	Porto Rico Power 5% Refunding General Mtge. 1962 (Sterling Bonds)	109	11	9
Do. 1956	25	10	4	Canadian National Railway Co., successor by amalgamation to the Grand Trunk Railway Co. of Canada, Perpetual 4% Consolidated Deb. Stk.	104	4	5
Do. 1957	25	14	4				
Canadian National (West Indies) Steamships 5% Gtd. Gold 1955	26	4	8				
Dominion Scottish Investments 4% 15-year 1st Mtge. Collateral Trust Series "A" 1952	20	18	4				
Do. Series "B" 1952	20	18	4				
Dominion Steel and Coal 6½% Cum. Part. Rec. Income Bonds 1955 (Dollar Bonds)	24	1	9				
Dominion Tar & Chemical 4½% 15-year Debts. Series "A" 1951	22	19	9				
Fort William 4½% Debts. due August 1, 1947	22	16	6				
Gatineau Power 5% S. F. Debts. 1949	23	8	8				
Do. 3½% 1st Mtge. Series "A" Bonds 1969	22	0	7				
Do. 3½% 1st Mtge. Series "B" Bonds 1969	21	18	4				
† Shares of \$100.							

had the Grand Trunk Consolidated not been included, the yield of the requisition would have been very modest. Of that stock, there exists some £24,500,000—not all of which is held in this country—and the market estimate of the total yield of the list is rather under than over twice that figure. The full list is given above, with the prices at which the securities are to be taken over. These are based on the Montreal quotations of Saturday, October 26th, with an allowance for the fact that the earliest date of payment is deferred for a whole month. The reason for so long a delay, as compared with the 17 days previously considered sufficient, lies in the fact that

most of the securities on the list now lie at the United Kingdom Security Deposit in Montreal, and that postal communication will take some time. Delivery of securities in the Deposit will be effected by instructions to transfer the documents to the Special Account of the Bank of England there. Where documents are held outside the United Kingdom, application should be made for permission to transfer them to the Security Deposit; those held in this country should be delivered forthwith to the Bank. Payment will be made in sterling in London, one month after completion of delivery in all cases, and on November 26th, provided this is effected on or before November 1st. If, after that date, instructions for transfer of securities in the Deposit in Montreal are sent by cable, payment will be made seven days after completion of transfer has been confirmed to the Bank, but not earlier than November 26th. All business should be put through a bank or broker, and preferably through the firm which has already dealt with the original lodging of the securities. The Government hopes that a large part of the money disbursed on these stocks will return to it in applications for National War Bonds and Defence Bonds and has made arrangements for a direct issue of these stocks in lieu of cash to those who ask for them. Further, the War Bonds will be issued in any multiple of a penny over £100, a right to which does not normally attach to them. This right cannot be extended to the Defence Bonds nor can the limit of permissible holding be extended.

* * *

Hope Deferred

The decision to call up the 4 per cent. consolidated debentures of the Grand Trunk seems to mark a new departure. Hitherto all stocks included in the orders were, at the time they were made, deemed to be capable of producing foreign exchange in one of the so-called "hard" currencies. This stock is a sterling security without any option to demand payment in dollars. Nor is it, like the two Canadian Government loans, redeemable. There is, in fact, a similar stock, the 4 per cent. Grand Trunk Guaranteed, of about half the amount of the 4 per cent. Consolidated, which is repayable at six months' notice, but that is not called. It is not at all clear that there will be any appreciable demand in America for a sterling security yielding under 4 per cent., but it would, of course, pay the Canadian Government to hold the stock since it is in any case responsible for the interest on it and can borrow at a lower rate. As to the view of the market, that the redeemable guaranteed stock would have served the Treasury's requirements better, this contention loses its point if it is permissible for the consolidated stock to be held by the Canadian authorities. The price at which this stock is to be acquired is £104 4s. 5d. per cent., and it is the only stock in the whole list in which the market on this side is really interested. The three other sterling bonds, which close the list, have no market here. Hopes that the requisition might be accompanied by a statement as to when permission to deal in S.1.(B) stocks would be granted met with only the slightest encouragement. Some progress has been made in that it was made clear that the official attitude is to encourage the sale of such of these securities as have a good market overseas to non-residents. No policy was laid down, but it appears that where stock was widely held here, or where there is no real market outside this country, permission to deal here between residents will probably be granted. This will not occur, however, until certain legal and technical difficulties have been overcome for the Treasury has no intention of taking on its shoulders, as it did in the last war, the business of keeping track of changes of ownership and the payment of dividends. This will appear to many to show a singular disregard for the rights of a certain class of investor and, in view of the great length of time which has already elapsed, it is difficult to escape the conclusion that it is this attitude, at least as much as the real difficulties of the situation, which has deprived investors of all opportunity to realise their holdings for months past.

Company Notes

Murex Record Earnings

The full accounts for the year to June 30, 1940, show that Murex total income has recovered from the previous year's setback with record earnings of £534,987, an increase of almost £200,000. The recovery in trading profit, which is accompanied by a fall in all subsidiary sources of income save one, shows an even more striking advance from £267,562 to £490,440. The fly in the ointment from the

ordinary shareholder's point of view is, of course, the company's liability for E.P.T., which causes the tax provision to be raised to £302,353, against £108,500, while, for the first time for six years, no allocation has been made to obsolescence reserve. This fund still stands in the balance sheet at £150,000, while the balance sheet value of buildings, plant and machinery amounts to £818,500, against £624,638. Administrative expenses show only a moderate increase from £7,190 to the still inconsiderable sum of £8,579, thus equity earnings have improved from £175,329 to £220,555 and the usual 20 per cent. dividend—17½ per cent. plus 2½ per cent. cash bonus—is handsomely covered by a rate of 37.6 against 25.9 per cent. A transfer of £37,070 to general reserve brings the total of this account to £400,000. The directors have reserved £50,172 against investments in enemy-occupied countries; thus, after writing off £1,307 for loss on sale of investments, the carry-forward stands at £103,423, against £90,167 in the previous year. The following table gives an analysis of the company's profits over the past three years:—

	Years ended June 30,		
	1938	1939	1940
Total profit after depreciation	429,855	344,519	534,987
Obsolescence reserve	53,074	50,000	Nil
Taxation	111,450	108,500	302,353
Other expenses	7,634	7,190	8,579
Preference dividends	3,500	3,500	3,500
Ordinary shares:—			
Earned	254,197	175,329	220,555
Paid	145,000	135,625	118,750
Earned %	35.1	25.9	37.6
Paid %	20	20	20

General reserve 100,000 40,000 37,070
Special charges* 28,847 ... 51,479
Carry forward 90,464 90,167 103,423

* Representing loss on sale of investments of £28,847 in 1938 and of £1,307 in 1940, and £50,172, being reserve for investments in enemy-occupied territory.

The company's balance sheet provides evidence of continued growth and of considerable financial strength. In the consolidated statement, the total of fixed assets has increased from £1,014,127 to £1,240,289, which is covered to the extent of some £74,000 by a rise in general reserves of the group to £629,613. Both creditors and debtors have increased during the year; the one by some £100,000 to £277,981 and the other more substantially from £293,302 to £525,686. While the former increase has gone far to finance higher stocks at £448,072 against £347,682, industrial activity in the past year has encouraged the sale of trustee securities, valued in the previous year's balance sheet at £46,250, and there is a drop from £90,779 to £26,831 in holdings in associates. The cash resources of the group remain at the high level of £433,649, a fall of some £25,000. An appreciable part of the net rise in liquid assets and the major portion of that in fixed assets is covered by the increase in Taxation Reserve from £264,521 to £493,809. Within the limits set by E.P.T., it is clear that Murex net revenue prospects, at least for the duration of the war, are extremely promising. The £1 ordinary shares, now quoted at 71s. 10½d. ex dividend yield £5 11s. 5d. per cent.

* * *

Interims Passed

The decision of two leading companies, *Lever and Unilever, Limited*, and *Anglo-Iranian Oil*, to pass interim dividends have been received stoically in the markets. It is common knowledge that interests of both these companies have been severely prejudiced by the German occupation



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of various European countries and, in the circumstances, the non-payment of interims can occasion no surprise. As far as the *Lever and Unilever* decision is concerned, the determining consideration has been the company's contingent liability under the dividend equalisation scheme by which it is linked to the Dutch company, *Lever and Unilever N.V.* It has already been announced that the directors of *Limited* do not intend to allow the rights of preference shareholders in the Dutch company to rank prior to the expectations of ordinary shareholders in the British company. In 1939, when *Limited* declared an interim on ordinary stock of 4½ per cent., £800,000 was reserved against the liability to Dutch shareholders. There is little doubt that the British company's earnings in the current year are being maintained at a satisfactory level and that the decision to pass the interim payment is based on a desire to conserve resources until the full year's results are available. A reduction in the total payment for the year does not appear inevitable, but much must depend on the interpretation of the obligation to ordinary shareholders in *N.V.* No great light is thrown on the position by the publication of the *N.V.* results for last year, but they confirm the general belief that earnings were fully adequate to cover dividends on a basis comparable to those distributed by *Limited*, for there is an increase of Fl. 11,250,000 in the carry-forward, after meeting the reduced distribution on ordinary capital of 3¼ per cent. In the case of *Anglo-Iranian* it is probable that income in the current year is not being adequately maintained. In 1939, the 5 per cent. interim was followed by no final payment, and the rate of equity earnings amounted to only 7.7 per cent. against 22.8 per cent. The company suffers, as was pointed out by the chairman last August, through severance from a high proportion of its Continental markets, and it is possible that the royalty agreement with the Government of Iran is not proving entirely satisfactory. In any case, it would be unduly optimistic of shareholders to expect more than a repetition of last year's 5 per cent. total payment on the year. The £1 ordinary stock of *Lever and Unilever, Limited*, is now quoted at the almost bargain price, considering its solid earning potentialities, of 23s. *Anglo-Iranian* £1 ordinary stock, which has suffered moderate selling in anticipation of the interim announcement, stands at 23s. 9d.

* * *

Roan Antelope Profits

With a substantial improvement in income, the full accounts of Roan Antelope for the year to June 30, 1940, appear to justify the restoration of the ordinary dividend from 15 to 20 per cent. Receipts from copper sales have increased from £3,012,354 to £3,395,974, and total profit, at £1,865,645 against £1,613,377, has only been surpassed by the record earnings of 1936-37. The company's tax liabilities continue, however, to take an increasingly large slice of surplus earnings, and the provision for 1939-40 has risen from £645,000 to £800,000. An increase in equity earnings from £727,204 to £823,243 represents a rise in the rate from 17.2 to 22.5 per cent., a figure which provides once again a fair cover for the dividend. After allocating £100,000 to general reserve, the carry-forward is reduced from £254,852 to £202,075. The following table analyses three years' profits figures:—

	Years ended June 30,		
	1938	1939	1940
Copper sales	3,421,707	3,012,354	3,395,974
Total profit	1,816,380	1,613,377	1,865,645
Taxation	512,000	645,000	800,000
Depreciation	200,000	200,000	201,134
Other expenses	41,312	41,173	41,268
Ordinary stock:—			
<i>Earnings</i>	1,063,068	727,204	823,243
<i>Paid</i>	757,089	634,196	776,020
<i>Earnings %</i>	28.1	17.2	22.5
<i>Paid %</i>	20	15	20
General reserve	250,000	100,000	100,000
Special charges	57,255		
Carry-forward	261,844	254,852	202,075

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

The financial position of the company is, of course, very strong. Tax reserve stands in the balance sheet at £1,163,031 and general reserve at £1,048,869. In such circumstances, it is natural that the management should be anxious to pass on to shareholders the effect of higher earnings and to distribute the same dividend as was paid in 1937-38—and covered by a generous margin—on a lower level of equity earnings. Moreover, the company does not suffer from any shortage of liquid capital. Cash holdings stand at £1,950,413 against £1,513,178, and 3 per cent. War Loan has been acquired to a market value of £81,466. The chairman, Mr. A. Chester Beatty, reveals in a statement accompanying the accounts that £500,000 has, since the date of the balance sheet, been transferred to the Treasury, £200,000 being an advance against income tax and £300,000, an interest-free loan. Copper stocks have fallen during the past year from £537,209 to £359,285, but stocks of materials and supplies have increased from £304,693 to £398,021. The directors state that capital expenditure has amounted to £217,061, of which £67,000 was spent on the acquisition of half of the electric transmission line between Roan Antelope and Mufu-lira property. The shareholders are the poorer for the absence of information relating to output and operating costs, which is withheld in the national interest, though it may be plausibly assumed that, in the present emergency, the company's mines are working to capacity. The decision to increase the ordinary dividend has, on balance, raised the price of the 5s. stock units during the past weeks. At the current price of 13s. 3d. ex dividend the stock yields £7 11s. per cent.

* * *

B.S.A. Partial Recovery

In view of the collapse in net earnings of the Birmingham Small Arms Company a year ago, owing to a huge increase in taxation, the results for the period ended July last have been awaited by shareholders with some doubts. The point in question was the necessity for the board's tax appropriation, which was raised from £100,000 to £550,000. As the chairman pointed out, the company had a case for special consideration, but it was well to err on the side of caution. The preliminary statement unfortunately does not provide data for an exact comparison with figures of previous years, since, although profit is struck after covering E.P.T., the comparative figure supplied in the statement suggests that the appropriation to that impost a year ago was only £120,000. It will be necessary to await the full accounts before attempting to disentangle the truth, but meanwhile the showing is better than was hoped for twelve months ago. The gross profit, after E.P.T., appears to have risen from £930,821 to £1,300,493, from which has to be deducted depreciation of £474,521, compared with £202,283. After meeting debenture charges, directors' fees and preference dividends, there remains enough to raise the dividend on ordinary capital from 6 to 7½ per cent. and to add £119,410 to the general reserve. The carry-forward also receives some £21,000 against £67,500 a year ago. There is no news, so far, as to the results of any application which may have been made for a revision of E.P.T., and it is unsafe to base a calculation on the published figures in this particular case. The market has, however, expressed its satisfaction with the result by raising the quotation of the £1 ordinary stock 6d. to 18s., which gives a yield of some £8 12s. 6d. per cent.

* * *

Malayalam Improved Earnings

In the year to March 31, 1940, Malayalam Plantations earned the excellent total income of £716,401 against £642,412. Receipts from rubber sales, which reached the high level of £200,619, and income from the sale of tea, at £502,712, were the highest for a decade. Selling costs and production costs showed only a moderate rise from £387,028 to £398,057, but a jump in tax provision from £75,000 to £147,000 leaves the surplus for ordinary dividend slightly lower at £154,735 against £158,498. The rate of earnings for the year shows, however, an advance from 12.3 to 13.6 per cent. and provides ample cover for the usual 10 per cent. dividend. The carry-forward is reduced from £101,695 to £100,075 after transferring £42,500 to reserves. The improved earnings of 1939-40, as in the case of the majority of tea and rubber companies, are based on the higher selling prices obtainable. Malayalam obtained a price of 9.6d. against 8.06d. per lb. for rubber and 12.04d. against 10.97d. per lb. for tea. The rubber output remained approximately stable at 6,322,000 lb., but the permitted output of tea increased from 10,569,000 lb. to 11,309,000 lb. In the balance sheet, a fall in stocks from £155,283 to £114,888 is compensated by a rise in cash from £520,715 to £582,028. The most striking bal-

ance sheet changes are an increase in debtors from £24,336 to £109,330 and a less marked rise in creditors from £74,248 to £117,482. The immediate prospects for rubber are undoubtedly good, although those for tea are limited by rationing policy, and the greater part of the current tea crop is sold under contract to the Ministry of Food. In the course of his speech at the annual meeting of Harrisons and Crossfield, Mr. H. Eric Miller surveyed the development of tea and rubber markets during the past year. He pointed out that a temporary depression of tea prices during 1939-40 was due in large measure to the German occupation of various European countries and the consequent elimination of the demand normally exercised in those quarters. Immediate rubber pros-

London

Note: all dealings are for cash

BEFORE the week-end, markets closed generally firm, and the obscurity of the content of Franco-German and Spanish-German conversations gave rise to no nervous selling. On Monday, markets opened subdued and cautious under the influence of the Italian invasion of Greece, and for the first two days of the week turnover, which was also affected by numerous "alerts," remained on a small scale. The impression created by the Balkan news was, however, neither deep nor lasting, and by mid-week a general recovery set in. All sections were remarkable for their steadiness, although in the home rail market last week's striking gains were followed by profit-taking.

*

No selling pressure developed in the *gilt-edged* market as a result of the Italian military action, and on Monday 3 per cent. National Defence bonds actually put on ½, although 4 per cent. Consols, 3½ per cent. Conversion and 3½ per cent. War Loan declined by the same amount. Later in the week, prices generally tended upward under the leadership of 3½ per cent. War Loan, and there were a number of gains in the order of ½. In the market for dominion and colonial stocks, the requisitioning order for Canadian securities gave rise to active buying at the beginning of the week, after which prices remained firm. The *foreign bond* market was conspicuous for fresh buying of Brazilian securities, and the San Paulo Coffee loan was quoted higher. Greek bonds became a nominal market on the invasion, and Egyptian Unified receded in sympathy. Japanese bonds fluctuated uncertainly.

*

A measure of profit-taking in the *home rail* market depressed a number of preference issues on Monday, when L.N.E.R. 4 per cent. first preference lost 2 points and L.M.S. 4 per cent. preference, 1923, 1 point. Later, the movement spread to ordinary issues, and the senior stocks were mostly quoted higher. Great Western and L.M.S. ordinary and Southern preferred ordinary all eased fractionally.

*

Dealings in the *industrial* market were on a decidedly small scale and price changes were few. On the whole, the undertone remained firm. A setback in the tobacco leaders was corrected early in the week and breweries were strong. In the stores section, Harrods were sold, and among textiles Courtaulds eased, though Patons and Baldwins were in demand. Despite a number of advances at the close of last week, heavy industrials and aircraft issues were generally neglected, though prices ruled firm. Murex and B.S.A. attracted attention on the reports and support continued for Associated Portland Cement.

*

The political news adversely affected the *kaffir* market, where a number of issues were marked fractionally lower, although no large-scale selling movement developed. Losses extended to a long list of dividend-paying and developing mines, including

THE STOCK EXCHANGES

Crown Mines, Durban Deep, East Geduld, "Sallies" and Western Reefs, though certain of these losses, among them that of "Sallies," were subsequently made good.

*

The oil market remained unperturbed by the decision to pass the Anglo-Iranian interim dividend, since the probability had already been discounted. After an initial loss of ½, Trinidad Petroleum was bought in anticipation of the meeting. Burmah Oil and Shell Transport eased somewhat. No revival of interest took place in the rubber market generally, though early in the week Rubber Trust gained a few pence. Turnover in tea shares was small, but Jokai and Doars Tea have enjoyed isolated gains.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Oct. 25 ...	864	3,530	66.3	122.0
" 28 ...	1,977	3,925	66.2	121.9
" 29 ...	1,056	3,700	66.2	122.0
" 30 ...	1,419	3,830	66.4	122.0
" 31 ...	1,554	3,985	66.5	122.1

* 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).

New York

FOLLOWING the general selling, which developed at the end of last week, markets turned quiet and dull. Prices moved irregularly within narrow limits, and copper and steel securities made a poor showing. Sentiment was not impressed by news of the extension of the war to the Balkans, and the coming presidential election continued to dominate market interest. Domestic industrial pointers continue favourable, and the *Iron Age* reports a further rise in steel mill activity from 95.5 to 96 per cent. of capacity. This authority suggests that producers will shortly feel an incipient shortage of pig iron.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940		Oct. 9, 1940	Oct. 16, 1940	Oct. 23, 1940
	Low	High			
347 Industrials	80.9	111.4	92.8	94.1	94.8
32 Rails	20.7a	30.7	26.8	27.1	27.4
40 Utilities	1.71a	89.4	79.4	79.6	80.3
419 Stocks	69.9	94.8	80.0	81.0	81.6
Av. yield*	6.61%	4.30%	6.04%	5.93%	5.86%
	High	Low			

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

Oct. 17	Oct. 18	Oct. 19	Oct. 21	Oct. 22	Oct. 23
103.50	103.20	103.10	102.80	103.20	104.20

New York Prices

Total share dealings:—Oct. 23, 810,000; Oct. 24, 540,000; Oct. 25, 520,000; Oct. 26, 420,000; Oct. 28, 460,000; Oct. 29, 590,000; Oct. 30, 670,000.

	Close Oct. 22, 1940	Close Oct. 23, 1940		Close Oct. 22, 1940	Close Oct. 23, 1940
1. Railroads			Celanese of A.	28½	28
Balt. & Ohio...	41½	41	Chrysler	81	82½
Gr. Nthn. Pfr.	27½	28	Curt. Wr. "A"	27½	28½
Illinois Cent.	8½	8½	Eastman Kdk.	133¼	134
N.Y. Cent.	14½	14½	Gen. Elec.	34½	34½
Northern Pac.	6½	7	Gen. Motors	49½	50½
Pennsyl. Rl.	23½	24	Inland Steel	88	86½
Southern	12½	13	Int. Harvester	48½	50½
2. Utilities, etc.			Int. Nickel	28½	27
Amer. Tel.	163	164	Liggett Myers	98½	98½
Amer. Wks.	9½	9½	Nat. Dairy	13½	13½
Pac. Light	39½	41	Nat. Distillers	20½	20½
Pub. Sv. N.J.	32½	33	Nat. Steel	64½	65½
Shin. Cal. Ed.	27½	28½	Proct. Gamble	60½	55½
United Gas	11½	11½	Sears Roebuck	78½	79
3. Commercial and Industrial			Shell Union	9¼	9½
Amer. Metal	16	16½	Socony Vac.	7½	8½
Am. Roll. Mil.	12½	12½	Stan. Oil N.J.	31½	35½
Am. Smelting	41¾	43¼	20th Cen. Fox	6	5¾
Anaconda	23½	24	U.S. Steel	62½	63½
Briggs	21¾	24¼	West'hae El.	108½	107½
			Woolworth	3¼	3¼
			Yangtze Sheet	38¾	40¼

Capital Issues

Week ending November 2, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	160,830	409,221	409,221
Nat. Savings Certs.†	272,3205	2,723,205	2,723,205
3% Defence Bonds	3,434,935	3,434,935	3,434,935
2½% Nat. War Bonds	9,538,890	9,538,890	9,538,890

† Week to October 22, 1940. ‡ Week to October 29th, making total since June 25th £286,398,240.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	(a)1,226,044,089	(a) 872,788,056
1939 (New Basis)	122,256,661	99,730,719
1940 (Old Basis)	(a)1,210,888,464	(a)858,333,323
1939 (Old Basis)	71,589,802	50,156,723

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis)	871,803,384(a)	984,672	Nil
1939 (New Basis)	72,119,053	25,365,934	2,245,732
1940 (Old Basis)	858,190,867(a)	142,456	Nil
1939 (Old Basis)	33,996,632	15,840,091	320,000

Nature of Borrowing (Conv. Excl.)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis)	856,698,520(a)	1,561,005	14,528,531
1939 (New Basis)	44,662,640	8,205,416	48,862,663
1940 (Old Basis)	856,901,691(a)	1,32,500	1,209,132
1939 (Old Basis)	37,308,921	2,684,450	10,983,163

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

(a) Adjusted to allow for £160,261 for Defence Bonds and £1,200,000 for National Savings Certificate Repayments between October 1 to October 26, 1940.

BY TENDER

Redditch Gas Company.—Sale by tender £75,000 5 per cent. preference stock redeemable at par December 31, 1950. Minimum price par. Latest date for tenders at company's office, Redditch, November 6, 1940, 11 a.m.

Industry and Trade

The Resources of Greece

One of the first questions to be asked about a new ally in the present war is: how does her entry affect us economically? Will she be an asset or a liability from the economic point of view? The Balkan situation is too involved to permit of an answer to this question in the case of Greece for some time to come, but it is possible meanwhile to present some of the basic material for such an answer. Greece had, in 1928, a population of 6.2 millions, of which almost two-thirds was rural and barely one-third urban. Over 53 per cent. of her population above ten years of age was engaged in agriculture and not quite 18 per cent. in industry. In 1939, 67½ per cent. of her cultivated land was devoted to cereals, but she only produced about three-quarters of her consumption. The table below shows the output of Greece's principal agricultural products in 1938:—

GREEK AGRICULTURAL PRODUCTION (Thousand metric tons)					
	Average 1933-37			Average 1933-37	
Corn	710	983	Potatoes	130	143
Oats and barley	311	398	Grape juice...	354	410
Maize	252	199	Currants	159	147
Dried vegetables	60	90	Sultanas	27	36
Tobacco	59	42	Vegetable oils	115	94
Cotton.....	36	49			

All her important exports belonged to this category. In 1938 almost exactly half her exports consisted of tobacco. She exported 48.9 thousand metric tons, of which 25.8 thousand went to Germany, nearly seven thousand to the United States, and most of the rest to the smaller States of Europe. Her next largest export was currants. Of these she exported 74.3 thousand metric tons, no less than 40,665 of which came to this country. Germany took 19,014 tons and Holland 8,502 tons. Olive oil and raisins were her only other large exports. The former went chiefly to the United States, Italy and France, the latter to Germany. This distribution must have altered considerably during the past year, but more recent statistics are not available. The list of principal Greek imports shows her position to be rather vulnerable. By far the largest is grain, which formed 16.1 per cent. of the total in 1938 and comes mainly from Australia, Roumania, Canada and Russia. Iron, raw and semi-manufactured,

formed 5.9 per cent., and Germany used to be by far the largest supplier of iron products. Coal, also an important import, came largely from Germany, building timber from Roumania, and chemical fertilisers from Egypt, Tunis and, to a less extent, from Germany. The oil position we deal with elsewhere. Unless the position has changed more fundamentally since 1938 than seems likely, it appears that we shall have to make ourselves responsible for the supply to Greece of many of the staple commodities without which no country can carry on a war. But in her merchant fleet Greece possesses a most valuable asset which is unlikely to fall into the hands of the Nazis and their henchmen.

Greece's Merchant Fleet

In view of the heavy shipping losses in recent months—the British tonnage sunk in the week ended October 20th, at 146,528 gross tons, was the heaviest since the beginning of the war—the addition of the large Greek merchant fleet would materially strengthen the Allied resources. It was shown in *The Economist* last week that over 8,000,000 gross tons of merchant ships had been added to the Allied shipping capacity during the first year of the war. Included in the total were 750,000 gross tons chartered from neutral countries; most of this was Greek, though the total probably included a good deal of Swedish tonnage—possibly as much as 300,000 gross tons—and a number of Yugoslavian and Panamanian ships. But although some 400,000 gross tons of Greece's merchant fleet are already on charter to this country, this represents less than one-quarter of her pre-war tonnage. In June, 1939, steamers and motor-ships in the Greek mercantile marine numbered 607 ships of 1,780,666 gross tons. While this is considerably less than the tonnage owned by Norway and Holland, the proportion of Greece's merchant fleet consisting of cargo ships of the tramp type, at over 80 per cent., is higher than in any of the other fleets of the twelve principal maritime Powers. Before the war, for example, Britain's liner tonnage was two and a half times as large as her tramp tonnage. Norway has supplied us with an ample amount of tanker tonnage and Holland and Belgium with coastal vessels—the latter, incidentally, have recently proved very valuable. But it is tramp ships that

are now most urgently required. Before the war, Greek tramp shipping ranked second only to that of this country in the open freight markets of the world. In vessels of ocean-going size—over 4,000 gross tons—the fleet amounted to approximately 1.5 million gross tons, which is equivalent to six months' British losses at the present rate of sinkings. The fact that the Greek merchant fleet includes a relatively high proportion of old and slow ships, nearly all steamers, does not detract from its value. While the close ties which the Greek shipping community has had with the City of London in recent years were usually one-sided in their benefits, they should be useful to the Ministry of Shipping to-day.

Greece's Oil Problem

Mussolini's unprovoked attack upon Greece will render more difficult the maintenance of that country's imports of oil products, the whole demand for which must be covered from abroad. Of last year's oil imports (398,000 tons) 40 per cent. came from Roumania, a similar proportion from the Dutch West Indies and 10 per cent. from the United States. With Roumania herself under the German yoke, the Greeks can expect no further supplies from that quarter, while shipments from across the Atlantic will obviously be impracticable. But so long as the British Navy continues to dominate the eastern Mediterranean it should not be difficult to remedy the deficiency from Near Eastern sources. The quantities involved are small—last year's imports consisted of 73,500 tons of petrol, 276,400 tons of gas and fuel oil, 25,600 tons of kerosene, 11,100 tons of lubricating oils and 11,400 tons of asphalt—and could easily be supplied from Iraq or Iran. Nor should there be any difficulty in covering immediate requirements, for last year's imports were 11 per cent. higher than those of 1938 (though the increase, it is true, took place wholly in the pre-war months) and fairly stringent rationing of petrol and heating oils was introduced after the outbreak of the European war. It may therefore be assumed that sizeable stocks have been accumulated within the country.

Dearer Steel

By an order of the Minister of Supply, steel prices were increased—for the fourth time since the outbreak of the war—on November 1st. The latest increase adds some 12 to 14 per cent. to the price of steel; the three previous advances amounted to some 10 per cent. each. The prices of billets, sections, joists and rails were increased by 35s. per ton and that of plates by £2 per ton, with corresponding advances in the prices of finished products, such as tubes, bolts, nuts and wire. As in the case of the previous price increases, the latest advance has been made chiefly for the purpose of strengthening the central fund created in order to compensate manufacturers for the rise in the price of imported materials; the advance in the prices of imported materials since the beginning of July is due to the growth of imports, now consisting largely of the more expensive American products. Like the advance in July, the latest price increase includes an allowance—this time of 5 per cent.—for the rise in domestic costs. The frequent upward revision in steel prices is regrettable; but steel makers can hardly be expected to absorb increases in cost so long as other industries pursue a similar policy.

Higher Shipping Freight Rates

It is reported that the Ministry of Shipping will shortly increase all freight rates for cargoes in the principal homeward trades, and it is understood that the rise in the case of liner rates on tariff goods is to be one of 15 per cent. The increase has nothing to do with the rates of hire paid to British shipowners for their requisitioned ships. The increase will be to the credit of the Ministry of Shipping. Liner freight rates are normally governed by the various shipping Conferences and the present rates are those in operation when the Government requisitioned liner shipping at the beginning of last February. Since the Ministry of Shipping is not paying more for the hire of the ships it controls, it may be difficult, on the face of it, to see why it has been found necessary to increase the freight rates charged to British importers. The explanation is probably to be found in the rise in insurance premiums for war risks—80 per cent. of which is debited directly from the Ministry to the Government fund—and it may also be that the shipping chartered from allies and neutrals is incurring losses

at present freight rates, which are higher than the rates paid for requisitioned British shipping. If this surmise is correct, the advance in freight rates does not involve an additional charge on the community; it merely affects the incidence of a rise in costs that has already taken place in so far as it is passed on to the cost of imports instead of being borne by the Treasury, which would presumably have to finance any losses made by the Ministry of Shipping. The advance—apparently designed to prevent the Ministry of Shipping from operating at a loss—does not therefore in itself justify the shipping industry to press for an increase in its rates of hire.

Increase in Paper Prices

On October 26th, three new Orders of the Minister of Supply came into force, revising the maximum prices of paper, modifying certain provisions relating to the holding of paper-making materials at the disposal of the Minister, and requiring producers of paper to hold at the disposal of the Minister all stocks of straw held by them on October 26th or acquired afterwards. Straw is being largely substituted for esparto in the production of esparto papers, and though one of these Orders provides that it may only be obtained under licence, a direction has been issued under the Order by which all producers of paper may acquire stocks of straw until further notice. Maximum prices are adjusted with the object of taking into account the increased cost of imported raw materials and the increase in wages, and of bringing the prices of esparto papers into competitive alignment with the others. The new prices involve a rise in the grades affected and are as follows: first schedule, machine-finished, from £24 to £28 10s. per ton; super-calendered, from £24 7s. 6d. to £28 17s. 6d. per ton; second schedule, machine-finished, from £26 10s. to £31; super-calendered, from £26 17s. 6d. to £31 7s. 6d. per ton. Provision is also made for a removal charge: any net addition to the expenses of removal, storing and delivery which is incurred as a result of compliance with an Order of the Minister of Supply requiring the paper to be removed may be added to the price.

Coal and Railway Rates

The railways derive approximately 20 per cent. of their gross receipts from the transport of coal, coke and patent fuel. The yield of the 10 per cent. increase in freight rates on May 1st and of the 6 per cent. advance on pre-war rates, which is to come into force at the beginning of next month, will be affected appreciably by the great change in the distribution of the disposals of the coal-mining industry as between the inland and the export trades which has taken place since last June. Before the war the inland trade absorbed roughly 80 per cent. of the disposals, and the export trade 20 per cent. Recently, the proportion claimed by the home market has reached 92 per cent., while the share taken by the export trade has dropped to about 8 per cent. The expansion which has taken place in the domestic consumption of coal during the war offsets only a part of the heavy decrease which has occurred in the export trade, but inland railway rates are, of course, much higher than those

Shorter Comments

Company Results of the Week.—

Both the breweries whose accounts have appeared this week show a substantial rise in gross and net earnings. MATTHEW BROWN AND COMPANY has realised higher net profits at £121,660 against £106,894, and has maintained the dividend at 9 per cent. MASSEY'S BURNLEY BREWERY has maintained the 2½ per cent. dividend with net profits at £32,801 against £28,316. Despite an exceptional drought, which placed a certain strain on the company's steam plants, the PERAK RIVER HYDRO-ELECTRIC POWER COMPANY has realised a highly satisfactory rise in gross income from £162,353 to £332,896 and in net profits from £56,374 to £114,688. The dividend is raised from 2½ to 6 per cent. Despite a considerable rise in total earnings from £136,552 to £212,111, CLIFFORD MOTOR COMPONENTS have incurred an E.P.T. liability which reduces net income from £90,806 to £19,845, and the dividend is cut from 30 to 20 per cent. SECOND EDINBURGH INVESTMENT TRUST has maintained the 10 per cent. dividend on the basis of slightly higher net earnings at £51,186, against £50,109. THE TIMES PUBLISHING COMPANY has suffered a reverse during the past year due to a decline in advertising revenue and a rise in costs. A gross profit of £55,057 is replaced by a gross loss of £19,372 and a net profit of £41,481 by a net loss of £13,565. As before, no dividend is to be paid. The engineering firm of W.M. NEILL has maintained the ordinary dividend of 20½ per cent. Total income was substantially higher at £104,111 against £46,088, but net earnings were reduced from £26,199 to £21,757.

MISCELLANEOUS

Halifax Building Society.—On February 1, 1941, Halifax Building Society is to reduce the rate of interest on paid-up share and subscription share accounts by ½ per cent. to 2½ per cent. The current rate of interest on deposit accounts of 2½ per cent. will remain unchanged.

Neill (Wm.) and Son (St. Helens).—Trading profit year to March 31, 1940, £104,111 (£46,088). To depreciation, £11,364 (£3,534). To taxation, £70,391 (£15,755). Net profit, £21,757 (£26,199). Ordinary dividend maintained at 20½ per cent. To general reserve, £15,010 (£14,000). Carry-forward, £5,016 (£6,134).

New Hudson, Ltd.—Trading profit, year to July 31, 1940, £130,913 (£98,125). Taxation, £71,394 (£39,989). To depreciation, £31,803 (£16,967). Net profit, £22,777 (£37,078). Ordinary dividend 15 per cent., as before. To general reserve, £10,030 and staff fund £10,000, as before. Carry-forward, £18,699 (£20,762).

Robinson and Cleaver.—Gross trading profit £60,441, compared with £41,960 in the previous year. After taxation of £29,172, and other charges, net profit amounted to £16,516, against £25,005. Ordinary dividend reduced from 6 to 5 per cent.

Canadian Pacific Railway.—Gross earnings, September, 1940, \$15,647,000 (\$19,324,000). Net earnings, \$2,986,000 (\$5,822,000). Nine months gross earnings, \$121,848,000 (\$105,444,000). Net earnings, \$20,290,000 (\$12,705,000).

Clyde Paper Company.—Profit, year to June 30, 1940, £161,518 (£169,978). To sinking fund reserve, £6,376 (£6,010). To depreciation, £50,000 (£50,000). To

income tax account, £76,750 (£51,000). Ordinary dividend 5 per cent., against 10 per cent. plus bonus of 2 per cent. To general reserve, nil (£12,500). Carry-forward, £17,830 (£8,183).

Shell Union Oil Corporation and Subsidiaries.—Gross operating earnings third quarter, 1940, \$62,035,300 (\$65,971,700). Gross income, \$15,140,800 (\$15,796,300). Net income, \$3,165,200 (\$4,543,200).

Gillette Safety Razor.—Profit nine months to September 30, 1940, \$4,499,884 (\$4,155,813). Depreciation, \$356,662 (\$260,348). Net income, \$1,938,775 (\$2,418,360). Amount earned per share of preference stock, \$6.45 (\$8.06). Amount earned per share of common stock, \$0.41 (\$0.64).

Suburban and Provincial Stores.—Loss of £29,369 on first half of current year (February to July inclusive). This compares with a profit of £2,650 earned in corresponding period last year. Aggregate turnover of the six suburban businesses less than last year by 25.33 per cent. while the aggregate turnover of the nine provincial businesses was 3.11 per cent. lower.

North Broken Hill, Ltd.—Total profit year to June 30, 1940, £671,177 (£443,796). Taxes and royalty, £146,000 (£41,000). To depreciation, £75,000 (£30,000). Net profit, £397,418 (£330,187). Year's dividend maintained at 40 per cent.

Companhia de Mocambique.—Profit 1939, £121,059 (£85,480). Amortisation absorbs £24,871, against £17,684, and the balance of £87,109 is carried to the account "properties and rights acquired." The available funds at end of 1939 were £162,825 in Europe and £40,405 gold in Africa, compared with £128,220 and £29,120 respectively at end of 1938.

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for export. The Ministry of Transport railway returns do not classify separately the gross receipts from the two branches of the coal trade, but in 1938 the average receipt per ton on exported coal was only 2s. 3½d., compared with 3s. 11d. per ton from the transport of both inland and export coals. On the basis of the pre-war volume of traffic, the first increase of 10 per cent. in rates yielded the railways between £6½ and £6½ millions per annum, and the new 6 per cent. advance between £3½ and £3½ millions; but it is probable that because of the much larger proportion of the coal carried inland and of the longer average haul this revenue will be obtained, if not exceeded, in spite of the smaller quantity of coal carried as a result of the heavy fall in exports.

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Export Drive in Textiles

There has been news this week of the efforts being made to increase British exports of cotton, wool and rayon. The cotton industry has appointed Mr J. C. Belle to control the Cotton Board's colour, design and style centre set up some weeks ago. Mr Belle considers that colour and design are sales factors, and it should be possible to assist the trade both by helping manufacturers to produce the types of goods required by overseas buyers and by creating a demand for new

lines by organising exhibitions in various parts of the world. Particular attention is to be paid to the American market. In the rayon trade a new organisation, Central Rayon Office, Limited, has been formed to intensify the export drive which has already begun. It will not be a trading concern, but will make contacts and arrange contracts abroad, undertake market research and, if necessary, give financial assistance in establishing a market. This new concern is to be financed by a voluntary levy of 3d. per lb. on rayon yarn production which will provide an annual income of over £1 million. News from the wool industry is not so precise as from the other two, but it is expected that the National Wool Export Corporation will shortly be formed to increase the export of Bradford wools and worsteds. The annual income of this company, about £50,000, will be raised by a levy on raw wool and will all be used for investigating the problems of the wool trade and encouraging exports. This company will not give financial help to exporters though it is thought that the Bradford Type Cloth Sub Group formed under the export group scheme, may be willing to do so. The National Wool Export Corporation is likely to work chiefly in the United States, Canadian and Argentine markets, but the Bradford Sub Group is to concentrate on the Dutch East Indies which have no woollen market of their own.

COMMODITY AND INDUSTRY NEWS

Cotton.—Raw cotton prices have fluctuated within fairly narrow limits during the past week and turnover has generally been fair, with interest concentrated on the outside growths. Prices in New York are showing an upward tendency, and there are some reports that unless some barter cotton is released they are likely to reach the present permitted maxima. It is now believed in the cotton trade that when cotton spinners' margins are next reviewed they will be increased slightly. Both wage costs and production costs are higher since the current margins were fixed. There has been a larger inquiry for piece-goods, with encouraging interest from overseas markets.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Oct. 18, 1940	Oct. 25, 1940	Oct. 27, 1939	Oct. 25, 1940
American	16.9	17.6	254	292
Brazilian	8.9	6.9	110	88
Peruvian, etc.	2.4	1.8	58	40
Egyptian	3.7	4.2	75	52
Sudan Sakel	0.2	0.3	54	8
East Indian	9.1	7.6	73	70
Other countries	7.9	9.2	55	59
Total	49.1	47.6	679	609

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—There were no changes in prices during the past week. The quicksilver which was reported last week to have been sold to Japan by Mexico was not, in fact, exported, since Mexico banned its shipment; the quantity involved was 50,000 kilos.

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Tin.—The price of tin has continued its upward movement during the week. Trade has been steadily active, but sellers have shown reserve in view of the export licences to be granted from November 1st. It is reported that the United States is to take low-grade ore from Bolivia and that the higher-grade tin will therefore still be available for this country.

★

Grains.—At the end of last week there was a marked improvement in demand from wheat consumers. Canada exported more wheat to the United Kingdom, and there were reports that El Salvador wished to barter coffee for wheat and that Russia was making inquiries about purchases in the United States. By Wednesday, however, Winnipeg prices were near the permitted minima. Maize prices have continued to decline and La Plata fell to 10s. 9d. per 480 lb. on Wednesday.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Oct. 19, 1940	Oct. 26, 1940	Oct. 28, 1939	Oct. 26, 1940
N. America	318	243	5,552	4,132
Argentina, Uruguay ..	173	28	4,640	2,764
Australia	...	...	612½	...
Russia	...	...	114	...
Danube and district ..	...	...	1,412	182
Other countries	...	...	268	...
Total	491	271	12,598	7,078

* Unobtainable. † Incomplete.
Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Oct. 19, 1940	Oct. 26, 1940	Oct. 28, 1939	Oct. 26, 1940
Argentina	79	90	10,688	5,528
Atlantic America	169	100	757	1,947
Danube Region	...	...	1,095	678
S. & E. Africa	...	...	2,350	1,112½
Indo-China, etc.	...	...	973	91
Total	248	190	15,863	9,356

* Not received. † Incomplete since September 21st.
Source: The Corn Trade News.

Tea.—The International Tea Committee has announced that the export quota for the current quarter of the year has been increased to 92½ per cent. from 90 per cent. This is an increase of about 20 million lb. per annum. Any idea that this foreshadowed an increase in the tea ration in this country, however, was dispelled by the Minister of Food this week, when he announced that any increase was unlikely for the next year.

★

Oils and Oilseeds.—Shipments of linseed and other oilseeds from India continue on United Kingdom account, but little or no interest is shown in Argentine seeds, shipments of which to Europe are still withheld owing to the inability of countries in enemy occupation to import. A reduced area under linseed in Argentina is foreshadowed by the second estimate of the Ministry of Agriculture, which places the total at 6,793,000 acres, which is 864,000 acres, or 11 per cent., below last season, when the harvest, prejudiced by adverse weather conditions, yielded only just over 1,000,000 tons against 1,410,000 tons from a smaller acreage in the previous season.

Rubber.—The price of rubber has shown little change, and there has not been very much interest in the market. There is already some discussion of the permissible export quota likely to be fixed after the end of this year, although it is not yet known when the International Regulation Committee will meet. The American purchases for reserve, upon which much depends in deciding the quotas, are understood to be proceeding smoothly.

THE ECONOMIST SENSITIVE PRICE INDEX

(1935 = 100)

	Oct. 24, 1940	Oct. 25, 1940	Oct. 28, 1940	Oct. 29, 1940	Oct. 30, 1940
Crops	102.5	102.3	102.2	102.0	101.4
Raw materials	165.9	166.0	165.9	165.8	165.7
Complete Index	130.4	130.3	130.2	130.0	129.7
Crops	147.6	92.2	107.9	106.0	102.4
Raw materials	207.3	122.9	130.0	165.6	165.7
Complete Index	175.1	106.4	118.4	132.5	130.3

* Highest level reached during the 1932-37 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN

(1937 = 100)

	Home	Export	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—Sept. ...	160	74	155	+ 24.0
Oct. ...	170	88	166	+ 36.1
Nov. ...	137	103	138	+ 14.4
Dec. ...	105	96	104	- 0.95
1940—Jan. ...	79	83	80	+ 48.2
Feb. ...	113	78	111	+ 40.8
March ...	155	93	152	+ 31.0
April ...	145	94	142	+ 51.0
May ...	130	88	128	+ 24.3
June ...	97	106	97	+ 4.3
July ...	82	94	83	+ 25.8
August ...	124	74	122	+ 47.0
Sept. ...	148	54	143	+ 7.8

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.

Source: Board of Trade Journal.

COMPANY MEETINGS

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

BENEFITS OF RECENT EXPENDITURE

PROPOSED ISSUE OF NEW SHARES

MR KENNETH MOORE ON THE TAXATION POSITION

The annual general meeting of the Trinidad Petroleum Development Company, Limited, was held, on the 30th ultimo, at Sunningdale, Berks.

Mr Kenneth A. E. Moore, F.C.A., the chairman, presided.

The Secretary (Mr J. Mytton) having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Ladies and gentlemen,—The report and accounts have been in your hands for some days, and, with your permission, we will take them as read. (Agreed.)

In normal times shareholders look on the one hand to the audited accounts for information as to the financial results and position, and on the other to the directors' report and to my statement at the annual general meeting for details of production, field operations and development. With information before them on both the financial and operational aspects of the company's affairs, they are in a position to form for themselves a view as to the company's position and prospects.

ALL WELL ON OPERATIONAL SIDE

On this occasion, however, there are two imponderables—on the financial side the uncertainties of taxation, and on the operational side the absence of information. As to the operational side, I must on this occasion, and for reasons which need no explanation, ask shareholders to accept my assurance that all is well. As to taxation, I shall be explaining the position fully later in my remarks.

Turning now to the accounts, you will observe that the profit before provision for taxation amounted to £360,677—roughly double that for the preceding year. This somewhat startling increase is not, as might perhaps be thought, due to a violent increase in prices but rather to a number of factors, of which prices are only one, and to the fact that we are now reaping the benefit of the increased labours of the last few years, made possible by the additional share capital raised early in 1937.

LIABILITY FOR EXCESS PROFITS TAX

This brings me to the subject of taxation—and particularly our liability for Excess Profits Tax. You will have observed that we have transferred to taxation reserve out of the year's profits no less a sum than £200,000. Excess Profits Tax was at the rate of 60 per cent. for the first eight months of the past financial year and 100 per cent. for the last four months, the effective rate thus being 73½ per cent. for the year. For the current year it will, of course, be 100 per cent.

So long as Excess Profits Tax remains at 100 per cent. its incidence is of such paramount importance to shareholders that I feel they are entitled to the fullest explanation of the company's position that I can give them at the present time.

COMPANY'S POSITION

That position may be summed up as follows:—

1. Under the Finance (No. 2) Act, 1939, the company's standard profit must be selected from its trading results in the calendar years 1935-1936-1937. In spite of the fact that it was then in the process of development and that annual production was very much less in those years than it has been since Excess Profits Tax was imposed, there is no provision in the Act under which the company can put forward a claim for relief on those grounds.

2. In arriving at its liability for Excess Profits Tax, the company is entitled to add to its standard profit 8 per cent. of any increase in the average capital employed in the business beyond that employed in the selected standard period. In connection with this allowance for increased capital, the Inland Revenue have put forward a technical contention, based on the fact that the company was a subsidiary company until additional share capital was issued early in 1937, the effect of which is substantially to negative any allowance in respect

of that additional capital. It is that very additional share capital which has enabled the company to increase its production and profits. The point at issue affects the company's liability to a very material extent, and I need hardly say that we are taking the matter to appeal.

3. Under the Finance (No. 2) Act, 1940, section 13, the company, being engaged in the production of oil, has the right and is taking steps to join with others similarly engaged in a collective application for an increase in the rate allowed on increased capital. The basic rate is 8 per cent., as already mentioned, and the Board of Referees have power to increase it to such extent as they think fit, but not in any case beyond 12 per cent. in all.

Any concession obtained under section 13 applies to all companies of the class making a successful collective application, whether their individual pre-war standards are good, bad or indifferent.

In other words, the possible relief afforded by this section does not meet individual cases. It only empowers the Board of Referees to recognise the fact that in the getting of minerals or oil the benefit of capital expenditure may be exhausted at a greater rate than in the case of other classes of commercial activity. Thus all companies within the class—rich or poor—obtain equal benefits.

There is, in fact, no provision in the existing legislation under which we, as an individual company, can get relief on the facts of our case—which, as you know, for want of a better expression, is a "hard case."

Now that Excess Profits Tax is at 100 per cent. it seems more than ever unfortunate that our legislators have failed so far to provide for cases such as ours.

You will appreciate that until these outstanding matters are disposed of the company's liability for taxation cannot be estimated with accuracy, but, as stated in the report, the company's advisers consider that the sum of £200,000 transferred to taxation reserve will prove to be more than adequate.

DIVIDEND OF 15 PER CENT.

After making this transfer there remains out of the year's profits a balance of £160,677. An interim dividend of 5 per cent., absorbing £50,000, was paid in June last and the directors recommend the payment of a final dividend of 10 per cent., absorbing £100,000, and making the total dividend for the year up to 15 per cent. as for the previous year. If the directors' recommendations are approved, the amount to be carried forward will be £74,305, an increase of £10,677 over the balance brought forward from the previous year.

Turning now to the balance sheet, you will observe that the two principal items on the assets side which are affected by capital expenditure—namely, oil wells and development account and plant, buildings, tanks, pipe lines, stores, materials, etc.—once again show a substantial increase over the corresponding figures for the preceding year. In fact, taking these two items together, the increase amounts to £152,749, in spite of the fact that £112,253 has been written off during the year for depreciation. Part of this increase is accounted for by the fact that as a matter of policy certain reserve stocks of stores and materials have been built up in Trinidad, but in the main the increase is due to permanent capital expenditure.

EXPENDITURE ON DEVELOPMENT

The position is therefore that during the past and recent years large sums have been spent on capital account in connection with the development of the company's properties, and, if I may say so, spent to very good purpose. But with taxation at its present level it is no longer possible to finance such expenditure out of profits, and it is largely for this reason that your directors have come to the conclusion that the capital resources of the company must now be increased.

As you will have seen from the report, we propose to seek the authority of the shareholders for an increase of £200,000 in the authorised share capital of the company in the form of 200,000 six per cent. redeemable cumulative preference shares of £1 each. The consent of the Treasury has been obtained to this proposed issue and an extraordinary general meeting is to be held at an early date to deal with the matter, and it is our intention to offer the new shares to our shareholders at par in proportion to their existing share holdings.

I want to take this opportunity on behalf of the board of expressing our thanks to Commander Lavington, our manager in Trinidad, for the satisfactory way in which the company's affairs have been carried on during the difficult conditions of the past year. I am sure that as shareholders you will wish to be associated with your directors in saying that we are most grateful to him and to all in the company's service in Trinidad and London for the success with which they have carried on.

IMPORTANT CONTRIBUTION TO NATIONAL EFFORT

In conclusion, management, staff and shareholders may justifiably derive solid satisfaction from the fact that the company is making an important contribution to the oil supplies of the Empire so vitally necessary for the prosecution of the war. In addition, shareholders, though they may feel that the company is unfortunately placed with regard to taxation, can at least derive some consolation from the fact that money as well as oil is necessary to win the war, and they are supplying both in no small measure.

The Chairman concluded by moving the adoption of the report and accounts. Major Goronwy Owen, D.S.O., D.L., M.P., seconded the resolution, and it was carried unanimously.

The proposed final dividend of 10 per cent., less tax (making 15 per cent. for the year), was approved.

The retiring director, Mr T. L. Jacks, C.B.E., was re-elected, and the auditors, Messrs Josolyne, Miles, Page and Company, re-appointed.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

ROAN ANTELOPE COPPER MINES, LIMITED

MR A. CHESTER BEATTY'S STATEMENT ON THE YEAR'S OPERATIONS

The accounts for the year ended June 30, 1940, show that after the transfer of £200,000 to replacements reserve the net profit for the year was £1,623,243, as against £1,372,204 for the previous year. The amount appropriated to meet the company's liabilities for taxation was £800,000, which is approximately half our net profit. After transferring £100,000 to general reserve and providing for the interim and final dividends for the year, there remains a balance of £202,075 to be carried forward, as against £254,852 in the previous year.

We have again begun to build up our replacements reserve, which now stands at £132,318, as against £15,026. This reserve is required to provide for additional expenditure when development along the orebody to the West becomes essential.

In order to assist the national effort in financing the war we have, since the date of the balance sheet, paid to the Treasury the sum of £500,000, £200,000 of which is an advance against income tax, the balance of £300,000 being a loan to the Government free of interest.

I am precluded this year from giving you my customary review of the work on the mine and the progress of our undertaking. We are, however, endeavouring to pursue a policy which, while giving the utmost assistance to the national effort for carrying on the war, will, at the same time, preserve the company in a sound financial position, and also make some return to shareholders on their investment.

At the mines, development work and all operations have continued satisfactorily, and the whole of the plant and machinery has been maintained in a high state of efficiency.

Health conditions of both European and African employees were satisfactory, and the mortality rates were the lowest on record.

As to the future of our business immediately after the war, it is impossible for me to foretell; but in the meantime the copper we are producing is of incalculable value to the nation in the present emergency, and I know you will all agree with me when I say that in the part we are called upon to play we shall continue to put forth our maximum effort.

HARRISONS AND CROSFIELD, LIMITED

MR H. ERIC MILLER'S REVIEW

Presiding at the thirty-second annual meeting of Harrisons and Crosfield, Limited, on the 29th ultimo, the chairman, Mr H. Eric Miller, said that during the year the company had invested £200,000 in National War Bonds and new War Loan, in addition to which various companies for which they acted as secretaries had subscribed over £1,000,000. They had also paid income tax well in advance.

Increased taxation both at home and abroad had necessitated a particularly heavy charge against the profits for the past year.

Tea producers, except for a short time in the Netherlands Indies, had been able to market their crops at moderately profitable prices. The natural desire of consuming countries to increase their stocks at the beginning of the war, the complete control by the Government of the United Kingdom tea market and the progressive closing of Continental markets, had involved some fluctuation in the exportable percentage under the International Tea Regulation Scheme, which was working well, 92½ per cent. being the rate now fixed for the current period.

The total output of plantation rubber during 1940 would create a new record, but was well within productive capacity. Absorption had been affected by war conditions, but outstanding development had been the decision of the United States Government to acquire large reserve stocks of rubber to be held against special emergencies, 85,000 tons under Rubber-Cotton Barter agreement, then 150,000 tons during 1940 and a further 180,000 tons during 1941, not to be released without reasonable safeguards protecting the plantation rubber industry. Arrangements made were statesmanlike and accorded with the desire of two Governments to co-operate harmoniously in the defence of freedom.

JOHORE RUBBER LANDS, LIMITED

DIVIDEND OF 5 PER CENT.

The fourteenth ordinary general meeting of Johore Rubber Lands, Limited, was held, on the 29th ultimo, in London.

Mr H. M. Graham (the chairman) said that during the year they harvested a crop of 443,100 lbs. of rubber, which, with the stock brought in at April 1, 1939, left them with a total of 524,168 lbs. to deal with. Of that quantity 436,589 lbs. was sold in London against export rights, 24,993 lbs. were sold in the East without rights, whilst the balance, namely, stock consisting of 62,586 lbs., had been carried forward and brought into the accounts at cost. The f.o.b. cost for the year was 4.744d. per lb., or only ½d. higher than last year's figure, which must be considered very satisfactory. The selling price obtained was 9.278d. per lb., or the equivalent of approximately 10½d. per lb. London landed terms, which was 2½d. per lb. more than the price realised for last year's crop. The profit earned amounted to £5,395 10s., or an increase of £3,686 12s. 11d. compared with the previous year. The board recommended a dividend of 5 per cent., less tax.

As shareholders were aware, the export release had been increased. For October-December this year it had been fixed at 90 per cent. of the assessments granted estates, so that for the nine months ending December, 1940, the average release would be 85 per cent. of their assessment. The price of rubber had also improved, and the balance of their output to December next had been sold at the equivalent of approximately 1s. per lb. London landed terms. In addition, they had recently entered into a forward contract in respect of January-March for 50 per cent. of the quantity they were allowed to export at the equivalent of approximately 11½d. per lb. London landed terms. Provided therefore that the present prices held, he thought they could look forward to still more satisfactory results next year.

The report was adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Bouverie Street, E.C.4.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 26, 1940, total ordinary revenue was £22,495,000, against ordinary expenditure of £73,997,000 and issues to sinking funds of £159,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,367,489,000, against £380,824,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Oct. 26, 1939	Apr. 1, 1940, to Oct. 26, 1940	Week ended Oct. 26, 1939	Week ended Oct. 26, 1940
ORDINARY REVENUE					
Income Tax...	510,500	65,991	127,492	5,972	5,367
Sur-tax...	83,000	10,030	13,250	480	970
Estate, etc., Duties...	86,100	45,310	45,356	1,570	2,816
Stamps...	19,000	10,080	7,528	450	...
N.D.C. ...	70,000	14,310	12,387	630	660
E.P.T. ...	...	...	29,572	...	430
Other Inland Revenue ...	1,000	420	240	20	10
Total In. Rev.	769,600	146,141	235,825	9,122	10,253
Customs ...	309,350	156,028	170,655	6,785	5,511
Excise ...	213,550	73,856	93,729	1,346	3,728
Total Customs and Excise...	522,900	229,884	264,384	8,131	9,239
Motor Duties P.O. (Net Receipt) ...	35,000	8,511	10,598	...	...
Crown Lands Receipts from Sundry Loans	13,291	4,204	8,850	200	900
Mis. Receipts	1,150	870	650	220	100
Total Ordinary Revenue ...	136,019	402,881	535,824	17,758	22,495
SELF-BAL. Post Office and Broadcasting	86,222	44,846	45,450	1,950	1,400
Total ...	144,641	447,727	581,274	19,708	23,895

Expenditure	Issues out of the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Oct. 26, 1939	Apr. 1, 1940, to Oct. 26, 1940	Week ended Oct. 26, 1939	Week ended Oct. 26, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	137,682	143,264	566	805
Payments to N. Ireland ...	9,400	4,259	4,343	298	297
Other Cons. Fund Serv.	7,600	3,684	3,442	...	...
Total ...	247,000	145,625	151,049	864	1,102
Supply Serv.	321,970	632,127	1,746,102	32,738	72,895
Total Ordinary Expenditure	346,670	777,752	1,897,151	33,602	73,997
SELF-BAL. Post Office and Broadcasting	86,222	44,846	45,450	1,950	1,400
Total ...	355,301	822,598	1,942,601	35,552	75,397

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £646,715 to £3,041,337, the other operations for the week (no longer shown separately) raised the gross National Debt by £52,278,000 to about £10,313 millions.

MONTH'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
Treasury Bills ...	64,824	Nat. Sav. Bds. ...	29
Nat. Sav. Certs. ...	11,050	4½% Conv. Loan	65
3% Def. Bds. ...	10,400	Ways and Means	14,750
2½% War Bds. ...	56,300		
"Other debt" ...	3,664		
Treasury deposits	75,500		
	221,738		14,844

OTHER ISSUES (NET)

(£ thousands)	
P.O. and Telegraphs	250
Anglo-Turkish Agreement	185
Overseas Trade Guarantee	15
	450

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to October 26, 1940, are:—

(£ thousands)	
Ordinary Exp. ...	1,897,151
Misc. Iss. (net)	6,487
Inc. in balances	646
Ord. Revenue	535,824
Gross borr. 1,374,622	
Less—	
Sinking fds.	6,162
Net borrowing	1,368,460
	1,904,284

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng-land		
1939						
Oct. 28	561.0	701.8	47.9	...	...	1310.7
1940						
July 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		
" 14	836.0			"	"	
" 21	836.0			"	"	
" 30	836.0	1085.1	91.5	...	124.0	2136.7
Oct. 5	836.0			Not available		
" 12	836.0			"	"	
" 19	836.0			"	"	
" 26	840.0	1145.9	69.0	7.7	199.5	2262.2

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at Minimum Rate	
	Offered	Applied for	Allotted			
1939				s.	d	
Oct. 27	55.0	99.9	55.0	23	8	31
1940						
July 19	65.0	118.8	61.0	20	4	37
" 26	65.0	125.8	60.0	20	4	31
Aug. 2	65.0	122.1	65.0	20	4	37
" 9	65.0	122.5	65.0	20	4	37
" 16	65.0	116.5	65.0	20	4	37
" 23	65.0	109.7	65.0	20	5	36
" 30	65.0	134.9	65.0	20	6	31
Sept. 6	65.0	125.8	65.0	20	7	31
" 13	65.0	124.7	65.0	20	6	35
" 20	65.0	123.5	65.0	20	7	37
" 27	65.0	131.9	65.0	20	6	33
Oct. 4	65.0	122.5	65.0	20	4	37
" 11	65.0	127.0	65.0	20	4	37
" 18	65.0	129.8	65.0	20	4	36
" 25	65.0	135.3	65.0	20	4	31

On October 25th 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 30 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday bills are being offered on November 1st. For the week ending November 2nd the banks will be asked for Treasury deposits to the maximum amount of £20.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Bonds	2½% Bonds
Sept. 24	3,373	2,422	8,207
Oct. 1	2,879	2,140	10,942
" 8.....	3,114	2,336	7,808
" 15.....	2,722	2,633	14,610
" 22.....	2,723	3,435	25,604
" 29.....	...	...	9,539
Totals to date	165,046*	164,244*	286,398†

* 48 weeks. † 19 weeks.
Interest free loans received by the Treasury up to October 29th amounted to 9,839, of a total value of £21,851,933. From the beginning of the campaign up to October 26th, principal of Savings Certificates to the amount of £23,622,000 has been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 30, 1940

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In Circulation	591,570,713
In Bkng. Department	38,670,862
Govt. Debt..	11,015,100
Other Govt. Securities..	615,797,437
Other Secs..	3,180,443
Silver Coin..	7,020
Amt. of Fid. Issue	630,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	241,575
	630,241,575

BANKING DEPARTMENT

(£ thousands)	
Props. Capital	14,553,000
Rest	3,147,189
Public Depts.*	18,250,165
Other Depts.:	
Bankers	108,003,745
Other Accts.	51,511,221
	159,514,966
	195,465,320
Govt. Secs...	130,037,838
Other Secs.:	
Discs., etc.	2,996,661
Securities...	23,278,596
	26,275,257
Notes.....	38,670,862
Gold & Silver Coin	481,363
	195,465,320

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

THE WEEK'S CHANGES

(£ thousands)			
Both Departments	Amt. Oct. 30, 1940	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	591,571	- 1,658	+ 63,605
Deposits : Public	18,250	- 5,435	+ 7,710
Bankers'	108,004	+ 2,863	+ 6,798
Others	51,511	- 829	+ 8,519
Total outside liabilities...	769,336	- 5,059	+ 73,036
Capital and rest	17,700	+ 19	- 58
COMBINED ASSETS			
Govt. debt and securities	756,850	- 7,336	+ 74,900
Discounts and advances	2,997	+ 217	+ 2,636
Other securities	26,459	+ 2,063	+ 1,495
Silver coin in issue dept.	7	- 2	- 148
Coin and gold bullion	723	+ 18	- 332
RESERVES			
Res. of notes and coin in banking department...	39,152	+ 1,676	- 13,937
"Proportion" (reserve to outside liabilities in Bankg. dept.)	22.0%	+ 1.4%	- 5.3%

COMPARATIVE ANALYSIS*

	1939	1940			
	Nov. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
<i>Issue Dept. :</i>					
Notes in circ.	484.0	601.3	597.7	593.2	591.6
Notes in bank-					
ing dept.	42.5	28.9	32.5	37.0	38.7
Govt. debt and					
securities....	199.9	627.1	626.9	626.8	626.8
Other sec.	0.1	3.0	3.0	3.1	3.2
Silver coin ...	0.1	0.0	0.0	0.0	0.0
Gold, valued	326.4	0.2	0.2	0.2	0.2
at s. per f. os.	84.96	168.00	168.00	168.00	168.00
<i>Deposits :</i>					
Public	14.1	19.1	19.9	23.7	18.2
Bankers	109.5	115.3	109.1	105.1	108.0
Others	36.4	52.0	52.2	52.3	51.5
Total	160.0	186.4	181.2	181.1	177.7
<i>Bkg. Dept. Sect.</i>					
Government...	102.4	146.2	139.0	137.3	130.0
Discounts, etc.	10.5	6.6	5.4	2.8	3.0
Others	21.1	21.7	21.6	21.2	23.3
Total	135.0	174.5	166.0	161.3	156.3
<i>Banking dept.</i>					
reserve	43.8	29.5	33.0	37.5	39.3
	%	%	%	%	%
" Proportion "	27.3	15.8	18.1	20.6	22.0

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, of June 15th; Java, Egypt, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 5th; Mellie Iran, New Zealand, South Africa, and Turkey, of October 19th; International Settlements, Estonia, Hungary, Portugal, Roumania and Sweden, of October 26th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Oct. 1939	Oct. 1940	Oct. 1941	Oct. 1942
Gold certifi. on hand and due from Treas.	14,804	19,032	19,077	19,167
Total reserves	15,157	19,363	19,415	19,513
Total cash reserves	344	319	327	336
Total U.S. Govt. secs.	2,736	2,399	2,384	2,352
Total bills and secs.	2,753	2,415	2,396	2,364
Total resources	18,708	22,584	22,999	22,755

LIABILITIES	Oct. 1939	Oct. 1940	Oct. 1941	Oct. 1942
F.R. notes in circn.	4,744	5,479	5,508	5,520
Excess mr. bank res.	5,530	6,820	6,870	6,940
Mr. bank reserve dep.	11,950	13,927	14,016	14,148
Govt. deposits	326	597	463	383
Total deposits	12,968	16,080	16,139	16,131
Total liabilities	18,708	22,584	22,999	22,755
Reserve ratio	85.6%	89.8%	89.7%	90.1%

BANKS AND TREASURY RESOURCES	Oct. 1939	Oct. 1940	Oct. 1941	Oct. 1942
Monetary gold stock	17,039	21,349	21,373	21,428
Treas. & bk. currency	2,929	3,048	3,052	3,055

LIABILITIES	Oct. 1939	Oct. 1940	Oct. 1941	Oct. 1942
Money in circulation	7,302	8,199	8,229	8,236
Treas. cash and dep.	2,556	2,873	2,731	2,615

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

ASSETS	Oct. 1939	Sept. 1940	Sept. 1941	Oct. 1942
Loans, total	8,375	8,692	8,689	8,785
Investments	14,125	15,592	15,477	15,544
Reserve with F.R. bks	9,826	11,490	11,616	11,646
Due from domestic bks	3,034	3,296	3,218	3,307
LIABILITIES	Oct. 1939	Sept. 1940	Sept. 1941	Oct. 1942
Deposits: Demand	18,306	20,984	21,080	21,152
Time	5,216	5,353	5,352	5,359
U.S. Govt.	540	530	529	530
Inter-bank	8,596	9,370	9,233	9,412

CENTRAL BANK OF ARGENTINA

Million paper pesos

ASSETS	Aug. 1939	July 1940	Aug. 1941	Aug. 1942
Gold at home	1,224	1,224	1,224	1,220
Other gold & for. exch.	105	155	152	150
Non-int. Govt. bond	119	119	119	119
Treasury bonds	396	395	395	395
LIABILITIES	Aug. 1939	July 1940	Aug. 1941	Aug. 1942
Notes in circulation	1,135	1,218	1,203	1,202
Deposits: Government	169	157	197	173
Banks	430	415	392	383
Certs. of participation	114	152	141	172
Reserve ratio	76.5%	76.9%	76.3%	77.6%

RESERVE BANK OF INDIA

Million rupees

ASSETS	Oct. 1939	Oct. 1940	Oct. 1941	Oct. 1942
Gold coin and bullion	444	444	444	444
Rupee coin	728	320	314	316
Balances abroad	122	385	373	378
Sterling securities	745	1,315	1,315	1,315
Indian Gov. rupee secs.	373	496	496	496
Investments	64	80	81	79
LIABILITIES	Oct. 1939	Oct. 1940	Oct. 1941	Oct. 1942
Notes in circn.: India	2,017	2,211	2,233	2,192
Burma	102	121	119	116
Deposits: Govts.	119	127	141	141
Banks	187	459	451	493
Reserve ratio	51.9%	68.3%	68.5%	68.5%

BANK OF JAPAN.—Million yen

ASSETS	Sept. 1939	Sept. 1940	Sept. 1941	Sept. 1942
Coin & bullion: Gold	501.3	501.3	501.3	501.3
Other	42.5	23.8	24.4	23.4
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts and advances	472.8	846.7	806.9	838.1
Government bonds	167.1	206.5	232.3	249.2
Agencies' accounts	236.0	286.1	293.6	309.6
LIABILITIES	Sept. 1939	Sept. 1940	Sept. 1941	Sept. 1942
Notes issued	2347.6	3278.8	3170.7	3219.2
Deposits: Government	626.9	914.3	960.1	939.7
Other	79.1	97.7	87.9	83.6

NATIONAL BANK OF BULGARIA

Million levas

ASSETS	July 1939	June 1940	July 1941	July 1942
Gold holdings	2,006	2,006	2,006	2,006
Balances abroad, etc.	896	1,544	1,546	1,457
Discounts and advances	932	1,739	1,756	1,743
Advances to Treasury	3,717	3,373	3,373	3,373
LIABILITIES	July 1939	June 1940	July 1941	July 1942
Notes in circulation	3,015	4,577	4,814	4,790
Sight liab. and deposits	3,022	3,768	3,410	3,419
Cover	33.2%	25.48%	25.88%	25.93%

BANK OF CANADA.—Million Can. \$

ASSETS	Oct. 1939	Sept. 1940	Oct. 1941	Oct. 1942
Reserve: Gold	225.7	194.0	194.0	194.0
Other	51.4	20.3	20.3	20.3
Securities	233.8	533.1	565.5	564.2
LIABILITIES	Oct. 1939	Sept. 1940	Oct. 1941	Oct. 1942
Note circulation	227.2	332.0	335.1	336.7
Deposits: Dom. Govt.	47.4	4.4	17.9	25.7
Chartered banks	215.0	231.3	223.7	217.3

† Gold and foreign ex. transferred to Foreign Exchange Control Board against securities.

NATIONAL BANK OF JUGOSLAVIA

Million dinar

ASSETS	July 1939	July 1940	July 1941	July 1942
Gold	2,268	2,282	2,282	2,282
Other foreign exchange	449	415	424	513
Discounts and advances	1,915	1,905	1,880	1,855
Gov. adv. and credits	3,073	3,073	3,073	3,073
Def. bonds discounted	3,952	3,969	4,036	4,091
LIABILITIES	July 1939	July 1940	July 1941	July 1942
Notes in circulation	12,199	12,090	12,003	12,179
Sight liabilities	1,987	2,045	2,096	1,941

BANK OF LITHUANIA.—Million litas

ASSETS	July 1939	July 1940	July 1941	July 1942
Gold	62.17	57.45	66.29	66.50
Silver and other coins	12.92	6.85	6.41	6.84
Discounts	91.77	143.41	158.42	146.06
Advances	26.88	33.18	37.64	36.60
LIABILITIES	July 1939	July 1940	July 1941	July 1942
Bank notes in circn.	152.82	168.98	199.80	197.33
Current accounts	35.42	61.44	68.07	71.73
Deposits	6.82	47.43	35.35	22.27

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Brown (Matthew) & Co.	Sept. 30	130,030	...	121,660	182,765	56,000	21,132	9	5,000	+ 39,528	116,338	106,894	9
Massey's Burnley Brwy.	Sept. 30	84,216	6,874	32,801	57,886	18,000	11,250	2½	1,436	+ 2,115	72,819	28,316	2½
Electric Lighting, etc.													
Perak River Electric	July 31	332,896	100,000	114,688	119,577	38,281	60,375	6	...	+ 16,032	162,353	56,374	2½
Hotels, Restaurants, etc.													
Rubens-Rembrdt. Hotels	June 30	Dr. 11,807	...	Dr. 16,057	Dr. 16,057	...	...	...	...	- 16,057	8,542	1,061	Nil
United Caterers	June 29	5,025	1,411	Dr. 1,003	1,377	...	...	...	...	- 1,003	10,020	2,935	6
Motor, Cycle & Aviation													
Clifford Motor Compts.	May 31	212,111	...	19,845	41,896	...	20,506	20	...	- 661	136,552	90,806	30
Parnall Aircraft	July 31	185,236	...	87,786	88,854	...	75,000	10	...	+ 12,786	134,525	79,818	12½
Rubber													
Aberfoyle	Mar. 31	6,372	250	3,336	6,601	...	2,500	10	...	+ 836	2,377	194	Nil
Amalgamated Bruas	Mar. 31	17,724	...	8,736	9,366	1,200	6,666	6	...	- 870	7,188	1,860	3
Malayalam Plantations	Mar. 31	330,220	...	152,235	253,930	...	113,855	10	40,000	+ 1,620	255,384	200,730	10
Morib Plantations	June 30	10,308	477	3,552	6,230	...	3,500	5	...	- 52	5,986	1,411	2
Tea													
Septhanjuri Bheel	Nov. 30	26,183	...	11,131	15,710	...	8,580	10	...	- 2,531	22,735	9,630	10
Trusts													
Aberdeen Trust	Sept. 30	37,171	...	11,821	26,498	5,552	4,935	6	...	- 1,334	40,961	15,954	6
Bilton (Percy) Investmnt.	June 30	18,446	...	6,241	8,595	3,025	900	3	2,225	+ 91	19,089	6,900	6½
Scottish and Dominions	Sept. 15	42,908	...	15,429	31,148	8,828	3,531	3	...	+ 3,070	43,857	17,913	3
Second Edinburgh Invest.	Sept. 30	121,181	...	51,186	163,282	16,594	18,162	10	...	+ 16,430	106,791	50,109	10
Other Companies													
Brett's Stamping	Aug. 10	32,716	9,974	21,532	31,475	690	9,000	15½	10,000	+ 1,842	51,572	19,657	15½
British Elect. Resistance	July 31	20,965	...	7,615	9,935	...	5,750	20	...	+ 1,865	11,578	5,290	10
Clude Paper	June 30	165,414	50,000	28,393	36,581	10,125	8,625	5	...	+ 9,643	174,195	62,968	12
Friedman (Henry)	June 30	20,413	1,698	8,776	11,300	...	7,000	10	...	- 1,776	6,626	2,948	3½
Hughes-Johnson Stmpgs.	Aug. 3	61,269	10,500	47,352	74,541	...	19,663	25	30,000	- 2,311	61,381	44,529	25
Laves Chemical Manure	June 30	15,886	47	10,079	11,967	2,686	7,558	6	...	- 165	13,531	11,562	6
Murex, Ltd.	June 30	534,987	...	172,576	262,743	3,500	118,750	20	37,070	+ 13,256	344,519	178,829	20
Neill (Wm.) and Son	Mar. 31	104,111	11,364	21,757	27,891	...	7,875	20½	15,000	- 1,118	46,088	26,109	20½
Simons and Co.	June 30	7,741	...	6,141	14,260	6,750	...	...	...	- 609	10,561	9,061	Nil
The Times Publishing	June 30	Dr. 19,372	22,455	Dr. 13,365	145,439	...	...	...	...	- 13,565	55,057	41,481	Nil
West G. (Weatherproofs)	Mar. 31	49,587	...	23,922	44,124	18,750	...	...	4,000	+ 1,172	27,279	24,539	Nil
Totals (£'000's):													
Week to Nov. 2, 1940	No. of Cos. 27	2,542	215	958	1,668	190	535	...	145	+ 83	1,648	1,098	...
Jan. 1 to Nov. 2, 1940	1,831	351,066	28,092	185,613	264,867	42,046	113,160	...	21,996	+ 8,411	324,063	194,037	...

† Free of tax.

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates were fixed by the Bank of England between October 25th and October 31st. (Figures in brackets are par of exchange.)

U.S. \$ (4-862½) 4-02½-03½; mail transfers, 4-02½-03½. Can. \$ (4-862½) 4-43-47; mail transfers, 4-43-47½. Sw. fcs. (25-22½) 17-30-40. 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. (12-111) 7-58-62; mail transfers, 7-58-64. Ned. W. Ind. (Fl.)

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.

[illegible]

(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) Annas per share.	(i) Yield worked to average redemption—end 1960.	(j) Based on redemption at par in 1946.	(k) For 15 months to December 31, 1939.	(l) Also
(m) Including bonus of 5% free of tax.	(n) Yield on 1-52½% basis.	(o) Yield worked on a 2½ per cent. basis.	(p) Worked on 65% basis.	(q) Free of Income Tax.	
cash dividend 10 per cent. out of capital reserve.					

BRITISH WHOLESALE PRICES

				Oct. 22, 1940	Oct. 29, 1940					Oct. 22, 1940	Oct. 29, 1940					Oct. 22, 1940	Oct. 29, 1940
CEREALS AND MEAT						COTTON—continued.						MISCELLANEOUS					
GRAIN, etc.						Cloth, 36 in. Shirtings, 75 yds., 19 x 19, 32's & 40's.						CEMENT , best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a).					
Wheat—						" 38 in. ditto, 38 yds., 18 x 16, 10 lb.						4-ton loads and upwards per ton					
No. 1, N. Mt. 496 lb. f.o.b. St.J.						" 39 in. ditto, 37½ yds., 16 x 15, 8½ lb.						s. d. s. d.					
Eng. Gaz. av. per cwt. (e)						11 11 11 11						44 6 44 6					
Flour, per 280 lb.—						FLAX (per ton)—						CHEMICALS—					
Straights, d/d London						Livonian ZK						Acid, Oxalic, net per ton					
Barley, Eng. Gaz. av. per cwt.						Pernau HD						59/5/0 59/5/0					
Oats						HEMP (per ton)—Manilla, spot "12"						" Tartaric, English, less 5%					
Maize, La Plata, 480 lb., f.o.b.						JUTE (per ton)—						Ammonia, Sulphate ... per ton					
Rice, Burma, No. 2, per cwt. f.o.b.						Daisee 2/3, c.i.f. Dundee, Oct.-Nov. (new)						Nitrate of Soda per ton					
MEAT— Beef, per 8 lb.—						Common 8 lb. cops.						Potash, Sulphate per ton					
English long sides						SISAL (per ton)—African, Oct.-Dec.						Soda Bicarb. per ton					
Imported hinds						—No. 1						Crystals per ton					
Mutton, per 8 lb.—English						SILK (per lb.)—						COPRA (per ton)—S.D. Straits, c.i.f.					
Imported						Japan						12/15/0 12/15/0					
Pork, English, per 8 lb.						China fil						HIDES (per lb.)—					
BACON (per cwt.)—Wilts. cut side						WOOL (per lb.)—						Wet salted Australia—40/50 lb.					
HAMS (per cwt.)—Green						Lincoln wethers, washed						lian, Queensland					
						Selected blackfaced, greasy						Cape, Jo'burg					
						Australian scrd. fleece, 70's						Dry Capes, 18/20 lb.					
						Cape scrd. average snow white						English & Welsh Market Hides—					
						N.Z. scrd. 2nd pieces, 50-56's						Best heavy ox and heifer					
						Tops—						0 4½ 0 4½					
						64's warp						1 5 1 4					
						56's super carded						3 0 3 0					
						48's average carded						0 11 0 10					
						44's prepared						0 7 0 7					
						MINERALS						1 1 1 1					
						COAL (per ton)—						1 8 1 8					
						Welsh, best Admiralty						2 0 2 0					
						Durham, best gas, f.o.b. Tyne						PETROLEUM PRODUCTS (per gal.)					
						IRON AND STEEL (per ton)—						Motor Spirit, England & Wales					
						Pig, Cleveland No. 3, d/d						(b) Kerosene, Burning Oil ...					
						Bars, Middlesbrough						" Vaporising Oil ...					
						Steel rails, heavy						(c) Automotive gas oil, in bulk, ex road tank wagons					
						Tinplates (home i.e. 14 x 20)						Fuel oil, in bulk, ex instal.					
						NON-FERROUS METALS (per ton)—						1 6½ 1 6½					
						Copper (c)—Electrolytic						Thames—					
						Tin—Standard cash						Furnace—					
						Three months						Diesel					
						Lead (d)—Soft foreign, cash						ROBIN (per ton)—American					
						Spelter (d)—G.O.B., spot						" RUBBER (per lb.)—					
						Aluminium, ingots and bars						St. ribbed smoked sheet					
						Nickel, home delivery						SHELLAC (per ton)—TN Orange					
						Antimony, Chinese						TALLOW (per cwt.) London Town					
						Wolfram, Empire						VEGETABLE OILS (per ton net)—					
						Platinum, refined						Linseed, raw					
						Quicksilver						Rape, crude					
						GOLD, per fine ounce						Cotton-seed, crude					
						SILVER (per ounce)—						Coconut, crude					
						Cash						Palm					
												Oil Cakes, Linseed, Indian					
												Oil Seeds, Linseed—					
												La Plata					
												Calcutta					

(a) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return.

(b) Higher Pool prices in some zones.

(c) Price is at buyers' premises.

(d) Including import duty and delivery charges.

(e) Average weeks ended October 19th and October 26th.

AMERICAN WHOLESALE PRICES

	Oct. 23, 1940	Oct. 30, 1940		Oct. 23, 1940	Oct. 30, 1940	MISCELLANEOUS (per lb.)	Oct. 23, 1940	Oct. 30, 1940
GRAINS (per bushel).....	Cents	Cents	METALS (per lb.)—cont.	Cents	Cents	—cont.	Cents	Cents
Wheat, Chicago, Dec.	87 3/4	83 1/4	Seller, East St. Louis, spot ..	7 25	7 25	Petroleum, Mid.-cont. crude	102	102
Winnipeg, Oct.	70 5/8	70 1/8	MISCELLANEOUS (per lb.)—			Rubber, N.Y., smkd. sheet spot	20 1/2	20 3/8
Maize, Chicago, Dec.	62 3/4	59 1/4	Cocoa, N.Y., Accra, Dec.	4 42	4 44	Do. do. Nov.-Dec.	20 1/2	20 5/8
Oats, Chicago, Dec.	35 1/2	34 5/8	Coffee, N.Y., cash—			Sugar, N.Y., Cuban Cent.,		
Rye, Chicago, Dec.	46 1/4	43 1/2	Rio, No. 7	5 1/4	5 1/4	96 deg. spot	2 80	2 87
Barley, Winnipeg, Oct.	43 1/4	43 3/4	Santos, No. 4	9 85	9 78	Sugar, N.Y., 96 deg., No. 4,		
METALS (per lb.)—			Cotton, N.Y., Am. mid., spot	9 65	9 60	f.o.b. Cuba, Dec.	0 81	0 79
Copper, Connecticut	12 00	12 00	Cotton Oil, N.Y., Dec.	5 45	5 40	Moody's index of staple com-		
Tin, N.Y., Straits, spot	55 62 1/2	51 77 1/2	Lard, Chicago, Oct.	4 70	4 60	modities, Dec. 31, 1931=100	165 2	164 3
	5 50	5 50						

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 149.00 bolivianos per U.S. \$, July 31, 1940.
Colombia.*	Sight selling rate 175.50 pesos per 100 U.S. \$, September 3, 1940, for holders of permits buying in the "open" market.
Ecuador.	Sight selling rate 16.90 sucres per U.S. \$, September 13, 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 76.40 Paraguayan pesos per Argentine "free" paper peso, August 29, 1940.
El Salvador.	Sight selling rate New York was 2.50½ colones per \$, August 31, 1940.
Venezuela.	Sight selling rate New York 3.19 bolivares per U.S. \$ since April 27, 1937.

OVERSEAS BANK RATES

Changed From			To	Changed From			To
		%	%			%	%
Amsterdam	Aug. 28,	37	2	Madrid	July 15,	35	5
Athens	Jan. 4,	39	7	Montreal	Mar. 11,	35	212
Batavia	Jan. 14,	37	4	Oslo	Sep. 22,	39	312
Belgrade	Jan. 13,	612	5	Paris	Jan. 3,	39	212
Berlin	April 1,	40	4	Pretoria	May 15,	33	312
Brussels	Jan. 25,	40	212	Tallinn	Oct. 1,	35	4
Bucharest	May 5,	38	412	Riga	Feb. 17,	40	512b
Budapest	Aug. 28,	35	412	Rio de Janeiro	May 31,	35	312
Calcutta	Nov. 28,	35	412a	Rome	May 18,	36	5
Chile	June 13,	35	412	Sofia	Aug. 15,	35	7
Copenhagen	Oct. 9,	39	412	Stockholm	May 16,	40	2
Helsingfors	Dec. 3,	34	412	Zurich	Nov. 25,	36	312
Kovno	May 14,	39	5	Tokio	Mar. 11,	38	3
Lisbon	May 11,	36	5	Wellington	May 27,	40	2
N.Y. Fed. Res.	Aug. 26,	37	112	Dublin	Sep. 28,	39	5

(a) For banks and credit institutions. (b) For private persons and firms.

(a) For banks and credit institutions. (b) For private persons and firms

1927/1928, 1928/1929, 1929/1930, 1930/1931, 1931/1932, 1932/1933, 1933/1934, 1934/1935, 1935/1936, 1936/1937, 1937/1938, 1938/1939, 1939/1940, 1940/1941, 1941/1942, 1942/1943, 1943/1944, 1944/1945, 1945/1946, 1946/1947, 1947/1948, 1948/1949, 1949/1950, 1950/1951, 1951/1952, 1952/1953, 1953/1954, 1954/1955, 1955/1956, 1956/1957, 1957/1958, 1958/1959, 1959/1960, 1960/1961, 1961/1962, 1962/1963, 1963/1964, 1964/1965, 1965/1966, 1966/1967, 1967/1968, 1968/1969, 1969/1970, 1970/1971, 1971/1972, 1972/1973, 1973/1974, 1974/1975, 1975/1976, 1976/1977, 1977/1978, 1978/1979, 1979/1980, 1980/1981, 1981/1982, 1982/1983, 1983/1984, 1984/1985, 1985/1986, 1986/1987, 1987/1988, 1988/1989, 1989/1990, 1990/1991, 1991/1992, 1992/1993, 1993/1994, 1994/1995, 1995/1996, 1996/1997, 1997/1998, 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005, 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022, 2022/2023, 2023/2024, 2024/2025, 2025/2026, 2026/2027, 2027/2028, 2028/2029, 2029/2030, 2030/2031, 2031/2032, 2032/2033, 2033/2034, 2034/2035, 2035/2036, 2036/2037, 2037/2038, 2038/2039, 2039/2040, 2040/2041, 2041/2042, 2042/2043, 2043/2044, 2044/2045, 2045/2046, 2046/2047, 2047/2048, 2048/2049, 2049/2050, 2050/2051, 2051/2052, 2052/2053, 2053/2054, 2054/2055, 2055/2056, 2056/2057, 2057/2058, 2058/2059, 2059/2060, 2060/2061, 2061/2062, 2062/2063, 2063/2064, 2064/2065, 2065/2066, 2066/2067, 2067/2068, 2068/2069, 2069/2070, 2070/2071, 2071/2072, 2072/2073, 2073/2074, 2074/2075, 2075/2076, 2076/2077, 2077/2078, 2078/2079, 2079/2080, 2080/2081, 2081/2082, 2082/2083, 2083/2084, 2084/2085, 2085/2086, 2086/2087, 2087/2088, 2088/2089, 2089/2090, 2090/2091, 2091/2092, 2092/2093, 2093/2094, 2094/2095, 2095/2096, 2096/2097, 2097/2098, 2098/2099, 2099/2100, 2100/2101, 2101/2102, 2102/2103, 2103/2104, 2104/2105, 2105/2106, 2106/2107, 2107/2108, 2108/2109, 2109/2110, 2110/2111, 2111/2112, 2112/2113, 2113/2114, 2114/2115, 2115/2116, 2116/2117, 2117/2118, 2118/2119, 2119/2120, 2120/2121, 2121/2122, 2122/2123, 2123/2124, 2124/2125, 2125/2126, 2126/2127, 2127/2128, 2128/2129, 2129/2130, 2130/2131, 2131/2132, 2132/2133, 2133/2134, 2134/2135, 2135/2136, 2136/2137, 2137/2138, 2138/2139, 2139/2140, 2140/2141, 2141/2142, 2142/2143, 2143/2144, 2144/2145, 2145/2146, 2146/2147, 2147/2148, 2148/2149, 2149/2150, 2150/2151, 2151/2152, 2152/2153, 2153/2154, 2154/2155, 2155/2156, 2156/2157, 2157/2158, 2158/2159, 2159/2160, 2160/2161, 2161/2162, 2162/2163, 2163/2164, 2164/2165, 2165/2166, 2166/2167, 2167/2168, 2168/2169, 2169/2170, 2170/2171, 2171/2172, 2172/2173, 2173/2174, 2174/2175, 2175/2176, 2176/2177, 2177/2178, 2178/2179, 2179/2180, 2180/2181, 2181/2182, 2182/2183, 2183/2184, 2184/2185, 2185/2186, 2186/2187, 2187/2188, 2188/2189, 2189/2190, 2190/2191, 2191/2192, 2192/2193, 2193/2194, 2194/2195, 2195/2196, 2196/2197, 2197/2198, 2198/2199, 2199/2200, 2200/2201, 2201/2202, 2202/2203, 2203/2204, 2204/2205, 2205/2206, 2206/2207, 2207/2208, 2208/2209, 2209/2210, 2210/2211, 2211/2212, 2212/2213, 2213/2214, 2214/2215, 2215/2216, 2216/2217, 2217/2218, 2218/2219, 2219/2220, 2220/2221, 2221/2222, 2222/2223, 2223/2224, 2224/2225, 2225/2226, 2226/2227, 2227/2228, 2228/2229, 2229/2230, 2230/2231, 2231/2232, 2232/2233, 2233/2234, 2234/2235, 2235/2236, 2236/2237, 2237/2238, 2238/2239, 2239/2240, 2240/2241, 2241/2242, 2242/2243, 2243/2244, 2244/2245, 2245/2246, 2246/2247, 2247/2248, 2248/2249, 2249/2250, 2250/2251, 2251/2252, 2252/2253, 2253/2254, 2254/2255, 2255/2256, 2256/2257, 2257/2258, 2258/2259, 2259/2260, 2260/2261, 2261/2262, 2262/2263, 2263/2264, 2264/2265, 2265/2266, 2266/2267, 2267/2268, 2268/2269, 2269/2270, 2270/2271, 2271/2272, 2272/2273, 2273/2274, 2274/2275, 2275/2276, 2276/2277, 2277/2278, 2278/2279, 2279/2280, 2280/2281, 2281/2282, 2282/2283, 2283/2284, 2284/2285, 2285/2286, 2286/2287, 2287/2288, 2288/2289, 2289/2290, 2290/2291, 2291/2292, 2292/2293, 2293/2294, 2294/2295, 2295/2296, 2296/2297, 2297/2298, 2298/2299, 22

London on Australia and New Zealand*						Australia and New Zealand on London*					
Buying				Selling		Buying				Selling	
Australia		New Zealand		Australia (any mail)	New Zealand (any mail)	Australia		New Zealand	Australia (any mail)	New Zealand	
T.T.	(+)	(+)	(+)	(+)	(+)	125	124½	125	124½	125½	125
	Ord.	Air	Ord.	Air				Air Mail	Ord. Mail		
Sight	126½	126½	126¼	125¾		125½	124½	124½	124½	123½	124½
30 days	127½	126¾	126½	126¾	...	...	124½	124½	123½	123½	124½
60 days	127½	127½	127¼	126¾	...	...	124½	124½	123½	123½	124½
90 days	128½	127½	127¼	127½	...	...	124	123½	123½	125½	124½

* All rates (Australia and N. Zealand) now based on £100—London.
† Intermediate rates will be calculated on the basis of 2s. 6d. for every seven days.
‡ Plus postage.

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rhodesia	100 5 0	100 13 0	101 1 3	101 9 6
S. Africa	101 0 0	101 8 0	101 16 3	102 4 6

(SELLING RATES PER £100 STERLING)

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

DOMINION OF CANADA

THREE AND A QUARTER PER CENT REGISTERED STOCK, 1958 93

For the purpose of preparing the Interest Warrants due 1st January, 1941, the BALANCES will be STRUCK on the evening of the 2nd December, 1940, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Government of the Dominion of Canada in London,
EDWARD POPE, Manager.

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

PROVINCE OF NEW BRUNSWICK

FOUR PER CENT REGISTERED STOCK, 1949

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1st November, 1940.

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Soldiers and Civilians

THE distinction in danger and responsibility between soldiers and civilians has been somewhat blurred by air raids. Members of the civil defence services have shared at least equally in the perils of the front line with the anti-aircraft gunners, the searchlight men and the balloon units; and millions of ordinary people have become accustomed to living and working under fire. In the *Blitzkrieg*, 14,000 civilians have been killed and 20,000 seriously wounded, compared with 300 soldiers killed and 500 injured. Lately the demand has grown for soldiers to be moved into the danger areas of London to assist in the work of salvage, repair and transport; and the brief reversal of rôles between combatants and non-combatants has given backing to these proposals.

To a point the demand is sound. It is plainly a gain to the Royal Engineers in military efficiency that special units should be engaged in the disposal of bombs. The use of Pioneers in clearing debris or of Signallers in restoring telegraphs and telephones can give valuable experience in routine duties. Communications are too important a factor in the movement and disposition of modern troops for any time spent on their repair in practice to be wasted effort. Several thousand soldiers have already been enlisted in the rehabilitation of London, and many more, specialists in technical jobs for which there is a lack of skilled men in civil life, might be brought in with profit both to the Army and to the community. The rooted disinclination of commanders to second soldiers to civilian duties under civilian direction, like the suspicion with which trade unionists tend to greet the intrusion of "outsiders" on civilian jobs, should be allowed to present no obstacle.

There is considerable scope, then, for the use of soldiers in the aftercare of bombed areas; and neither tradition nor the vested interests of labour groups should be permitted to stand in the way. To say this, however, is far from agreeing with the widespread and fallacious contention that, without such work, the Army of 1940 is just "kicking its heels" in boredom and inactivity. The Prime Minister was outspoken about this on Tuesday. The Army

was ready to help in any emergency; but the call to drain away its lorries, its telegraphists and its man-power into civil work was very dangerous doctrine. After Dunkirk, it is the responsibility of civilians, defenders and workers alike, to "dree their ain wierd." The Army's turn is to come. The claim of the military authorities that to take soldiers away for civilian duty is to take them away from their essential work is quite correct, even when there is no actual fighting in progress in Western Europe. These are men in training for the most decisive battles in British history. Very many of them have not yet passed through the normal stages of their routine training. It is very unlikely indeed that the Allied land forces will enjoy the absolute superiority in numbers in future clashes that they had in 1918, and every pointer to the development of the war suggests that our chances of victory, once superiority in the air has been added to supremacy at sea, will depend vitally upon the possession of very highly trained, very heavily equipped and very mobile bodies of troops. It will be the aim of our strategy to harass the enemy by swift and telling blows at widely scattered points, before moving forward through friendly country from Torres Vedras to Vittoria and Waterloo. The present breathing space in the military camps is a golden chance to give our troops that clear advantage in accomplishment and equipment by which alone we can gain an assurance of winning the war. While the front line is held, with some pride and satisfaction, by civilians, the work of forging the weapons of future triumphs can go on, in camps and barracks no less than in factories. The man, soldier or civilian, who protests that the Army has "nothing to do," ranks with the man who says that the Army is "big enough already" or that arms output has "reached its limit" as the spokesman of defeat.

Nor is it only the needs of future battles that should incline the soldier to cling to his training ground as the cobbler to his last. No one could say that there was a superfluity of trained and equipped men in the Allied ranks on the Mediterranean front; and the danger of

perilous forays, if not full-scale invasion, from German Europe has by no means passed. The preliminary operations by the enemy are still in progress; and if his attacks from the air have signally failed to open the way in, his blows at sea are taking no light toll. The popular belief that the peak of the danger of a massed descent upon these islands has passed is based upon a sound instinct. But, though the "awful hazard" in which the Prime Minister has told us that we stand may have been markedly lessened, it has certainly not been removed. There is peril in the Western Mediterranean no less than in the Levant, and neutral Eire is still naked and undefended. Alone among Ministerial speech-makers, Mr Churchill still insists upon the continued danger of invasion, and everyone welcomes his frank words of warning. The prevention of invasion has been a "historic victory," but the danger has not passed away; it may return in "more acute form," for "a mighty army still crouches across the Channel and the North Sea." Too often and by too many people words like these are taken to be simply stiffening for the benefit of the "other fellow," not to be regarded too seriously by shrewder and more knowledgeable hearers, who can prove by their own amateur strategy that the worst is definitely over—and who "know," from unimpeachable sources, that invasion was "finally" beaten off, with bloody slaughter, some weeks ago. Thus, the "ten times more confident than before" fallacy rears its head again; members of the Home Guard resign, their "duty done"; the Army is "eating off its head."

The indefatigable optimism of English people is an undoubted asset. From May to October it helped the nation, in unparalleled danger, to ward off what seemed to quite sensible observers in other countries—including Germany and Italy as well as the United States and South Africa—to be sure defeat. Militarily, in every clement, Britain is far stronger and more secure than six months ago. But the need for unabated and increasing effort in every sphere of war activity is not a whit less than it was then. Indeed, even the risk of defeat itself has only been removed, if the task of building up the greatest possible power, on land no less than in the air and at sea, is pressed forward with all speed and with every ounce of skill, imagination and energy.

When its future responsibilities are regarded, the British Army was never less of a "luxury" than it is now, and the clamour for work for its "idle hands" to do is misplaced. If it is true that boredom and idleness are rife in its ranks, and there is no evidence to suggest that this is the case yet, then the clamour should be for more and more specialised training, extensive as well as intensive, to fit it to bear the extraordinary burdens to come. The High Command has a heavy and critical responsibility to carry in ensuring that no time and no men are wasted.

Greece's Fight

THE week's campaigning has done little to alter the original verdict that Italy's latest aggression was designed to intimidate the Greeks into rapid surrender and not to launch Italy upon a costly war. A naïve belief that Greek resistance would collapse can alone explain the desultory character of the first Italian attacks, the small use made of intensive air bombardment and the clumsy manoeuvres of Germany to assume the rôle of mediator. But the Greeks are fighting back in their mountain passes with skill, speed and—we need not doubt—a certain relish. On the Koritza section the initiative has even passed to the Greeks, who, penetrating Albanian territory, have captured the heights commanding the Koritza-Ersek road and may well succeed in surrounding the key town of Koritza. The Italians realise now that the fight has begun in earnest and appear to be concentrating their attack upon the Epirus front, where the country offers easier going for a mechanised army. But even here they have twice failed to cross the Kalamos, and their tanks are in difficulties in the marshy land by the river.

It is only after a much longer period of waiting than we have experienced yet that complaints of *ennui* should have any grounds; after last May and June there can be no Maginot obsession to breed frustration. It may perhaps be wise to slow down recruitment. A bottleneck in the growth and training of the Army is still equipment, and labour devoted to the accelerated production of that equipment might be better used than in the ranks. The balance of needs still suggests that it is in output, rather than in military man-power, that the most intensive application of resources is required. But there is still a wide sector of the nation's resources devoted to neither purpose; and this is the proper reservoir from which to draw new labour for salvage and repair as well as for arms production. It is even possible that the wiser course would be to continue enlistment unabated—with perhaps the possibility, at a later stage, of releasing some of the trained men for special civilian work, subject to recall in 48 hours. But that stage is nowhere reached yet. The problem is still to recruit and train an army, not to disband it. Where soldiers can advance their routine training or gain in practical experience by civilian work, they should be used without stint; and their acquired discipline will be invaluable in places of danger. But the moment for large-scale "demobilisation," however temporary—except in the case of skilled artisans who never should have slipped through the sieve of the schedule of reserved occupations—is still a very long way off.

The fact is that the relations between soldier and civilian have been put in flux by the advent of war within our own frontiers. The centuries-old conception of war, with civilians at home in safety and soldiers overseas in peril—and receiving much less in material rewards for their greater danger—has been suddenly replaced by a people's war (in the most objective sense of the phrase), with the same sharp inequalities in rewards, but with millions of civilians in the front line and hundreds of thousands of soldiers comparatively safe in the rear. This is total war, and at this stage workers in war factories offer targets of much greater military importance to the enemy than most concentrations of troops; a vital part of national defence is in civilian hands. But this has always been the case at sea, where merchant seamen experience every peril of war in their daily duty; and in the end, this war, like every other war, will be won by the fighting forces. Wars are won by attack. The single aim of policy now is to prepare the offensive: to apportion the nation's wealth and man-power in the civil and military spheres alike, so that forces decisively superior both in training and equipment can go out to engage the enemy; and it would not be a step forward to occupy the bulk of the Army in domestic duties. We cannot have the biggest army in Europe; we must have the best.

Yet even if the Axis Powers have been caught unawares by the spirit and courage of the Greeks, it is difficult to believe that the possibility of Greek resistance and of British support to Greece was not considered at the Brenner meeting or, at the latest, at Florence. It is uncharacteristic of Hitler to rely upon a policy to which there are no alternative outcomes. If Greek resistance destroyed the hope of a peace plan based on the "total exclusion" of Britain from Europe, it does not necessarily follow that the whole war is an irretrievable blunder. Behind Greece stand Greece's two allies, Turkey and Britain. They, too, are the obstacles to an Axis drive towards the oilfields of Iraq and Iran. The attack on Greece may well, on the principle of the "indirect offensive," be directed against them. With Turkey isolated, and the British Navy's position in the Eastern Mediterranean rendered untenable, the way would be open to Syria and beyond.

That Turkey would permit the war to pass her by, clinging like Sweden to a position of neutral impotence, is

highly improbable. Her interest in Syria is obvious, and strong declarations against an alteration of the *status quo* there have been frequent since the French collapse. President İnönü has reaffirmed in a most solemn fashion Turkey's "solid and unbreakable bonds of alliance" with Britain. The 'Turks' watch on the Bulgarian frontier is obviously discouraging the Bulgarians from military adventure. Yet it can be questioned whether this passive stand is sufficient now that, in the President's words, the war has entered a zone where "security and tranquillity" are of primary importance to Turkey. The risk of setting in motion a German landslide through Bulgaria is not great when winter conditions and the relatively small scale of Germany's troop concentrations in Roumania are taken into consideration, whereas Turkish reinforcements could play a decisive part in the defence of Salonika while the use of Turkish naval and air bases would simplify the British Navy's campaigning in the Mediterranean and might conceivably tip the scales towards a speedy Allied victory. As it is, the President's categorical refusal to allow Turkey's land, sea or air to be made use of by any of "the belligerents in action against each other" is rather painfully reminiscent of the short-sighted and ultimately disastrous policy of the Western neutrals.

It may be argued that Turkey must go warily because of Russia. Certainly Turkey would receive no aid from the Soviets were she to go to the help of Greece. Russia is far too frightened of Germany to risk any action which might turn the attention of the German High Command towards the Ukraine. Yet it is hard to believe that Russia has been intimidated into actively assisting in the seizure of the Dardanelles by threatening Turkey's flank. The Turkish President spoke of relations of "cordial friendship." It is, however, just conceivable that to this "cordial

friendship" is attached the price of Turkish non-intervention.

As for the wider purpose of driving the British Navy from the Eastern Mediterranean, the attack on Greece may very well have the opposite effect of strengthening its hold in the Eastern basin. British forces have already been landed in Crete, which could be transformed into a naval and air base hundreds of miles nearer Italy than our Egyptian bases. The Greek mainland also offers admirable naval and aerial opportunities, and British fighters are already at work in Greece beating back the Italians' raids on Greek towns and harbours. Yet, although Italy's blunder and Greece's heroic resistance offer us new offensive opportunities, it must not be forgotten that part at least of the Axis' purpose in staging the attack was to weaken our resistance in Egypt and the Near East by dividing our resources between different battlefronts. Our task in Greece is, therefore, to work out the most effective and far-reaching plans of assistance, without prejudicing our chance of general victory, which will be Greece's victory as much as ours. The balance between impetuosity and prudence can only be determined by the military authorities at Cairo. Nevertheless, the people of Britain will wait with a certain anxiety until they are reassured that the errors of Norway—the "too late and too little"—have not been repeated.

Even if our own self-interest did not command us to go with all our power and determination to the help of Greece, the courage of a small country engaging itself against such tremendous odds, the dash and spirit of the first campaigns, and above all the heartening effect on all those free peoples whom the invincibility of the Axis has reduced to defeatism and passivity, are as many arguments for the fullest measure of support to our new Ally.

Constructive Finance

THE national Budget, like any other account of income and expenditure, has two sides. Hitherto the great weight of discussion and controversy has been placed on the revenue side of the account. The total of expenditure being given by the scale on which the war is being fought, the problem has been generally conceived as one of How To Pay For The War, and the discussion has rung the familiar changes on taxation, borrowing and inflation. It is altogether right and proper that the public mind should be informed and public opinion exercised concerning the methods by which the real economic cost of the war is to be distributed among the different classes of individual citizens. It is no derogation from the importance of the problem of raising the wind to say that the expenditure side of the account is at the moment in greater need of attention. The way in which the Government raises the money it needs can powerfully affect the extent and distribution of the misery created by the war; it can largely determine how much social disorder will be left behind. But it can only very indirectly and remotely influence the winning or losing of the war itself. The Government's expenditure, on the other hand, has an immediate and dominant bearing on the conduct of the war; victory depends on the ability to spend large enough sums (with, of course, all due economy) on the right things. This is so not merely in the crude and obvious sense that the expansion of the war effort demands ever greater expenditures. In much more subtle ways, an imaginative use of the public funds can contribute very powerfully to the smooth and rapid deployment of the nation's full economic resources.

We have now, in every direction, reached or passed the point at which the resources of labour, materials or machinery needed for the war could be provided by taking up the slack and by issuing calls for volunteers. One raw material after another has to be rationed; machine tools are a notorious bottleneck. Labour is becoming scarce not merely in certain skilled grades but, in one locality after another, in all grades at once. If munitions

production is to increase, and the armed forces to expand, still further, a supply of man-power will have to be deliberately created. We have reached the stage—in men, materials and machines—where the war sector can grow only by direct transfer from the non-war sector.

It would be wrong, of course, to suggest that this transfer has not been going on. It would be equally wrong to infer that public policy has done nothing to stimulate it. Taxation, the National Savings campaign, the control of imports, the rationing of raw materials, the Board of Trade's Limitation of Supplies Orders all have the transfer of resources as their object. But all these measures are indirect and general in nature. They consist in a variety of measures designed (to put it bluntly) to throw people out of jobs. None of them ensures that the expected numbers actually are put on the labour market; few of them ensure that the labour made available is of the types required; none of them ensures that the labour set free, even if it is suitable, is actually re-absorbed. These indirect methods have reached, or are reaching, the limit of their usefulness. They need to be replaced by much more direct, specific and deliberate expedients.

This is where an imaginative financial policy has a rôle to play. The limiting factor in any schemes for industrial mobilisation hitherto has been the unwillingness to precipitate individual bankruptcies. How serious a limitation this is can be seen from a few specific examples. Certain parts of the country have been wholly evacuated; in other places, firms have been bombed out. From both sources, firms engaged in non-essential production are moving into the crowded areas, where the bulk of munitions production is also located; once there, they occupy valuable factory space and intensify the pressure on an already overcrowded labour market. From the national point of view, such evacuations are clearly harmful; but to prohibit them is to prevent the firms in question from continuing in business. The manifest iniquity of imposing such a heavy sacrifice on a firm whose only crime is 'bad fortune' prevents anything being done. Secondly, the Board of Trade's

Limitation Orders would have a very much greater effect in releasing factors of production if they were accompanied by measures designed to concentrate what is permitted to remain of the trade in a few plants and release the whole of the remainder, overheads and all, for war production. But such a concentration will rarely if ever come about of itself. Or thirdly, the great reservoir of labour in this country, as was pointed out in *The Economist* recently, is in the service occupations, and especially in the distributive trades. A mere restriction of the turnover of retail trade will not result in large-scale release, but merely in a lower average output per head in these trades. If the many hundreds of thousands of men and women who will be needed for the armed forces and the munition factories are to come from this source (and there is hardly another from which they can come), drastic steps such as the temporary closing down of, say, one shop in four will be needed. This would be a very difficult problem in organisation; it could not be undertaken without the goodwill and co-operation of those involved.

All these problems of industrial mobilisation would become tractable if the lubricant of finance were applied. Where industries are being compressed and their production concentrated in part of the pre-war plant, the financial lubricant should take the form of a pooling scheme, by which each firm takes its share in the profits of the wartime trade. In many cases, if not in most, the technical economies of concentration, especially if it were accompanied by standardisation of types, would provide enough money to keep all the firms in being on a minimum basis—that is, enable them to meet their inescapable obligations. But if the trade cannot find the necessary money out of its own resources, there is a strong case for a subsidy out of public funds—because it is only by such means that the state can secure the release of the maximum of resources. And in any case, some assistance would be needed after the war to enable those firms that are shut down to start again. Firms that are prevented from operating by air raids or evacuations also need post-war assistance in recapturing their trade and rebuilding their

goodwill. The guiding principle in every case should be the same. There is no real clash between the interests of the State and the interests of the individual firm. The State wants the immediate and temporary use of labour, floor space and machinery. The firm wants to stay alive and start again after the war. The reconciliation can be effected by finance.

This should not be regarded as a revolutionary suggestion. Individuals who join the forces are given a gratuity to enable them to start private life again; why not apply the same principle to mobilised businesses? Nor would it be an original expedient. Germany, which is several years ahead of us in the development of a war economy, has been following the policy of keeping firms financially alive while conscripting their physical being ever since the beginning of the war and extensive arrangements have been made to provide the necessary funds.

The objection that will be raised is, of course, that such a policy would be very costly. It would add to the expenditure side of the Budget and prejudice the efforts to pay for the war without inflation. This would be to make finance more important than victory. If financial guarantees to conscripted industries will help in economic mobilisation (as they manifestly would), then they should be given. The objection of cost is no stronger than it is with tanks, with aircraft or with battleships. Indeed, it is weaker, for in the great majority of cases the money would not be needed now but after the war, when firms will be struggling to regain their normal trade. Expenditure by the State will be both easier to raise without inflation and more beneficent in its effects if it is undertaken after the production of munitions has come to an end.

This is obviously not the place for detailed practical suggestions, but only for giving a general idea of the positive part that finance can play in the mobilisation of our national resources. In the fullest sense, the rôle of finance in war is to ensure that nothing is ever decided on financial grounds. That is the truth which has not yet been grasped in this country.

NOTES OF THE WEEK

A Third Term for Mr. Roosevelt

In spite of last-minute doubts, the Presidential election turned out as was expected—and perhaps more so. Mr Roosevelt carried the great majority of the states and will be elected by a very large majority in the Electoral College. The sweep was not quite as clean as in 1936. The Republicans are not reduced to Maine and Vermont only; they have an enclave of states in the "corn belt" of the Middle West (Vice-President Wallace's home country). Moreover, the vote by states is becoming more and more misleading as the parties cease to be mainly territorial alliances and become the expressions of social distinctions; there is an increasing tendency for the candidate who carries the whole country to carry every state. Mr Roosevelt's majority in the popular vote is, nevertheless, decisive enough; according to returns that are not quite complete, he defeated Mr Willkie in the proportion of 6 to 5. Mr Willkie got a higher proportion of the total vote than Mr Hoover in 1932 or Mr Landon in 1936; but he is not the choice of the people. Mr Roosevelt will not be hampered in his third term by a formally hostile Congress; both houses will be safely Democratic.

There can be no doubt whatever that the result is a very great personal triumph for Mr Roosevelt. Everything was against him. There was an almost overt coalition between the conservative wing of his own party and his opponent. The Press was against him, including many papers that formerly supported him. Many of his personal followers—notably Mr Farley, the organiser of his previous victories—were ostentatiously lukewarm. He had to fight against the prejudice raised by the third-term issue, and he was the target of an unparalleled volume of vicious and slandering personal abuse. Mr Willkie did not show up well in his

campaign. His speeches were not those of a statesman, and degenerated towards the end into a mixture of wild charges against the President and of even wilder promises. Fortunately, American politicians, if they have a talent for fighting a bitter election, have an equal talent for closing the ranks when it is over. There are many signs that the President is tired of party politics as such and thinking more of national unity. An invitation to the Republicans to co-operate in the agreed policy of re-armament might prove to be more than a gesture. The Defence Commission has no chairman. Mr Willkie's strongest claim was that he would be able to enlist the co-operation of business in re-arming America; he might still be given his chance while leaving the control of foreign policy in the strong and trusted hands of Mr Roosevelt.

War at Sea

Mr Churchill put his finger on the most tender spot in the defence of Britain when he spoke on Tuesday of events at sea. A new wave of the enemy's under-water craft struck at our merchant shipping on the Atlantic routes in the two months of September and October when our force of escort and hunting vessels, deprived of French aid, was at its lowest point. Between British bases and the marauders lies the neutral mass of Eire, and the Prime Minister spoke of the "heavy and grievous burden" laid upon us by our inability to make use of the Irish ports of Queenstown, Berehaven and Lough Swilly which were freely surrendered by the British Government in 1938, against Mr Churchill's own urgent advice. The debate on Tuesday was the first occasion for over a year on which Members have permitted themselves to be almost frank about the strategic rôle of Eire; and there were calls for firm overtures to Mr de Valera for co-operation in giving Britain and Eire the full naval protection their

island character demands. As it is, instead of being an out-work against the indiscriminating German raiders, Eire is a shield for them—and it is even doubtful whether the Government of that country has the naval competence to prevent its coasts from affording un-neutral shelter to the enemy. The situation at sea is being eased by old vessels from the United States Navy and new vessels from our own yards while plans are in operation to defeat next year's U-boat drive. But the jagged coasts of Western Ireland are still turned against us, rather than for us.

Ships from America

Despite the heavy losses of recent months, accompanied as they have been by a substantial increase in the average length of voyages now that Europe is shut off, and by the need to divert vessels to military and naval purposes as the war spreads, the shipping position is still not precarious. The net carrying capacity at our disposal (excluding domestic launchings) was increased by 6.0 millions gross tons during the first year of the war; but this gain in shipping is largely non-recurring, since it consists of ships put at our disposal by countries overrun by the Nazis, of neutral ships on time charter and of captures. A substantial proportion of Greece's ocean-going tonnage not already chartered or purchased by us—totalling some 1.1 millions gross tons—will presumably become available to the Allies now, as a result of Italy's aggression. But it is plain that we cannot afford to lose ships indefinitely at the present rate, which is substantially in excess of current output in British shipyards. And the need for ships is growing. Mr Churchill forecasts a day when they will be required to carry great armies overseas, and it is clearly an urgent duty, not only to economise to the limit in the use of shipping, but also to increase the supply of ships by every means. To supplement our building of new ships, it will be necessary to look across the Atlantic for assistance. It has recently been reported that the British Ministry of Shipping has entered into negotiations with Bechtel McCone and Parsons, the Los Angeles contractors, for the construction of a large number of cargo ships; but in view of the United States' heavy mercantile and naval shipbuilding programme, American facilities for construction will have to be substantially expanded before we can hope to secure ships in any large numbers. Meanwhile, the United States possesses many somewhat old and slow cargo vessels, which have been indefinitely laid up. These ships are by no means useless, and it is understood that Britain has already bought a substantial number of them.

Credits for Canada

The United States helps Britain in the war against Hitler because to do so is the swiftest and most effective means of protecting the United States, but two kinds of help are barred—men and money. The question of sending men to Europe does not arise: there is no battle and the United States has no large-scale army. The question of credits, on the other hand, is bound to arise, because it is conceivable that, at some future date, the United States will not be able to deliver the material aid it has ready to hand over because the Allies are short of dollars to give in exchange; the avowed intentions of the United States, based upon the shrewdest considerations of America's own safety, would be frustrated by this bottleneck athwart the flow of aid. This position is not near yet, and the question of credits to the Allies, forbidden by the Johnson and Neutrality Acts, has been left undiscussed—perhaps not very wisely—until the new President was chosen. To many people, it would be an act of sharp practice suddenly, now that Mr Roosevelt has been re-elected, to call for the right to raise loans in the United States. The decision must be America's and, in the nature of the present growing Anglo-American co-operation, the initiative, too. Actually, the first bastion of isolationist finance has been surrendered in a way which reflects the movement of opinion among American realists. The Export and Import Bank Act, passed as a result of the Havana Conference, to develop the resources, stabilise the economies and market the products of the Western Hemisphere, permits credits throughout the Americas, including Canada, and expressly overrides previous legislation—though, again expressly, with no intention of permitting loans forbidden by the Neutrality Act. The proper path for future developments is surely clear here. Credits to belligerent Powers, as such, will remain outlawed, but credits to Powers, whether belligerent or not, to aid the prosperity or protection of the Western Hemisphere, may be allowed.

Britain asks no more from the United States than the assistance which the United States may deem necessary for her own defence.

Vichy's Divided Counsels

Once again the peace balloon has failed to go up. Hitler's grand tour of Western Europe was crowned by the Italian offensive on Greece which obviously made nonsense of a working "New Order," and even in the West, the journey has not had the lightning results which were foreseen. At Vichy a curious drama is being played out behind closed doors and shrouded windows. There are conspiratorial journeyings to and from Paris and Wiesbaden, conferences, ministerial reshuffles, vague broadcasts, veiled hints. A fog of the spirit has settled down on these dispirited disintegrated and lonely men, a fog which distorts their vision, and reverses their values. Through this fog, it is possible, however, to discern the shaping of certain definite tendencies. There appears to be general agreement at Vichy that in Bonnet's words "there can be no European order without peace and collaboration with Germany." Hence the significant appointment of Fernand de Bruin, arch-apostle of the German alliance, to be Vichy's ambassador to Paris. But a stern struggle is going on over the speed and degree of collaboration. Marshal Pétain, and to a lesser extent Baudouin, cannot quite stomach a "policy of colonial co-operation" which amounts to depriving France of her entire colonial empire, and discreet warning has come from General Weygand that the acceptance of Germany's demands would lead to widespread resistance in *France D'Outremer*. Pétain, too, has honourable scruples about consigning the French fleet even though Germany is offering a dazzling *quid pro quo* in the shape of help in France's economic reconstruction. Clearly, the issue is not yet determined but for the Laval clique a complete acceptance of German domination and the utter destruction of Britain cannot be brought about too soon.

The African Front

The patience of Graziani's armies is inexhaustible. For weeks they have sat along the Tobruk-Sidi Barrani line and waited, and laid down water pipes and waited, and laid down more water pipes, and then waited again. Their patient vigil is constantly disturbed by harassing raids carried out both by British motorised columns and from the air; yet there is still no sign of activity. Now presumably the Italian Marshal is waiting to gauge the effects on Britain's striking power of the Greek diversion. If Britain's resources seem at any point seriously depleted, the offensive will be launched. Italy's patient armies must not lull us into underestimating the importance of this theatre of war. It is fortunate that the Minister for War has been able to make an extensive tour of our whole position in the Near East and to gather for himself the needs and possibilities of this vital zone. He will have found much to cheer him; above all, evidence of

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the British Empire working together in the fulfilment of a world-wide strategy of imperial defence. In this context, Mr Eden's meeting with General Smuts at Khartoum was obviously fitting, and it is not astonishing that the significance of the moment should have moved General Smuts to see in the African front not only straightforward plans for regional defence, but also the groundwork of some larger scheme of African Union. Circumstances have never been so propitious for the working out of a better system for the ordering and welfare of the whole continent. A majority of the African colonies—British, Belgian, Free French—are linked together as Allies in the struggle, are pooling their resources, planning their output in common and co-ordinating their war effort. Such co-ordination and co-operation can often be the foundation-stone of greater things. But it is unfortunate that the geographical context of General Smuts' various speeches—Kenya—suggests other and ignobler plans for African Union—for example, the proposed Dominion status for East Africa—which are largely designed to perpetuate the evil racial distinctions and prejudices, and the gross economic injustices, which are integral parts of the South African system. It is hopeless for us to try to envisage a Continent governed on principles of race. If we do, we had better leave the task to Hitler. He will do it more efficiently.

* * *

Tangier Occupied

The unusual quiet which followed on the Fuehrer's journey to the Spanish frontier has been broken by the sudden assumption by Spain of complete sovereignty in Tangier. Colonel Yuste, the officer commanding the Spanish troops which occupied the International Zone on June 14th last, has now assumed the title of Governor of Tangier and of delegate to the High Commissioner of Spanish Morocco. The International Administration and the Legislative Assembly are suppressed and the peseta has been introduced as the legal currency. This annexation, besides being another item to the long and weary list of one-sided treaty revisions, also raises grave questions of a strategic order. Was it pure coincidence that two Italian submarines "took refuge" in Tangier Bay last week or that the annexation followed so quickly on Italy's abortive raid on Gibraltar? Some reports speak of the mounting of guns on the coast at Tangier and, although it is a fairly safe deduction from the restrained commentaries in the Spanish press on Hitler's visit that Spain cannot afford war and will avoid overt help to either side, a secret submarine base opposite Gibraltar, a refuelling station, perhaps even a disguised aerodrome are not beyond the limits of Axis ingenuity. The situation must be carefully watched. We cannot afford any more non-belligerencies operating to our disadvantage.

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This Week's Appeal

The Ministry of Labour has made an appeal through the employment exchanges for the formation of local reserves of unemployed labour to help in the clearance of bombed London streets. This move illustrates admirably the shortcomings of the Government's labour policy. The idea is excellent. To organise local corps of idle men—who have perhaps themselves lost their jobs through bombing, or who, for some other reason, will have to wait some time before they are re-engaged—to clear the streets is commonsense. The Ministry's way of setting about it, however, is characteristically inadequate, for the unemployed are asked, in effect, to form these pools themselves. The "appeal" is, as usual, accompanied by a "slogan"—"Londoners must help to get London cleared up quickly." There has been a host of these slogans—from "Work like hell" and "Go to it," to this latest one. They have always been attached to proposals excellent in themselves, but they have far too frequently been used as substitutes for definite instructions and positive action on the part of the authorities. If the unemployed are to be used to clear the streets, the Ministry should enlist them (at least until their services are wanted in their proper jobs), pay them and set them to work. Indeed, not only the unemployed, but also the great mass of workers whose present employment could be taken away without any loss to the war effort should be recruited with all speed, not to clear the streets, but to be trained at once to make aircraft and munitions. If the Government has a definite programme for making the fullest possible use of all the nation's manpower, as it should have, this programme will never be achieved

unless some such step is taken; certainly, Mr Bevin's promise that Germany's war output will be outstripped within six months will not be fulfilled. If the Government has no such plan, and is satisfied with the present distribution of labour between essential and non-essential work, then its reliance on exhortation and cajolery is understandable. Mr Bevin is quite certain that the public would be "amazed" to learn the figures of the transference of labour from peacetime to wartime production. The public is already amazed at the amount of "peacetime" activity that is still going on relatively undisturbed, and at the reluctance of the Government to give their marching orders to men and women who are waiting eagerly to "do their bit" in war work.

* * *

Heading for Inflation

Between August, 1939, and September, 1940, the Board of Trade's index of wholesale prices rose by 44 per cent. and the Ministry of Labour's index of the cost of living by 22 per cent., while the London and Cambridge Economic Service's index of weekly wage rates for July showed a rise of 12½ per cent. over that for August, 1939. By last summer the impact of the initial advance in costs appeared to have spent itself and to have permeated the country's economy. Unfortunately, the movement towards higher prices all round has been given a new impetus by the advance in rail and freight charges and in coal and steel prices. These advances will eventually lead to a substantial increase in production costs. Since the wages of many industries are now linked to the cost-of-living index, and as the latter may be expected to be pushed upwards also by the Purchase Tax, wage rates are likely to show a further sharp upward movement. And as soon as the rise in costs has spread to the wage-earners, the basic industries—coal, steel and transport—will no doubt find grounds for yet a further upward adjustment in their charges, which will again have the effect of a stone thrown into a lake. A national wages and prices policy, instituted this summer, would have acted as a powerful brake on inflation. But, even now, it would be fully possible to call a halt to the pernicious principle of permitting every rise in costs to be passed on in a vicious spiral. Some measure of inflation is now inevitable, for voluntary saving and taxation are unlikely to cover the rising defence expenditure. But the least that should be done is to see that the price-fixing policies of public and semi-public bodies do not deliberately exaggerate this inflationary tendency.

* * *

Rebuilding and Repair

The chance given by bombing to remodel Britain's raided cities is being keenly canvassed. At a meeting of the Court of Common Council of the City of London a few days ago, it was urged that schemes for post-war reconstruction should not be postponed until after the war, but that an advisory committee should be set up at once to confer with every interested party and prepare suggestions. Sir Charles Bressey, whose report on London's transport some years ago stands as the master plan for traffic betterment, has entered a plea that no schemes of rehabilitation in bombed areas should go forward without reference to accepted principles and standards for the improvement of London's streets and buildings. In a memorandum to the Prime Minister, the Garden City and Town Planning Association, insisting that the payment of compensation for war damage should not necessarily entitle owners to rebuild in the old bad way or even in the old unsuitable places, have shown how plainly the experience of war has demonstrated that the same alterations in the trend of town development are required by military considerations, economic efficiency and social amenity alike; and have reminded Mr Churchill that, on all these counts, the Royal Commission on the Industrial Population was agreed upon the need for the dispersal of the population in smaller and better balanced urban units and for the setting up of a Planning Board or Ministry to ensure the most efficient use of the nation's land in the nation's interests. The new Ministry of Works and Building is cast for the role of reformer by most commentators, and there is every reason to demand that, within the limits set by wartime urgency and the scarcity of materials, the Ministry should have these better standards in mind when passing upon rebuilding projects. Actually, however, the immediate task is not betterment but speed. Houses and workplaces have in some cases stood too long awaiting repair, and

Lord Reith's first duty will surely be to insist upon the mobilisation of labour and materials in such a way as to eliminate all needless delay.

* * *

Coal for the Winter

Last winter, during the great frost, there were acute local shortages of coal for domestic use because of transport difficulties and the absence of local stocks. This year it had been planned to prevent any recurrence of this by building up local supplies in the summer, but it now seems probable that similar shortages will become evident again—even without the aggravation of ice and snow. Of the local stocks planned by the Mines Department, barely a fifth has been accumulated. It is already winter, and with transport hampered by air raids, it is not likely that the leeway can be made up. It would be untrue, however, to attribute the failure to provide these stocks to air raids, for intensive bombing did not start until September. The trouble is that the existing system of coal distribution is not designed to facilitate the building-up of local stocks, but rather to cover consumption by a regular flow of supplies from pit to market. This flow has been impeded and choked—first, by the curtailment of the coastal trade down the East coast to London and, secondly, by the immobilisation of wagons heaped up with export coal, the markets for which in Europe have been closed. This export coal is not suitable for normal domestic use, and was accumulated in considerable quantities when it was still thought that British supplies would have to replace the coal lost by France when the Germans overran the Low Countries and Flanders. Here again the trouble is the absence of facilities for storage, apart from wagons. The first aim of the Secretary for Mines, after the resounding failure of this year's storage programme, must be to clear the thousands of wagons at present filled with Welsh steam coal and, with the new Minister of Transport, to restore a regular flow of coal supplies (even under air-raid conditions) to the great urban markets. His second must be to graft the apparatus of local storage on to the existing system of distribution. This may not help us in the coming winter months, when quite serious difficulties are now practically inevitable, but there must be no second failure in the attempt to marry the country's abundant coal supplies with the urgent need of consumers for sufficient fuel.

* * *

Balkan Background

Quite apart from the stone flung by Italy, the Balkan waters are troubled. Yugoslavia's immediate declaration of neutrality has not saved her towns from attack. Monastir has been heavily bombed and its position on the easiest strategic line of advance from Albania to Salonika suggests that the raid was premeditated, possibly a typical Axis method of bringing pressure to bear on the Yugoslavs to allow Italian troops free passage across Yugoslav territory. Further north, in Roumania, there is widespread and growing disillusionment with the German occupation. The newcomers are overbearing, blatant, extravagant. At a time when Roumania's food supplies—after the summer's disastrous series of political disturbances—are perilously low, the Germans buy ostentatiously and consume largely. The German stranglehold on the army has led many leading officers to resign, and now the members of the former Gigurtu government disclaim all responsibility for the occupation and deny that it was forecast at either Salzburg or Vienna, and pin the responsibility on General Antonescu. Hitler cannot even rely on the fidelity of the Iron Guard, for Germany's complicity in the loss of Transylvania has created a deep breach between the Iron Guards of Transylvania and the pro-German Iron Guard of Bucharest. All these difficulties are only pin-pricks to Germany, so long as she is obviously victorious and while there is no rival Power or concentration of Powers to which her oppressed protectorates can turn; but they are painful reminders of how easily the New Order will disintegrate once the strait-waistcoat of German militarism is torn away. One of the dangers in Roumania is that the people, thoroughly disillusioned by Germany's behaviour, may look East for help. Russia is following a line popular in Roumania now that at the Danubian Conference at Vienna she is opposing full German control of the Danube by demanding that only the riverain powers—Russia and Roumania—shall control the river from Braila to the Sulina mouth. That Germany

fears eventual trouble in that quarter explains perhaps the eagerness with which the return of Bessarabia is being promised to the Roumanians.

* * *

Congress Politics

The first stage of Mr Gandhi's project of limited civil disobedience, in protest against the provisions of the Defence of India Act, ended this week with the sentencing of Pandit Jawaharlal Nehru to four years' "rigorous" imprisonment for speeches against the war. The penalty is harsh, to say the least. The first of Mr Gandhi's two spokesmen, sent out to test the law, was Mr Vinoba, an unknown, and the term of imprisonment imposed upon him, a fortnight ago, was only three months. Mr Nehru, the intellectual ex-president of Congress, who has been described as "too British" in his cast of mind, is to pay in full, and it is the responsibility of Mr Gandhi to decide what he, and Congress, will do next, now that his challenge to the law has been so forcibly taken up. This controversy about anti-war activities is very unreal. Congress is not a pacifist body, in spite of the Mahatma's personal views; Mr Nehru himself, like every important section of Indian opinion, is convinced of the justice of Britain's cause against Hitler; and it is a thousand pities that Congress, by choosing this occasion to stand on its political dignity, should run India into the risk of increasingly acute dissension. In doing so, Congress has forfeited whatever claim it may have had to represent India. The time is overdue for some plainer statement by the British and Indian Governments of the kind of independence for India implied in the Viceroy's recent offer, but, as Mr Amery said on Tuesday, "the problem of India's attainment of full self-government, while yet doing justice in settling her minority problems, is in the main one for Indians themselves to work out"; and the only contribution offered by Congress is this ideological shadow fight.

* * *

Shelter Policy

Mr Morrison's broadcast of last Sunday has put an end to the deep shelter controversy which began two years ago. At that time he himself urged as strongly as possible that such shelters should be provided. Now, although he has not apparently changed his personal views on their merits, he has been convinced that, in present conditions, it is quite impossible to build deep shelters for the whole population. But, as he pointed out, nothing like the whole population wants such shelter accommodation. In London, public shelters are slept in by fewer than one in six of the population, the remainder stay in their own homes or in their Anderson shelters. The Government is not asked to provide a universal system of bunks and night shelters, but it is asked to improve and extend the existing system for the minority that uses it. Mr Morrison states that this will be done. The London Tubes are to be extended by tunnelling, and in other parts of the country, where tunnelling is relatively easy, work on deep shelters will be begun. Moreover, a survey is being taken of private basement shelters, much of which will be bunked; surface communal shelters are to be extended; more steel has been allotted for larger Anderson shelters; and strong modern buildings will be used, including some floors above ground level as well as basements. Most of these measures will take time, and, in particular, the extension of deep shelters cannot be finished until the winter is over. But it shows the difference between the old Government and the new that Mr Morrison is able to announce that the work

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will be done and is not relying on the end of the war, or even the end of air raids, to make the work unnecessary. Mr Morrison is also improving the conditions in the existing shelters by instituting a ticket system which will help to abolish queues (provided, of course, that the accommodation available matches the demand) by installing bunks and organising a medical service and first-aid posts. The Government has a shelter policy at last.

* * *

New Means Test

The Labour Party has consistently opposed the application of a test of total household means in the payment of assistance from public funds. Labour's leaders are now in the Government and, as the Prime Minister himself announced on Wednesday, they are to have their way. In future, in the assessment of applicants' means, only the normal contribution of members of the household (other than dependants) "towards rent and other overheads" will be taken into account. The objection that the test of household means imposed upon non-dependent members, rather than upon the State, the duty of maintaining their impoverished relations—a tax which led to the splitting-up of many families—will thus be met. This Bill, which will be brought in before Christmas, may well serve as the basis for the assimilation of all social service payments under a single direction and according to a common principle in the assessment of need.

* * *

The Local Army

The Home Guard is not to fall into disuse, despite the fallacious belief on the part of many of its members that its day went with the passing of the imminent menace of attacks by parachutists. True, these men, now numbering considerably more than a million, can no longer be regarded simply as "parashots" to keep watch for descending desperadoes. That function, which was their first, was quickly merged in the general duty of giving local aid to the military authorities in defensive operations, and most of the guards' dissatisfaction in recent months has been due to the apparent lack of ideas and instructions as to what their precise part in these operations is to be. Fresh organisation, intended to remove this sense of doubt and frustration, has been announced. The Home Guard will now have a Director-General and directorate of its own, and Lord Gort, already in charge of the training of the Army proper, will be Inspector-General. Moreover, the military status of the force will be further recognised by the grant of commissions and military titles, even though its working will still be based upon the voluntary "team spirit" and not upon the military discipline usually regarded as essential for military efficiency. The civil defence services have shown that the voluntary principle need not be a decisive drawback in action, but the Home Guard can only be knit together in its new form if the men with commissions in command have the plans and the competence to convince their troops that they know what they are doing and that it is worth being done.

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Critics Fall Out

At the outset of the war, General Hertzog, Prime Minister and leader of the South African United Party, resigned when his colleague General Smuts foiled his plans to keep the Union neutral. General Hertzog, once in opposition, entered into an uneasy alliance with Dr Malan and his extreme republican Nationalists, even going to the length of forming a new party with them early this year after a second Parliamentary defeat on the neutrality issue. This coalition only came after several months of inconclusive attempts to weld the policies of the two Opposition leaders into a single programme; and it scarcely came as a surprise when, on Wednesday of this week, at a meeting at Bloemfontein held to inaugurate the union of the two groups, General Hertzog and the other leaders of his rump party announced their resignation. On two points General Hertzog has consistently failed to follow Dr Malan; he has no patience with the call for an independent South African republic now; and he has little sympathy with the extremist movement in the rural districts which takes its anti-British and subversive character from a reactionary faith in the old Boer and new Nazi policy towards native peoples. General Hertzog will not support the war, and he himself is far from free from the attitude towards natives which keeps a minority of Afrikaaners closer

to Hitler than to Britain, but his honest refusal to compromise his principles further will without doubt aid General Smuts in his leadership of South Africa at war.

Doctors in the Factory

There are three factors which may endanger industrial productivity in wartime: unrest, accidents and ill-health. The first, fortunately not present in this war, can be dealt with by politicians, unions and official departments. The second is the object of a voluntary scheme, applying the methods of the National Safety First Association to factories, which came into force this week. The third must be largely the concern of the doctor. Mr Bevin has promptly recognised the importance of the doctor in factories, a matter to which such bodies as the Medical Research Council and the Industrial Welfare Society have for a long time devoted their particular attention. In cases of ill-health, accidents and absenteeism in industry, fatigue may be an important cause; after the last war, the Industrial Fatigue Research Board was set up, under the auspices of the Medical Research Board. In the present war, with its black-outs and air raids, speeding-up, which is one of the outstanding causes of industrial fatigue, has necessarily been intensified; and it is welcome news that doctors are being appointed in war factories with the object of protecting workers—quite apart from ordinary medical help in cases of ill-health or injuries—against lack of sleep or rest, irregularity of meals or travelling too long distances to and from work. The Industrial Welfare Society has made some interesting investigations into the cost of medical service in industry. The cost, of course, varies greatly: the cost per employee per annum, for instance, in a brewery employing 15,000 employees and comprising two full-time doctors, two dentists, two chemists, two nurses, clerical and other staff, hospital treatment and specialists' fees, works out at £1 6s. 8d. per annum; in a foundry, employing 1,800 employees and giving medical service in the form of a visiting doctor (once a week), three nurses, four first-class ambulance men, a surgery, and a rest room, the cost is only 9s. Medical service in the factory is still mainly concerned with big undertakings employing 2,000 to 15,000 workers. In countries where employers are compulsorily associated for insurance purposes into mutual associations, or similar bodies, the employment of doctors in factories is much easier and cheaper than in this country, where no such provision exists.

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Coffee Stalls

War is not usually kind to old trades, but just occasionally it may even favour their revival. Most London coffee-stall keepers have by now offered their services in response to Lord Woolton's call for traders willing to serve meals to the occupants of public shelters. These almost-forgotten members of the street trading community had already come into their own again by catering for tired soldiers, sailors, airmen, night workers or stranded wartime travellers. For some the odd customer or the belated reveller had given this trade a rather dubious reputation and no new licences had been granted by borough councils, mainly because the police did not favour the establishment of additional stalls in frequented places. Moreover, quite apart from this administrative limitation, a healthy process of cleaning up was going on within the trade. There is an association which sees to it that the coffee stalls in Greater London, the majority of which are open throughout the night, maintain a good reputation; and this Coffee Stall Keepers' Protection Association began its work about forty years ago. It has a membership of about 300, each paying a small weekly sum—the total number of coffee-stall keepers in Greater London is approximately 600; and well-appointed reserve stalls are at the disposal of members free of charge if their own are wrecked by accident, though it is not clear yet whether air raids count as accidents. The turnover of individual coffee stalls varies greatly, ranging from £8 and £10 a week to £2,000 a year or more for those in key positions. Some coffee stalls are of a great age, going back as far as the 'sixties, and some owners have kept their stalls for twenty-five years or more. The overhead charges are not great, but the garaging of the stall and its transport to and from the site, which is generally done by contract, costs about £1 a week. Such is the structure of a trade of which the average Londoner knows little beyond a fleeting glimpse. Now, in the *Blitzkrieg*, it may earn the nightly gratitude of hundreds of thousands of shelter seekers.

THE WORLD OVERSEAS

Palestine's Economic Progress

(By a Correspondent)

PALESTINE has been becoming more and more prominent as a theatre of war during recent months, though it has so far suffered only from air raids on Haifa and Jaffa, which have done no great material damage. Its economic position is of interest, because Palestine occupies the central place in the British military position in the Middle East, and its little territory commands both the overland and the air routes to India and the Far East.

The outbreak of war in September, 1939, brought about, indeed, an improvement in the general social and economic conditions of the country. It put an end to civil strife, and English, Arabs and Jews were drawn together to face the common peril and to readjust the economic life of the country. It was obvious from the outset that the principal export, citrus fruit, which formerly represented in value four-fifths of total exports, would be greatly restricted; and it was obvious also that Palestine would need to be more self-supporting, in the way both of food and manufactured goods, because of the difficulty of importing by the Mediterranean. In fact, the export of oranges fell for the season 1939-40 to just under half of what it was in the previous year—from 15½ million boxes to 7½ million boxes. That decline produced serious unemployment among the agricultural labourers and a minor financial crisis. For the coming season, the Government has come to the help of the orange growers. It has guaranteed a loan of £750,000 to be advanced to the citrus growers for the cultivation of their groves, at the rate of £4 a dunam (a quarter of an acre) for fruit-bearing groves and £2 a dunam in other cases. Now that the Mediterranean is almost closed to ordinary commercial vessels, it is to be expected that exports of oranges to Great Britain will be still more drastically reduced. On the other hand, the production of other forms of agricultural produce has steadily risen, and the presence of a large and growing army coming from Great Britain and from Australia has meant the expansion of the home market. In the Jewish settlements, the grain-growing area has been increased by a quarter, and, fortunately, there has been an excellent crop. Whereas in 1938 the production of wheat was 89,000 tons, last year it was estimated at 160,000 tons. It is expected that Palestine will be able to supply 75 per cent. of its requirements of flour.

Farming and Fishing

There has been a similar increase in the production of dairy produce and vegetables. The Jewish settlements in particular have been steadily developing these forms of production. Their farms had a yield of 58 million eggs in 1939, compared with 48 millions in the previous year, and in 1940 the quantity will be considerably higher. The expansion in market gardening, sheep farming and the cultivation of bananas and grapes is equally marked, and another striking increase is in the quantity of honey produced in the Jewish settlements, which leapt up from 45 tons in 1938 to 134 tons in 1939. Factories have been established for the preparation of preserved fruit and vegetables. Necessity again has stimulated the fishing industry, which in the past was inadequate for local needs. Several villages of Jewish settlers have been planted on the coast, which are entirely engaged in deep sea fishing, and Palestine will become more and more independent of imports which formerly came from Egypt and beyond. On the other hand, the port industries of Palestine have received a serious setback since Italy came into the war. Inevitably, the shipping is restricted almost entirely to the needs of the military forces.

Industrial development, which had previously been steadily rising, has received an equal stimulus. Palestine bids fair to be soon self-supporting, or rather self-supplying, in textiles

and in metal goods. Until the French collapse, the export of textiles to Syria showed a marked increase. The most significant expansion has been in the Dead Sea minerals, the export of which has been doubled since the outbreak of the war and now amounts to the value of nearly £1,000,000 a year. Palestine is to-day the principal source of potash and bromides for Great Britain and other parts of the British Commonwealth. The cessation of trade with Europe has led also to the development of the pharmaceutical and chemical industries, for which there are many skilled workers among those driven from Germany and Czecho-Slovakia.

While the building industry has been hit by the check to the inflow of immigration and of capital, both the Government and the Army have given employment on a large scale. The budget of the Government includes a sum of nearly £22½ millions for public works, the largest single item in the expenditure. Part of that sum—£750,000—represents a special grant which the Administration made in the early months of the war for the relief of unemployment by expediting various building enterprises. Another large part of the sum is for the construction of permanent police barracks, with a view to strengthening public security. The Army, for its part, is engaged in building houses, barracks and guard-rooms in the principal cities and camps. That work has absorbed, in recent months, some thousands of Jewish workers who had been ousted from the private building trade or from the citrus industry. The large cement factory, one of the biggest industrial enterprises in the country, has been kept busy day and night; and new factories have been started for equipment made out of scrap iron and for bricks. It was fortunate that the big oil refinery at Haifa, an enterprise of the Iraq Petroleum Company, was completed in the early months of the war, before Italy became a belligerent. It has suffered some damage from air raids, but that has been quickly repaired, and there will be no shortage of fuel oil. The cutting off of the branch of the oil pipe line from the Mosul field, which had its outlet at Tripoli, has given an added importance to the main line, with its outlet at Haifa, and it is to-day one of the principal sources of supply for the British naval forces in the Mediterranean.

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Jewish Development

It is remarkable that, in spite of the war, Jewish development in Palestine has not been checked. In fact, the contribution of public funds for settlement has beaten all records. The destruction of Jewish life in the greater part of Europe, which meant a threat to the existence of 6 millions, has intensified the determination to build a new life in the National Home. During the first year of the war, the national bodies acquired over 10,000 acres of agricultural land and established 28 agricultural settlements. Immigration was restricted in accordance with the new Government policy issued a few months before the outbreak of the war. But some thousands of refugees, who, fleeing from Central Europe, had entered the country without certificates and had been interned, were released. A number of them have joined the Auxiliary Military Pioneer Corps, which was thrown open to Palestinians, both Jews and Arabs. Altogether some thousands have been enrolled in the British forces; and recruiting is proceeding actively. To-day, though immigration of refugees and others from Western Europe is practically closed—because it is possible only by a voyage round Africa to India and thence overland—the way is still open for those coming from Roumania and the Balkan countries, and the stranglehold of the Nazis on those countries is bound to put pressure on Jewish emigration.

The amount which the two principal Jewish public bodies raised during the year for settlement and land purchase exceeds £1 million. It is not less striking that the Hebrew University of Jerusalem, which is to-day the principal haven of Jewish brains from all parts of Europe, has had a record expansion since the war. Its academic staff now numbers over 150. The student body has increased from 800 in 1939 to 1,250, and its budget, including the expenditure on new buildings, rose from £90,000 to £160,000. The year marked the twentieth anniversary of the Jewish Foundation Fund, which was established at the end of the last war in order to aid in the building of the National Home. During that period, voluntary contributions have amounted to about £8 millions, of which half came from the United States; and £1½ millions

have been received from the repayment of loans. Of the total of £9½ millions, £3 millions have been spent on agriculture, £1½ millions on education and cultural activities, and £1 million each on immigration, public works, security, national organisation, urban settlement, and health services. In addition, the Jewish National Fund, which is concerned with the purchase of land for national purposes, has raised and spent over £5 millions. It is this investment of capital for an ideal which is one of the sure foundations of the development of Palestine. It has not been, and will not be, checked by the incidents of the war. All the peoples in Palestine are alive to the greatness of the issue, which faces the Middle East as well as Europe. The peril has linked them together, and they await the end with confidence.

October 20th.

Eire's Unfavourable Trade Balance

[FROM OUR DUBLIN CORRESPONDENT]

THE decision that refugees from the evacuated areas of Great Britain would be accommodated in Eire has been received with great satisfaction. While it is almost unanimously agreed that the country had no option but to remain neutral, it was widely felt that enough was not being done to alleviate the sufferings of the British civilian population. Our neutrality would not suffer by reason of the extension of succour to the victims of total war. Proposals have been made from time to time that refugees should be provided for by public funds, but there were difficulties in the way of such a scheme. Under the present arrangement, nobody will come who cannot provide for his own maintenance. The influx of visitors, therefore, far from being a strain on Irish resources, will furnish a new invisible export which may swell to a considerable amount if the experiment proves successful.

Such an addition to the credit side of the Irish balance of payments will be welcome. As a result of the war many valuable invisible exports have disappeared, while the visible balance is becoming more passive. In the twelve months ended September, 1940, imports amounted to £49,803,000 and exports to £32,303,000, compared with £42,193,000 and £25,396,000 respectively in the corresponding period of last year. The debit balance increased from £16,796,000 to £17,500,000. Moreover, the terms of trade became more unfavourable. The volume of imports declined in spite of the great increase in their value, whereas the volume of the exports slightly increased. Between June, 1939, and June, 1940, import prices increased by 56 per cent. and export prices by 30 per cent.

The growing passivity of the balance of payments might have been expected to be accompanied by an equivalent decline in the net sterling assets of the banks. Actually, the net sterling assets increased from £61,750,000 in the June quarter of 1939 to £65,954,000 in the June quarter of this year. This increase was caused for the most part by the transfer of British insurance companies of large life insurance funds to the recently-formed Irish company. This abnormal and non-recurring transaction has distorted the banking statistics and has masked the downward trend of the net sterling assets. Another influence which probably operated in the same direction was the realisation of sterling securities held by the public in order to finance the growing payments to the Exchequer.

Exploiting the Bogs

An additional £4,000,000 is to be advanced to the Electricity Supply Board to provide funds for further hydro-electrical development. A large scale experiment is to be made in generating current from peat-fuel. The bog at Clonsast together with neighbouring bogs will, it is estimated, provide 120,000 tons of fuel annually for fifty years. Considerable employment will be given locally, and imports of coal will be reduced. Since the cost of transport has been an adverse factor in the economic utilisation of peat, it is calculated that the consumption of the peat at the point of production will greatly reduce the operating costs. Up to the present, the Electricity Supply Board has conducted its affairs most creditably both from the technical and financial standpoints. It is to be hoped that it will succeed in avoiding the losses that appear to overtake every effort to exploit the Irish bogs.

October 26th.

Neutral Portugal

[FROM OUR LISBON CORRESPONDENT]

THROUGHOUT August and September Portugal was plagued with rumours, not wholly uninspired, to the effect that, inasmuch as Spain was about to join the Axis Powers in open belligerency, Portugal, as a totalitarian State, would perforce be expected to follow suit. Actually, the Portuguese Government has lost no opportunity of emphasising the fact that, while friendship with Spain is to-day firmer than ever, active intervention in the European war must not be considered obligatory because of such friendship. It is also noteworthy that Dr Nicolas Franco, brother of the Caudillo and Spanish Ambassador to Portugal, has invariably emphasised the same point when making public allusion to Hispano-Luso relations. Hence the relief with which people in Portugal have heard the result of Señor Serrano Suñer's enforced visits to Berlin and Rome. It is reported that considerable pressure was brought to bear, but Sr. Suñer, admittedly one of the cleverest—and trickiest—men in Spain to-day, declined to be either bribed or bullied. If Germany enters Spain, it will be as an enemy; as for the Italians, Spanish opinion ranks them so low that the point is not thought worthy of discussion. They would simply be driven off.

It was always held in the old tradition that the Spaniards never fought better than when they were starving; if the Reich proposes to march through Spain to attack Gibraltar it must do so alone, through country bare of all supplies. Nor would a diversion to include Portugal help such an enterprise. If the Italian fleet dominated the Mediterranean, then, perhaps, such a diversion, having Lisbon as its chief objective, might aid the Axis cause. As matters stand to-day, an invasion of the Iberian Peninsula by the Hunnish hordes would be a gesture of despair, and it is not wishful thinking when one adds that in all likelihood such an act would prelude disaster in much the same way as the Napoleonic invasions under Junot, Soult, and Masséna opened the road to Waterloo and the Congress of Vienna.

Tightening Trade Control

Export and import, re-export and transit of certain specified merchandise in Portugal will be subjected to closer control. An Order published in the "Official Gazette" of October 21st lists a great variety of goods, chiefly foodstuffs and raw materials, which may not be handled without a specific permit issued by the Technical Council for Commerce and Industry. The imports affected are few—oats, beans, barley, hides, and wool in various forms; but the list of exports is lengthy, ranging from colonial produce, sugar, tea, coffee, cocoa, tobacco and fibres, to metals, metallic ores and scrap. Wolfram and tin are on the list, also petroleum with all its derivatives, edible and industrial oils, cotton, wool, machinery and electrical material, foodstuffs, and fats.

This control is unrelated to that established in July of this year to govern Portuguese-Spanish trade. It offers further proof of Portugal's desire not to let her good faith be surprised by third parties, coming perhaps from Switzerland or unoccupied France, who, from motives of patriotism or profit, might buy in Portugal and deliver—elsewhere.

October 24th.

Higher Production in America

[FROM OUR NEW YORK CORRESPONDENT]

THE index of industrial production for September rose sharply and reached a level as high as the top in 1929 or 1936. In view of the influences at work, there is reason to believe that it will move definitely into a new zone. These influences are associated with war, whether in the form of production for export or in the form of our own armament programme. About six months ago, this Correspondence ventured the opinion that our economy was entering a phase which would be dominated by these influences; and, while they were somewhat slow in manifesting themselves with statistical decisiveness, the September data are conclusive.

These are the data "unadjusted for seasonal variation." They seem the more indicative, in general, because of the irrelevance of applying to a war, or at least an armament,

BUSINESS INDICES (FEDERAL RESERVE BOARD)

1935-39 = 100 for industrial production
1923-25 = 100 for other series

	Sept., 1939	August, 1940	Sept., 1940
Industrial production (total) ...	116	120	129
Manufactures (total)	116	120	130
Durable	111	127	142
Non-durable	119	114	120
Minerals	121	117	122
Construction contracts (total)...	73	94	92
Residential	68	81	85
All other	77	106	97
Factory employment (total) ...	100.2	103.6	...
Durable goods	89.8	99.5	...
Non-durable goods	110.2	107.6	...
Factory payrolls (total)	93.8	103.8	...
Durable goods	87.8	105.0	...
Non-durable goods	100.5	102.5	...
Freight car loadings (total)	85	78	86
Miscellaneous	92	83	94
Department store sales	97	77	103
Department store stocks	71	66	...

economy seasonal corrections based upon peace experience.

This rise in the index began in the second quarter of 1938, when the level of durable goods manufacture was below 70 and of non-durable goods below 90. The volume of durable goods manufacture is about double what it was two and a half years ago; non-durable goods production is up about 30 points. Indices of this sort exaggerate changes in economic life; for example, the index of national income payments has over the same period run only from about 80 to 90, based on 1929. This structural exaggeration is probably emphasised in this instance by the concentration of effort in the industries represented in the index. Nevertheless, the upturn has been both rapid and extensive.

No Change in Commodities

It is remarkable that so great an increase in physical production could occur with so little reflection in the index of income payments; it is even more remarkable that it should have found so little reflection in commodity prices. The index of the price of farm products is slightly lower

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than in the first half of 1938, and that of commodities, excluding foods and farm products, is about the same. In short, a major cyclical upturn in production has occurred with scarcely a trace of a parallel movement in commodity prices.

Perhaps even more striking is that this cyclical movement has occurred, not only without any rise in money rates, but also while rates were falling from an already low level. Long-term Treasury bonds averaged a 2.56 per cent. yield in 1938, and were quoted about 2.15 in September. Short rates were scarcely more than nominal in 1938; the short market is smaller and the rates lower now. Commercial loans in the reporting member banks fell below \$7,000 millions in 1938 and are now about \$8,000 millions—historically a large and abrupt increase. But there has been no perceptible rise in rates to customers.

Perhaps still more striking is the absence of any movement in the share market at all parallel to the course of production. With production at the levels of early 1938, it is probable that American corporate enterprise as an entity was operating "in the red." At current levels, earnings are substantial; from the extreme quotation of June, 1938, the stock market had a smart rally, but at the present time it is little above the zone of the second quarter of 1938. To sum up, the rise in the production index in the past two-and-a-half years is a cyclical phenomenon rarely matched in our economy for rapidity or extent; but it has not been accompanied by any parallel movement in national income, commodity prices, interest rates or share quotations.

October 16th.

Political Currents in Canada

[FROM OUR OTTAWA CORRESPONDENT]

DEVELOPMENTS in the Far East have naturally aroused apprehensions in Canada that, if actual hostilities developed in the Pacific, the coast of British Columbia might expect naval and aerial raids. Its defences are, therefore, being rapidly strengthened, and there is the assurance that the protection of the powerful American fleet now stationed in the Pacific will, as the result of the American-Canadian pact for mutual defence, be available for the defence of Canadian territory. Meanwhile, the Canadian Government has at last yielded to popular pressure for placing an embargo upon shipments of copper from mines in British Columbia to Japan, the volume of which in recent years averaged about 18,000 tons per annum, or roughly one-tenth of Japan's imports of copper. Strong anti-Japanese agitation has developed in Vancouver and other places in British Columbia, which the authorities are trying to damp down.

Mr Mackenzie King is being subjected to severe criticism for engineering a change of plan about the reassembly of the Federal Parliament, which had been adjourned until November 5th. He explained in a public statement that, with the military situation eased and the invasion of Britain definitely frustrated for the time being, there was no business demanding the immediate attention of Parliament and that a further adjournment would save the members inconvenience and the Treasury money. He has secured the acquiescence of Mr Hanson, the leader of the Conservative Opposition, to a new arrangement under which only enough members to form quorums for both Houses would be summoned to Ottawa on November 5th, who, without any debate or transaction of business, would pass a motion for a further adjournment until January, the normal time of meeting. But Mr Coldwell, the acting leader of the C.C.F. Party, has denounced the bargain as a negation of democratic principles and may exercise his right to force a debate when the House of Commons meets. It has also been vigorously attacked by influential papers like the *Montreal Gazette*, the *Toronto Globe and Mail* and the *Toronto Evening Telegram*. Mr King's critics are able to quote Mr Churchill's latest speech, in which he said that the danger of invasion still persisted, to refute Mr King's optimism on this subject, and they maintain that the Canadian, like the British, Parliament should be sitting almost continuously during these critical times. They allege, moreover, that Mr King, who, if he can carry out his present plans, will have only allowed the Canadian Parliament to sit for little more than three out of the first 16 months of the war, is making a mockery of his peacetime professions of zeal for the maintenance of the supremacy of Parliament. In view of the strength of the protests made, Mr King will certainly have to revise his plans if war breaks out in the Pacific.

More Tanks

Meanwhile the progressive enlargement of the Government's war programme has continued. A fortnight ago, it was announced that the Government had made arrangements to terminate the dependence of Canada's aircraft factories upon imports of aeroplane engines for the manufacture of which a special factory would be erected. Now, plans are in train for the production of 3,000 tanks of the medium cruiser type, which will combine the best features of the latest American and British models. The designs have been practically completed; the construction of the tanks will start early in 1941; and of the total, 1,200 will be retained for the Canadian army and the balance delivered to the British Government. The system of compulsory military training for home defence is now in operation; the first draft, drawn from the 21-year-old class, was called up on October 9th.

The optimistic forecasts about the yield of the western field crop have been fully confirmed by threshing operations; and the final crop survey of the Bank of Montreal suggests that it may, when full returns are available, exceed the record crop of 1928. Owing to the Government's restrictions, which have limited the marketings of wheat by each farmer to not more than 10 bushels per seeded acre, deliveries of the new wheat between August 1st and October 3rd were only 156,724,000 bushels, compared with 259,198,000 bushels in the same period of 1939. There is now very little space left in the elevators, and the farmers, with the inducement of the payment of a storage charge of one forty-fifth of a cent. per day per bushel, are storing large quantities of grain on their farms.

October 11th.

The Chilean Budget

[BY OUR SANTIAGO CORRESPONDENT]

THE Executive has sent a message to Congress giving details of the Budget for the coming year. The total receipts are calculated to yield \$1,909,750,359, against expenditure of \$1,909,502,618. Last year's figures were \$1,771,423,575 for revenue and \$1,771,373,328 for expenditure. The increase in expenditure is, therefore, \$138,129,290. The reasons given for the large increase are that the expenses of the Civil Service are on an ever-increasing scale, and in the past few years have been about 13.1 per cent. over the figures of each preceding Budget. The 1935 Budget was larger than the 1934 one by 18.3 per cent.; in 1936 the increase over the Budget of 1935 was 27.4 per cent.; in 1937 this difference was 12 per cent. greater; in 1938, 12.1 per cent.; in 1939 the Budget was increased by 0.9 per cent., and, finally, the 1940 Budget was 8.3 per cent. bigger than that of 1939. The Budget just presented for approval is only greater than the 1940 Budget by 7.8 per cent.

To meet the large increase in expenditure, it is expected that a larger income will be received under the headings of National Investments, Income Tax in its various forms, and Sundry Income. Such an expectation, it is argued, is justified on the basis of the current year's income.

It is doubtful, however, if any increase can be looked for under the heading of income tax, or customs duties, owing to local repercussions of the international situation.

The distribution of expenditure among the various Ministries is given in the following table, together with comparative figures for 1940:—

Ministries	Budget 1940	Proposed Budget	Increase	Decrease
	\$	\$	\$	\$
Presidency.....	1,808,440	1,844,640	36,200	...
Congress.....	11,552,777	11,966,215	413,438	...
Indep. Serv.....	4,741,720	6,697,103	1,955,383	...
Interior.....	307,883,093	344,184,086	36,300,993	...
Foreign Affairs.....	29,420,193	29,652,294	232,101	...
Finance.....	161,460,318	156,425,614	5,034,704	...
Education.....	292,067,404	305,018,829	12,951,425	...
Justice.....	69,884,006	79,158,885	9,274,879	...
Army.....	207,612,360	230,646,748	23,034,388	...
Navy.....	208,835,433	236,431,862	27,596,429	...
Air.....	44,608,470	55,866,745	11,258,275	...
Development.....	225,335,759	224,304,270	...	1,031,489
Agriculture.....	22,439,107	21,388,947	...	1,050,160
Colonisation.....	10,329,293	20,598,069	10,268,776	...
Labour.....	36,319,667	40,886,321	4,566,654	...
Health.....	137,075,288	144,431,990	7,356,702	...
Totals.....	1,771,373,328	1,909,502,618	145,245,643	7,116,353

October 5th.

THE BUSINESS WORLD

E.P.T. Examined—II

IN an earlier article (in *The Economist* of November 2nd, page 552) it was shown, by reference to a number of specific recent instances, that the Excess Profits Tax in its present form bears harshly on businesses which were immature or depressed before the war, particularly those engaged on vital war work. It was suggested, further, that, in such cases, E.P.T. at 100 per cent. (with income tax at 8s. 6d. on all residual profits) would not only be a standing temptation to evasion and loose costing, but would drain away liquid resources indispensable for the eventual transition from war to peacetime production. How far are these conditions relevant to industry as a whole?

Although E.P.T. is lineally descended from the Excess Profits Duty of the last war, the Treasury's draughtsmen, for some reason, ignored the valuable body of rules and precedents set up under E.P.D. and grafted E.P.T. on an extemporised Armaments Profits Duty, which had been imposed on Government contractors a few months earlier, but never actually collected. This labour-saving policy of taking over a ready-made tax, instead of obtaining a better fit by making a new one to measure on an earlier and more serviceable cut, has had some curious results. It explains, for example, the levying of tax on "war" profits earned five months before war began, and—much more important—the choice of a "standard" whose latest period ante-dated the war by nearly two years. Actually, the zero line for E.P.T. is not profits in a "normal" pre-war period, but profits in certain years when a number of enterprises in various specialised trades were about to undertake increased business under the re-armament programme. If such a standard happens to be the optimum for industry as a whole, that is fortunate but fortuitous.

The three tables appearing below (which are based on chain indices of the disclosed profits, after debenture interest, of representative companies in a number of industries, as computed for *The Economist's* regular quarterly and annual surveys) show the E.P.T. basic periods in some sort of historical perspective. In Table A, profits in those years

TABLE A.—INDEX NUMBERS OF PROFITS IN E.P.T. YEARS (1929=100)

Group	1935	1936	1935-37	1936-37
Iron and Steel and Engineering.....	131.0	176.0	182.2	204.7
Motors and Aircraft.....	57.1	73.9	69.9	78.3
Textiles.....	59.3	64.1	63.5	65.9
Retail Trade.....	84.6	91.8	90.3	93.9
Brewing.....	73.7	80.3	79.5	82.8
Oil.....	67.9	92.1	90.0	102.1

are expressed as a percentage of the profits of 1929, the most prosperous year which British industry enjoyed before the great depression of the early nineteen-thirties. This table suggests that while the choice of E.P.T. base years treats the steel and engineering trades rather generously, every other industry for which figures are given, except the oil industry, was earning lower profits in its best E.P.T. period than in 1929. On the other hand, the Treasury's choice of datum years does allow most industries the advantage of retaining part, at least, of their recovery in profits from the trough of the depression of 1931-33, as Table B shows. But how have profits earned since the

TABLE B.—PROFITS IN E.P.T. YEARS (1931-33=100)

Group	1935	1936	1935-37	1936-37
Iron, Steel and Engineering.....	313.0	420.0	434.7	488.8
Motors and Aircraft.....	284.0	367.5	347.5	389.5
Textiles.....	137.4	148.5	147.1	152.7
Retail Trade.....	115.2	125.1	123.0	127.9
Brewing.....	91.8	100.0	99.0	103.2
Oil.....	144.7	196.4	191.8	217.7

datum years compared with those on which E.P.T. will be assessed? The answer is suggested by Table C, which shows earnings in 1938-39 as a percentage of those of the best

TABLE C.—PROFITS OF LATEST YEARS (Best E.P.T. Period=100)

Group	1938	1939	Group	1938	1939
Iron, Steel and Eng. ..	120.0	115.0	Shipping	102.3	93.3
Motors and Aircraft ..	100.9	102.1	Building Materials ..	96.2	80.5
Textiles.....	50.7	83.1	Electrical Equipment...	106.7	102.1
Retail Trade.....	99.5	96.5	Tobacco.....	101.6	98.2
Brewing.....	99.1	97.2	Rubber	77.8	65.4
Oil.....	100.9	100.8			

E.P.T. period. Refinements in, and additions to, the original data permit the insertion of a number of new industrial groups in this table.

With few exceptions, of which the direct "war industries" like steel, engineering, aircraft, shipping, etc., are the most important, there has been no great change in the level of profits, so far, since the E.P.T. basic years. The latest figures may be a little misleading, since they are based on disclosed earnings from which, in some instances, tax provision has been already deducted. But they do suggest that, while the E.P.T. basis for the majority of industries

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is less generous than it would have been if the profits of the peak year, 1937, had not been diluted with those of 1935 or 1936, it is (with a few exceptions) not very far below the immediate pre-war earnings level, and in some cases is slightly above it. That consideration may keep down the yield of the tax—unless and until any inflationary rise of profits occurs—but at least it suggests that hardships due to the basis of assessment could be removed by concessions to individual companies or trades whose pre-war experience was non-typical, without depriving the Exchequer of more than a modest amount of revenue, to which, in any case, it can lay no equitable claim.

The removal of arbitrary limits to the discretionary powers of the Board of Referees, on appeal, would probably result, as in the last war, in the establishment of a series of capital percentages (ranging, undoubtedly, well above the maximum under present law) for industries with high risks or low profits in the base period, leaving the problem of special allowances for "exceptional" and "developing" individual businesses to be solved *ambulando*. Provided the principle of beneficent discrimination were recognised, a body of precedents, for the guidance of the Referees, would speedily emerge in practice. The law, as amended this year, already recognises a distinction between the special treatment of entire trades and concessions made to individual businesses, though the existing limits are too circumscribed to be of substantial value.

Whatever treatment be meted out to exceptional trades and businesses, however, it would seem that E.P.T. will continue to be oppressive and, in the long run, uneconomic, so long as it is levied on everyone at the 100 per cent. rate. Company chairmen have not been slow to point out the danger that production may be hampered during the war itself by a shortage of working capital. Mr Kenneth Moore, at last week's meeting of Trinidad Petroleum Development Company, for example, made it clear that his company's decision to raise an additional £200,000 of new capital from shareholders was directly connected with its inability to finance its development expenditure out of profits in the

normal way. A valuable suggestion, in this connection, has been made by Mr Albert Good, chairman of Clifford Motor Components, who has proposed that firms employing over 90 per cent. of their reserves on Government work should be allowed a rebate of 20 per cent. of their E.P.T. liability, for improvements or additions to plant or buildings, but not for dividends. The idea behind this suggestion might with advantage be generalised to cover all industries. The Treasury's purpose is to bring the maximum amount of money into its coffers during the war. Industry's efficiency would be increased if there were some incentive to increase profits—but the incentive does not necessarily have to be provided in cash during the war. In practical form, this would mean that the Exchequer should still collect 100 per cent. of the excess profits, but that some portion of this 100 per cent. should be regarded as being lent to the Government and repayable after the Armistice. It could be further provided that any firm requiring cash for a legitimate purpose could discount at the banks the evidences of indebtedness it would receive from the Treasury for the "borrowed" portion of its E.P.T.—the discounting taking place at some sacrifice of the face value of the securities or at some disadvantage in interest rates in order to limit it to cases of necessity. This modification would serve several purposes. The State would get virtually as much money as now—perhaps even more if the inducement to economy had the effect of increasing profits. All companies would feel that they had something remunerative to work for. And those companies which are in need of additional capital and able to provide it out of their own profits would be able to do so at a very low cost.

It may be hoped that all constructive suggestions from spokesmen of industry will have Whitehall's sympathetic consideration. In the long run, it will pay the State to eliminate, from its war tax *par excellence*, all factors making for injustice between companies, and all provisions which tend to reduce output and raise working costs. The Treasury, after all, can afford to take a far-sighted view, because clemency, during the crucial war years, will cost relatively little and may bring its own material reward.

The Control of Primary Products

THE war and the British blockade have divided the world into two contrasting groups of countries—those that are deficient in primary products, such as cereals, textile fibres, oil, rubber and metals; and those that have substantial export surpluses. Nazi Europe and Japan, the enemy and hostile countries, are importers of primary products; the Allied and friendly nations—the British, Dutch and Belgian empires, the United States, Latin America and China—supply the bulk of the crude foodstuffs and raw materials that enter international trade. Russia, though a large producer of primary products, is not a heavy exporter, while the French Empire, too, contributes only a small proportion to the world trade in these commodities.

The most striking economic difference between this war and the last is that few fortunes are being made by the neutrals. The loss of the greater part of the European market has given rise to serious problems in the chief exporting countries owing to the difficulty of finding alternative outlets for their products. The size of the problem is indicated in the table below, which shows, for some of the chief primary products, the proportion of the exports of all non-European countries that went to Continental Europe in 1936-38:—

CONTINENTAL EUROPE'S IMPORTS AS A PERCENTAGE OF NON-EUROPEAN EXPORTS

Wheat	32.5	Soya beans	51.8
Rye	90.7	Palm kernels	72.3
Barley	32.9	Linseed	53.9
Oats	75.0	Tobacco	43.3
Maize	45.6	Cotton	46.8
Rice	16.7	Jute	54.6
Sugar	11.2	Hemp	20.7
Cocoa	38.9	Wool	54.0
Tea	6.4	Rubber	25.1
Coffee	41.8	Oil	33.0

Source: International Institute of Agriculture, except for oil.

If it became necessary to impose a complete embargo on exports to Japan, the problem of disposing of surplus products would be intensified, for that country is a large im-

porter of cotton, wool, rubber, oil, metals and other primary products.

For economic reasons no less than political, Great Britain and the United States have a common interest in mitigating the unfortunate effects of this state of affairs. With a major war to be fought, a collapse of the prices of primary products would not give rise to an industrial depression, as it did in 1929; but it is hardly a prospect that would give any pleasure either in London or in Washington. Moreover, the countries concerned are all allied and friendly nations, many of them in strategic locations. If they are left to suffer their losses, the resulting economic difficulties and social unrest would naturally be exploited to the full by German propaganda. It is a problem that Britain and America will have to take in hand sooner or later—and if it is done sooner it can be done with the goodwill and even perhaps with the gratitude of those affected. Moreover, it is a problem on which Anglo-American collaboration might very reasonably be expected.

The easiest form that action could take would, of course, be the advancing of money to hold redundant stocks. But it would also be much the least satisfactory form. The whole of past experience of commodity control schemes, whether national or international, goes to show the dangers of merely buying up stocks without exercising a control of production. Any price that will be accepted as fair for the surplus stocks will (especially if there is an element of political bargaining in its fixation) be high enough to encourage an increase in production. It is an axiom of political economy that no primary producer is ever content with the price that would in fact equate the supply with the demand, even if the demand were not diminished by such artificial devices as a naval blockade. To adopt this method would be to ensure that Great Britain and the United States poured out their money without achieving any reduction in the surpluses weighing on the markets.

The first step towards a rational solution is to be sure of the facts, to produce agreed figures—agreed at least between the British and American Governments—of the probable course of demand and supply, in what remains of the free market, for the commodities that it is decided to take into

account. It is true that such an investigation would meet with difficulties. For example, the list of importing countries might be suddenly curtailed or lengthened by the course of the war; transport conditions might limit imports into countries outside the blockade; there might be unforeseen changes in demand due to the exigencies of the war or to sudden changes in prices. But in spite of these elements of uncertainty, it should be possible to arrive at a rough indication of the course of demand. This could then be compared with the existing productive capacity and current output, and the prospective surplus could be defined. In some commodities, of course, there is a shortage rather than a surplus. In bauxite and certain ferro-alloys, for example, production will have to be increased in order to satisfy the needs of the British and American armament industries.

When the facts have been ascertained, each commodity will have to be considered separately. But there are certain guiding principles that should be followed. First, the endeavour should always be to adjust the volume of production to the wartime demand, so that the surplus stocks shall not pile up and prices shall not be depressed below a proper relationship to the cost of production. This, of course, is far easier to say than to do. But it is very clearly in the interests of the producing countries that it should be done, and the arguments against restriction of production in general do not apply to temporary restriction undertaken to meet a specific and temporary reduction in demand. In their own interests, the assisting Powers, Great Britain and the United States, must make it clear that their assistance is conditional upon, and proportional to, the control over production. Secondly, their assistance might well take the form of purchasing stocks equal to one year's normal imports into the blockaded countries. This would ease the transition and it would be the most convincing of all answers to the argument that the blockade is intended to produce a permanent crippling of European industry. Thirdly, the series of transactions involved should be negotiated by Governments as a matter of public policy and general benefit. There have been too many examples in the

past of the effects that follow when producers' cartels are armed with legal powers and public funds.

A scheme such as this would hardly solve the problems of the primary producers in a long war. The building up of stocks representing one year's "impounded purchases" by the blockaded States would go a long way towards easing the position for a short time and even, in the case of some commodities, for several years. But if the restriction of the production of agricultural and mining products, and the impossibility of importing manufactured goods (owing to the inaccessibility of Germany and the preoccupation of Britain and America) were to last for more than a year or two, there would inevitably be a tendency in primary producing countries to develop their own manufactures. Such a tendency would be less harmful to an exporting country like Great Britain than might appear at first sight—industrial countries are usually better customers of ours than agricultural countries—and in any case there is little or nothing that we can do to prevent it.

In another sense, however, a joint Anglo-American effort to rescue the raw material markets from their plight would have advantages reaching far beyond the temporary emergency of a year or two. One of the most obvious post-war problems will be to discover some means of avoiding the damage done in the period between the two wars by the very large and sudden swings of commodity prices which have ruined many and benefited none. We shall have to find some means by which control shall mean something other than the mere holding up of prices, with all the impediments which that imposes to the rise of the standard of living. And it is obvious that any such scheme is likely to involve the assumption by the consuming countries of a larger share of the burden of carrying the world's necessary stocks than has been customary. The wartime expedient that is being virtually forced on the British and American Governments—in isolation if not in conjunction—will, if it is successful, form the framework for a practical piece of economic control which has been part of Man's ambition since the days of Joseph.

Finance and Banking

Record Applications for Bills

The abundance of funds seeking investment in the money market has become even more pronounced during the past week. It was reflected on Friday of last week in a record application for Treasury bills, £147,270,000 being tendered for the £65,000,000 on offer. The discount market syndicate thus had to be content with a 25 per cent. allotment, the smallest figure recorded since January 19th last. The abnormal expansion in the applications does not come from the discount market proper. The syndicate, under present arrangements, makes an aggregate bid equal to the amount of the bills on offer. For the current week, therefore, the discount market bid for £65,000,000 and obtained £16,250,000 of bills. It has consequently been a very difficult seller of bills to the banks. The non-market applications of £82,270,000 for this week's bills take a good deal of explaining now that there is no longer a violently fluctuating amount of foreign money in London. It is evident that a steadily growing volume of Dominion and other sterling area money is finding employment in Treasury bills, while the usual "outside" applications have of late been swollen by funds normally employed in Stock Exchange finance. The Bank return reflects this exceptional abundance of credit. Bankers' deposits have risen by £10,229,000 to the exceptionally high figure of £118,233,000. This movement has incurred a fall of £5,313,000 in public deposits, but in addition it reflects the expansion of the credit basis which has accompanied an increase of £6,370,000 in the holding of Government securities.

* * *

The Maturing Treasury One's

Within three months the present issue of 1 per cent. Treasury bonds will have disappeared from the list of British Funds; the final date of maturity is February 1, 1941. Their redemption is of interest to the discount houses and the banks for whom the issue was primarily intended. It must be admitted, however, that the appeal of these bonds has never been particularly great, and throughout their five years of life a considerable part of the £100 millions on issue has

been found in the investments of various public departments. This must have been particularly true of recent months, for, of late, dealings in the bonds have well-nigh been restricted to purchases by the Government broker. Evidence of this fact has been obtainable from the persistence with which the official broker has been borrowing these bonds from banks which still have them on their books—presumably to complete deliveries to Government departments of bonds bought in the market and not delivered by the jobbers. That being so, the proportion of the issue remaining in the hands of the market is probably very small; the market itself estimates that all but £10 millions to £15 millions of the issue has found its way to Government departments. If this be the position, there would hardly be any need for a conversion operation specifically intended to deal with this maturity. The bonds could be repaid at maturity, the consequent disbursements being engulfed and almost lost to sight in the current expenditure and loan operations of the Government.

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Bank of France Advances

A decree issued in Vichy this week raises from 50 milliard to 65 milliard francs the maximum of provisional advances which the Bank has undertaken to make to the State in order to cover the German costs of occupation. These costs have been placed at the fantastic figure of 400 million francs a day. As the taxation machinery in France—occupied and unoccupied—has been thoroughly disorganised since the military collapse and as the normal capital market has ceased to function altogether, these veiled reparation demands of Germany must in large measure be satisfied by an inflationary creation of central bank credit. The effect they have hitherto had on the currency and credit position in France cannot be measured owing to the absence of any Bank of France returns since the June collapse. There must clearly be enormous difficulties at the present moment in viewing—far more in controlling—the French currency situation. The “Great Wall of China” may still separate occupied from unoccupied France, but there is no barrier protecting the currency controlled by the Bank of France Head Office at Clermont Ferrand from the maltreatment of the franc in occupied France. The Paris establishment of the Bank of France has become a mere conversion office issuing franc notes against the reichsmark issues of the German High Command. The fate of the franc has thus been removed out of the hands of the French authorities. There have been some interesting changes in the direction of the Bank of France recently. M. Fournier has been replaced as Governor by M. de Boisanger, while the Paris office is virtually controlled by two Reichsbank nominees, Dr Thäser and Dr Jost.

* * *

The Decline in Bills

Such of the clearing banks' October statements as have already been published reveal a further decline in the holding of bills discounted. Commercial paper now represents so minute a proportion of the total portfolio that the movements in this item must indicate changes in the banks' holdings of Treasury bills. The fact that these should have fallen appreciably in recent months may at first sight appear surprising in view of the increase in the total volume of Treasury bills outstanding and the virtual stability of that part of the total which is issued through the tender. Short loans, for their part, have shown no appreciable change recently, and the decline in the banks' holding of Treasury bills is therefore unlikely to be due to the maintenance of larger bill positions by the discount market, since such a development would inevitably have found itself reflected in the banks' short loans to the market. The true explanation of the recent decline in the banks' bill portfolios is the running off and non-renewal of bills which had reached the banks, not from the discount market, but from the agents of the Bank of England and of the Treasury. From the first

weeks of the war and until the end of July, when the Treasury deposit technique got into its stride, it was a commonplace of bank operations in bills to purchase substantial lines of Treasuries from the authorities. These bills had originally been issued through the tap. This type of open market operation has now almost disappeared. The Treasury deposit has taken its place both as the means of direct contact between the Treasury and the banks, and as providing the elastic fluctuating element in the floating debt. As these Treasury bills mature, their place in the banks' balance sheets are therefore being taken by the steadily mounting total of Treasury deposits. Hence the fall in the banks' bill portfolio at a time when the market bill issue remains steady. The tap bills liberated by the non-renewal of such paper in the banks' hands find a ready welcome with various public departments—and in particular with the Exchange Equalisation Account. It will be seen from this that the flow of bills to public departments is even greater than the figure indicated by the nominal increase in the total of tap bills issued. Over and above such increase, it must include the tap bills previously issued to the banks and not being renewed by them as they mature. This provides an added pointer to the extent of the accumulation of sterling resources due to such factors as the gold sales of the Exchange Equalisation Account and the steadily mounting surplus of the Unemployment Fund.

* * *

Scottish Note Cover

The past few days have brought to the Scottish banks a minor advantage in the form of an economy in the cover for their note issues. It will be recalled that, apart from a fiduciary portion of a few millions, all the note issues of the eight Scottish banks have to be covered, pound for pound, by holdings of Bank of England notes or note certificates. These have to be held either at the head office or at the branch of the bank in the City of London. In addition, all Scottish branches hold, as part of their till money, a certain amount in English notes. This till money has not in the past been available for cover for issues of notes by the Scottish banks, but under a ruling just brought in it is in future to serve this purpose. The step marks a return to the position as it existed during a large part of the last war and arose, it is understood, out of the increasing turnover in English notes in certain towns, and still more out of the delays in transport. The effect will be that in future any branch of a Scottish bank will be able to exchange its own notes or those of the Bank of England for one another, and that considerable economy will be effected in the idle resources of the head office. The sum involved is probably not more than a very few millions of pounds, but so far as it goes the move is inflationary and in future calculations of the effective circulation some adjustment will have to be made for it.

Investment

Pressure of Money

The apparent failure of Italy to make any real headway in Greece, coupled with the news that this country has intensified its air attack on Italy, formed a sufficiently favourable background to permit financial and technical factors to play their part in the stock market during the past week. Of these, the most potent is probably the gradual accumulation of uninvested funds, which has been going on for some time, and has only been moderately reduced by the war weapons weeks and other activities of the War Savings Committee. Apart from the effects of a growing wage bill and of substantial dividend and interest disbursements, it has recently become apparent that sterling balances, held here as the result of the heavy excess of imports, are growing. These, with the continuous stream of extra-budgetary funds derived from savings banks, and insurance premiums, including health and unemployment contributions, are exercising considerable effect, but mainly in the bill market, where the quota of the syndicate has fallen so heavily that there must be a tendency to invest once more in “shorts,” despite the unpleasant experiences in this arena a year or

more ago. Add to these sums the proceeds of the third vesting order and the dividend on 3½ per cent. War Loan, due around the end of the month, and it is clear that the market is in for a period when the pressure of money is likely to produce a considerable advance in prices unless there is such a deterioration in the background as to cause investors to hold back until the outlook clears. How much of this money will go into the Government issues now on “tap,” or indeed into gilt-edged at all, is not clear, but the recent widening of the basis of investment has done something to reduce the spread between the yields on Government securities and on the second line of trustee investments. This tends to consolidate the previous rise in the Funds, and despite some extension in the field over which public inquiry is spread, it is once again in the Consol market that business seems most brisk. The fair widening of the scope of inquiry in other sections has led to some increase in business. Jobbers are rather less timid about taking small amounts of stock on their books, and probably the rise in quotations means rather more in actual business than in recent months. For the most part, the rises are not large.

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- 4 Interest from the date of purchase at the rate of 3% per annum is paid regularly in two half-yearly instalments on the 1st of May and the 1st of November.
- 5 Interest may be received direct in the form of a warrant or it may be paid into the owner's account in the Post Office Savings Bank or it may be remitted to a Joint Stock Bank or other Agent.
- 6 If the purchaser is liable to Income Tax the interest is subject to the rate of tax at which he is assessed—but Income Tax is not deducted at the source.
- 7 You can be certain of getting back what you pay for Defence Bonds. They can be cashed at any time at their face value if six months' notice is given. In cases of private emergency the Bonds can be cashed at a few days' notice, less a deduction equal to six months' interest.
- 8 If you hold the Bonds for seven years you will receive on repayment £1 premium on every £100; that is to say, if you hold Bonds to the value of £5 you will be paid £5.10d. If to the value of £100 you will be paid £101.

By buying Defence Bonds you are not only helping yourself, you are also performing a great public duty, for the money invested in this security swells the resources with which we are fighting the war.

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Reduced Yield Margins

Publication of *The Actuaries' Investment Index* for October 29th permits a more circumstantial account of the closing of yield margins than was possible a week ago. It also bears witness to the spread of the upswing in prices to new categories of shares, although there are some reactions. Taking as the basis of comparison a fall in the yield on 2½ per cent. Consols from 3.39 to 3.35, there are several changes in the fixed interest list which exceed this in importance. The *Index* figures for Australian and South African Government stocks have moved from 3.86 to 3.81 and from 3.45 to 3.31 respectively, while Home Corporations give a return of 3.72 per cent., against 3.77. There have been similar movements in the debentures of the distributive section of industry—largely as a result of a return of confidence in the railways—and in the preference shares of productive industry. Investment trusts and the debentures

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)				Yields per cent.		
	Oct. 31, 1939	Apr. 30, 1940	June 25, 1940	Oct. 29, 1940	Oct. 31, 1939	June 25, 1940	Oct. 29, 1940
<i>Fixed Interest</i>							
2½% Consols	120.6	132.2	126.2	133.1	3.70	3.53	3.35
Home Corpsns. (4)	116.7	128.2	123.0	125.2	4.01	3.79	3.72
Indust. Debs. (14)	100.6	111.4	103.7	103.9	4.71	4.58	4.57
Indust. Prefrs. (101)	86.7	97.1	82.3	83.7	5.10	5.52	5.39
<i>Ordinary Shares</i>							
Banks (10)	92.5	101.5	74.9	88.2	4.98	6.12	5.16
Building materials (6)	56.1	49.2	33.7	54.0	8.48	11.63	6.52
Coal (8)	35.1	94.5	64.8	70.3	6.25	9.04	8.92
Elec. Manufg. (13)	109.7	118.6	87.0	97.9	6.09	7.51	6.57
Iron and Steel (18)	51.4	54.7	31.6	44.0	7.21	11.14	7.87
Oil (4)	72.2	69.5	34.6	38.3	6.60	10.74	6.35
Home Rails (4)	32.5	56.9	25.9	33.9	0.45	11.64	9.47
Shipping (7)	14.5	14.0	9.9	12.1	4.09	5.06	4.42
Miscellaneous (20)	55.6	58.1	40.8	50.8	5.29	8.15	6.39

of productive industry were, however, out of favour. For equities as a whole, the yield has improved from 7.38 per cent. to 7.08. There are only two adverse movements, in electrical distribution and in oil shares, and there are really substantial improvements in a number of cases. Thus, the yield on bank shares has fallen from 5.44 to 5.16, without any change in the dividends on which it is calculated. The rise in building material shares has slowed down, but is still considerable, while coal shares have more than regained their September fall, despite lower distributions. There have also been very satisfactory rises in iron and steel and electrical manufacturing, railways, shipping and brewery leaders, especially those whose London properties are not important. As will be seen from the table given above, building materials share with 2½ per cent. Consols the distinction of having passed the April level, but, whereas for the latter this constitutes a record for many months, the former has still a long way to go before recent high levels are equalled. Despite a further improvement, aircraft shares still yield 14.31 per cent. and railway equities 9.47 per cent.

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Higher Savings

The week ending October 29th brought a further rise in the yield of small savings from £10,031,000 to the improved total of £11,091,000. The rate of increase was slightly lower than in the previous week, but it again exceeded £1,000,000. The present upward trend is, of course, deriving its impetus from the local war weapons weeks. There is a direct relation between these two methods of collecting savings, since it is common to admonish members of savings groups in the locality to endeavour to double their contribution during the week in

question. The war weapons campaign is still in full swing, but it raises the problem of the maintenance of the improved level, especially over Christmas time, which is usually a period of very general disbursement. Although this problem has not yet been tackled directly by the promoters of the National Savings Campaign, it would appear desirable to popularise—so far as possible—the notion that national savings stamps make attractive and acceptable Christmas presents. It is clear that competent authorities have not lost sight of the fact that, despite the present improvement in small savings, private consumption must be cut to the bone if inflation is in the long run to be avoided. Captain Crookshank, speaking at the opening of the Grimsby War Weapons Week on November 1st, provided a careful statement of the ways in which surplus spending power might be drawn off from the public, but it remains all too apparent that no automatic device at present exists for doing this. Indeed, far from there being a general reduction in private expenditure, higher employment and wages have, in certain cases, increased the rate of luxury spending. Captain Crookshank undoubtedly told the naked truth when he said that "Ultimately all belligerents are driven to reduce the standard of living to rock bottom." The choice before the people is voluntary saving or inflation, ckd out in either case by rationing. Those responsible for the voluntary savings movement have of late done excellent work, but they will have to do much better if they are to close the gap through which both current earnings and past savings are all too liable to lose their value.

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Great Boulder Apologia

With commendable speed, since they only received the Treasury's refusal to permit the transfer of the company to Australian ownership on October 25th, the liquidators of the Great Boulder Proprietary Gold Mines have issued a statement to the shareholders. The point of this is that as the whole object of the extraordinary general meeting of September 20th is defeated by the application of the new Defence Regulation, there is no reason why the resolutions should stand. There will in consequence be an application for a stay of the winding up; the old board will remain in office and the question of compensation no longer arises. This is, so far, a happy issue out of an unfortunate affair. The letter seeking permission to effect the transfer sent to the Treasury on behalf of the liquidators makes it clear that the consent of the Federal Treasury of Australia had been obtained and states that the correspondence with the Treasurer, Mr P. C. Spender, was such as to make the Board feel entitled to consider that the British Treasury was fully informed and did not disapprove. As already stated here, the board were entitled to do the best they could for the general body of their shareholders, and, equally, there was no legal obligation to approach the Treasury on the matter. There are, however, ways of determining what is likely to prove acceptable of which mere prudence dictates the employment, and there is no indication that these were explored. The question now arises, what is to become of this company. It is very doubtful whether the present board will be prepared to continue mining while 87 per cent. of its net profit is taken in taxation, nor is it very evident why any other body should be more ready to exhaust the shareholders' capital in this way. Out of total taxation of £400,000 odd, postulated on a profit of £460,000, more than half is E.P.T. This is another case where past sacrifices are only now reaping their reward and would seem to call for adjustment in due time.

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Meanwhile, the same post brings news concerning the publication of the McIntock reports on the seven companies of the Commonwealth Mining and Finance group. The delay is explained by the fact that, although the reports have been in their hands for many weeks, the documents on which they are based, and which the boards require for the preparation of their own statements, were only returned by the Board of Trade on October 25th. It has now been decided to circulate the reports, but the printers require three weeks to prepare even proofs. Copies are, however, to be available at the offices of the registrar as from Monday, November 11th, for the inspection of members of the companies, and the directors' statement is promised before the annual meeting, which must be held during the current year. It is true that no promise is made to do better than to circulate the reports with the directors' comments on them and, for whatever reason the new decision has been taken, it is a matter for which the shareholders must be thankful. The

reports will be very lengthy and will take a considerable time to digest, and it is as well this should be achieved in advance, so that the reply of the directors shall lose none of its point. The delay seems long even for these times, but the main point has been gained now that the public demand for information is to be satisfied.

Company Notes

Mufulira and R.S.T.

The figures of Roan Antelope have already confirmed the general expectation that the throughput of the Rhodesian copper companies would be well up on the year to June 30th last. It is, therefore, not surprising to find that the gross income of Mufulira Copper Mines rose from £2,565,039 to £3,289,066 in the same period. Operating expenses were, of course, higher, and despite some saving on realisation costs—deliveries were to the Government—there is a rise from £1,171,431 to £1,739,388 in the surplus. It is, however, rather disappointing to find that, in this case, the incidence of E.P.T. has actually reduced the net amount available for dividends, whence the fall in the payment from 13½ per cent. to 11½ per cent. The tax provision exceeds £1,000,000, and is almost two-thirds of the profit. It includes a sum of £45,000 in adjustment of income tax for the preceding year, necessitated by the retroactive raising of the rate from 7s. 6d. to 8s. 6d. The allocation to replacement reserve is maintained at £130,000, and that to general reserve increased by £10,000 to £135,000. The cut in the dividend reduces the net profit of the holding company, Rhodesian Selection Trust, from £422,086 to £343,328, and its dividend is cut from 16½ to 13½ per cent. Owing to war conditions, the usual report on mining operations is withheld. The profit history of the two concerns is set out in the table below:—

	Years to June 30th		
	1938	1939	1940
<i>Mufulira Copper Mines</i>			
Copper sales	£ 2,458,747	£ 2,565,039	£ 3,289,066
Surplus after expenses, including directors' fees	1,101,884	1,171,431	1,739,388
Debt interest	18,705	...	...
Replacements reserve, etc.	115,000	130,000	131,134
Taxation	270,000	459,000	1,060,000
Shares:—			
Earned	698,179	582,371	548,254
Paid	487,360	466,353	414,790
General reserve	150,000	125,000	135,000
Carry forward	139,558	130,576	129,040
<i>Rhodesian Selection Trust</i>			
Dividends and interest received (gross)	431,891	432,905	354,743
Dividend paid	396,903	441,004	352,803
Dividend %	15	16½	13½

The accounts of Mufulira show a net addition to outlays on exploration and development of some £135,000, raising the total to £5,105,983, while cash assets have increased by some £780,000 to £2,887,596. Within this last total, there is a rise of £800,000 in cash and Government securities. Stocks of materials at £429,290 are up by £90,000, but those of blister copper, in hand and in transit, have declined by some £150,000. At the date of the accounts, these changes were financed mainly out of expansion in taxation reserve, but reserve and carry forward showed a net increase of some £125,000. There is a slight decrease in the net cash assets of Rhodesian Selection Trust, while to the extent of £75,000 National War Bonds have been substituted for cash. In his statement accompanying the report of the mining company, the chairman, Mr A. Chester Beatty, stated that, since the date of the accounts, £500,000 had been transferred to the Treasury as an interest-free loan in anticipation of tax liabilities. While giving this tangible proof of a desire to help, he added his quota to the long list of those who complain of the effect of the tax on growing concerns. In this particular, some relief is in prospect under the latest Finance Act, while shareholders have the satisfaction of knowing that their plant has not only been maintained, but increased and improved. Meanwhile, the prospects of more than a moderate recovery in ordinary distribution are not great unless there is some further amendment of E.P.T. The Rhodesian Selection Trust 5s. shares yield 7 per cent. at the current price of 9s. 6d. ex dividend.

Imperial Smelting Recovery

The benefits of the subsidy received under the Empire Zinc Scheme, coupled with the first fruits of the reconstruction of the smelting plants, which has been in progress since 1938, has completely changed the outlook for Imperial Smelting. The total income of the Corporation and its subsidiaries is more than doubled for the year to June 30th last at £500,000 odd, while the net surplus of the Corporation is £268,465 compared with £100,930. After paying off 2½ per cent. on account of arrears and meeting the current dividend on the 6½ per cent. preference capital, the directors are able to resume ordinary dividends with a payment of 3½ per cent. Apart from a minor addition to investment reserve, prior to arriving at the profit figure, there are no allocations and the dividend calls for a small draft on the carry-forward. The net profit, however, exceeds that for 1936-37 when 5 per cent. was paid on the ordinary capital, and is the best since the broken period of just under 11 months which followed the inception of the group in 1929. In the following table, which gives the profit record of the Corporation and its subsidiaries for the past three years, the aggregate figures and not the amounts allocated to the Corporation have been used for calculating earnings on the ordinary capital:—

	Years ending June 30th		
	1938	1939	1940
Total income	£ 272,356	£ 241,641	£ 501,307
Depreciation	76,249	70,164	132,707
Administrative expenses	67,602	62,186	73,463
Deb. redemption	10,629	10,433	12,140
Taxation†	10,640	3,873	10,045
Preference div.‡	93,141	124,189	186,282
Ordinary shares:—			
Earned	14,095	Dr. 29,204	84,160*
Paid	...	...	88,811
Earned %	0.55	...	3.32
Paid %	...	...	3½
Carry-forward	103,736	74,532	69,871

* After £2,520 to preliminary expenses. † Other than tax on dividends. ‡ Gross figures: 4½% 1937-38, 6% 1938-39, 9% 1939-40.

The consolidated statement of the Corporation and its subsidiaries shows a rise in liquid assets from £1,318,000 to £1,481,000 before payment of final dividends, against which creditors have risen from £517,627 to £698,713. In addition to these changes the Corporation is now in credit £46,510 with its associates against a debit of £147,922 a year ago. The rise in creditors is mainly due to increased provision for taxes, while the principal changes in liquid assets are a fall in stocks, at or under market value, from £839,980 to £702,263 and an increase in debtors from £357,129 to £593,393. Depreciation reserve is up by nearly £133,000 and others by some £20,000. The Empire Zinc Scheme was in operation throughout the year, but it is not clear whether the original term in the agreement between the group and Empire producers that production was to be limited to 60,000 tons per annum still holds. Presumably it does not, and the increased capacity of the new smelters, which only became effective toward the end of the accounting year, should make for still higher earnings, while last year's profits would have provided almost 5½ per cent. on the ordinary capital but for the need to meet preference arrears. The £1 ordinary shares, now quoted at 9s. 9d., offer the satisfactory yield of 7 3s. 7d. per cent.

* * *

Fairfield Shipbuilding Dividend

The 6 per cent. ordinary dividend, which is declared by Fairfield Shipbuilding for the year to June 30th, is the first payment received by ordinary shareholders since the 5 per cent. paid for 1928-29. With the full payment of preference arrears in 1938-39, it has at last become possible for the ordinary shareholder to benefit from the substantially higher level of net profits which has been earned since 1936-37. Last year's net profit figure fell from £286,609 to £123,115, after depreciation, but despite this setback, the distributable surplus after meeting debenture and reference charges totalled £90,528, representing a rate of 105.1 per cent. It is a disadvantage of the company's report that no profit and loss account is provided, possibly because the ordinary capital is privately held, and that preference shareholders are supplied only with a net profit figure struck after all charges including depreciation and taxation have been deducted. Consequently, much valuable information concerning the progress

of the business is withheld, though the directors state that plant has been working to capacity during the past year. £100,000 has been placed to contingencies reserve as in the previous year, but no allocation is made to general reserve in place of £50,000 in 1938-39, and the carry-forward is reduced from £44,897 to £26,799. The balance sheet position shows little change. Stocks and work in progress are slightly higher at £394,933 against £368,691. Cash holdings have risen by some £60,000 to £573,015 and debtors by some £47,000 to £158,778. The most striking change is undoubtedly the increase in creditors from £690,234 to £1,000,740. The directors state that the 4½ per cent. First Mortgage Debenture stock became due for payment on January 15, 1940, and was discharged at that date to an amount of £210,000. Fairfield Shipbuilding is fortunate in enjoying a satisfactory E.P.T. position, and now that preference arrears have been paid off the probable continuance of profits around last year's level should ensure to the £250,000 of 6 per cent. cumulative preference capital a high status. These £10 shares are quoted at £8, giving a yield of 7 10s. per cent., while the dividend was covered by earnings ten times before providing for contingencies and some 3½ thereafter.

* * *

Cinema Results

With the publication of the preliminary statement of *Odeon Theatres*, it is possible to form an impression of the collective fortunes of the British film industry in 1939-40. It is, however, impossible to separate the earnings of production, distribution and exhibition. Of the companies whose results are summarised in the table below, *Associated British Picture* and *Gaumont British*—both engaged in all three branches—have already been surveyed in detail in *The Economist* of September 14th and October 5th respectively. The moderate setback both in total income and in the surplus available for ordinary distribution, which was apparent from both these sets of accounts, is also evident in the statements of the two smaller companies, *British Lion Film*, an independent producer, and *Union Cinemas*, a subsidiary of *Associated British Pictures*, with the difference that neither of these companies has managed to meet preference charges. From the shareholder's point of view, even a moderate setback is a serious matter since, like so large a section of the

Company Years to March 31st	Total Profits	Earned for Ord.		Ord. Div.	Price of Marginal Security
		Amount	Rate		
<i>Assoc. British Picture:</i>					
1938	£ 1,302,778	£ 466,489	35.0	20	5s. ord. shares at 4/10½
1939	1,347,001	540,751	37.3	20	
1940	1,206,856	135,614	11.1	Nil	
<i>Gaumont British:</i>					
1938	633,701	41,846	1.9	Nil	5½% £ Cum. pref. shares at 5/6
1939	683,099	118,639	5.5	Nil	
1940	546,256	10,789	0.6	Nil	
<i>British Lion Film:</i>					
1938	90,923	1,499*	Nil	Nil	7½% 10s. pref. shares at 1/9
1939	85,891	3,491*	Nil	Nil	
1940	77,373	3,468*	Nil	Nil	
<i>Union Cinemas:†</i>					
1937	145,484	55,158*	Nil	Nil	6% £1 Cum. Pref. shares at 1/9½
1938	203,524	19,778*	Nil	Nil	
1939	195,399	12,108*	Nil	Nil	
<i>Odeon Theatres:‡</i>					
1938	371,589	122,224	19.8	10	5s. ord. shares at 4/4½
1939	513,380	209,878	36.9	10	
1940	476,882	92,495	18.4	Nil	

* Earned for dividend. † Year to December 31st; 1938, 12½ months to December 31st. ‡ Year to June 25th; 1938, 12½ months to June 25th.

industry, they were in low water before the war. No revival is in sight and, consequently, the marginal securities of both companies stand at purely nominal levels. The decision of *Odeon Cinemas* to pass the ordinary dividend—10 per cent. was paid in the first two years of the company's activity—will cause rather more surprise. In common with other cinema-owning companies, *Odeon Theatres* suffered a fall in income, which amounted to £509,990 against £473,482. After charging fees and interest, the company spent £12,334 on A.R.P. and raised the tax provision from £100,000 to £150,000. Thus, ordinary earnings fell much more steeply than gross income, from £209,878 to £92,495, representing 18.4 per cent. against 36.9 per cent. Although this rate would have provided ample cover for the usual 10 per cent. distribution, the directors have prudently decided to conserve resources, and after placing £50,000 to general reserve and writing off preliminary expenses amounting to £36,000, the carry-forward is raised from £68,166 to £74,661.

The salient facts shown in the table above are the general fall in income over the past year and the unanimous failure to pay an ordinary dividend. Although general receipts have suffered as a result of the war, and may be expected to show a further fall in the current year, thanks to more intense bombing of British cities this autumn, the declines are in no case catastrophic. There is no evidence that losses have been relatively heavier than those of the retail trade or of other branches of entertainment, but the British film industry has little margin to spare, it has suffered on the production side from teething troubles which might have

been avoided and in general from extravagant finance. Probably nothing but the return of peace can put the cinemas on their feet. The production side has for years been the object of Government solicitude, and the film bank having been abandoned, the industry is now awaiting the appearance of the more acceptable alternative which was understood to be prepared many weeks ago. While awaiting its publication with interest, shareholders will remember that, failing a popular demand for British films in the United States, there is no clear sign that film producing here can be a very profitable enterprise.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The confident tone which was evident in the markets at the end of last week has derived further encouragement from the continuance of successful Greek resistance, from Mr Churchill's latest speech, and from the re-election of President Roosevelt to a third term of office. Stock markets have benefited prominently, and buying activity spread to the home rail and industrial markets. Demand for Kaffirs improved during the week, and there was a certain unfreezing of the rubber and tea markets.

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Underlying optimism, combined with technical factors, of which the requisitioning of Canadian stocks was the most important, produced a sustained demand for high-class investment stocks in the gilt-edged market, which continued from Friday last until midweek, when prices reacted through profit-taking. The market was led by 3½ per cent. Conversion and War Loan, which advanced by as much as ½ on the week to November 7th, despite a loss in the order of ¼ on that date. Four per cent. and 2½ per cent. Consols were also in demand, and each day saw a long list of gains in the order of ½, among which Local Loans were prominent. Dominion and Colonial stocks also attracted a moderate demand. In the foreign bond market, Greek 7 per cent. issues were firm on the continued resistance, while Japanese 6 per cent. securities of 1924 were again offered. Last week's rise in Brazilian bonds was checked by profit-taking.

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Buying continued in the home rail market and turnover was well maintained. Throughout the week, the main demand has been for the senior issues, and L.M.S. and L.N.E.R. 4 per cent. debentures have particularly attracted attention. Ordinary shares, however, have not suffered by comparison, Great Western ordinary and Southern preferred ordinary gaining ¼ on Monday and ½ point on Tuesday.

★

Turnover has been fair in the industrial market, and last week's continued rise in iron and steel securities has been maintained by many fractional rises, including Guest Keen, United Steel Companies, John Brown, Hadfields, and Tube Investments. Imperial Smelting has gained on the report. In the shipping section, an overdue rise at the end of last week, based on the news of higher freight rates, resulted in general gains in the order of 6d., with further rises for Elder Dempster and Union Castle. Among breweries, Bass, Distillers and Guinness, which put on 2s. on Monday, have all made good progress, while, in the stores group, Marks and Spencer, on the interim, and Woolworths have both advanced. Elsewhere, Associated Portland Cement, Lever and Unilever and Metal Box have gone ahead.

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Mining markets have been encouraged by a steady improvement in the demand for Kaffirs, from which almost all market leaders have profited. Consolidated Main Reef put on ¼ on Monday, and on the

following day Sub Nigel advanced by ¼ and "Sallies," Grootevlei and Durban Deep were among the numerous companies which gained ½. The publication of accounts of the Rhodesian Selection Trust group released an active demand for Rhodesian copper securities, but a reaction followed on publication of the reduction in the Rhodesia dividend. Conditions in the oil market continued dull with small setbacks for Anglo-Iranian, but in the rubber market trading improved after the week-end and a number of leading securities, including Malayalam, on the report, Rubber Trust, United Suez Betong and Allied Sumatra advanced a few pence.

"FINANCIAL NEWS" INDICES

	Approx. Total Barings in N.E. List	Corres. Day 1939	Security Indices
1940			30 Ord. 20 Fixed
Nov. 1	1,279	3,925	66.6 122.3
" 4	2,081	4,670	67.0 122.6
" 5	1,505	4,485	67.5 122.9
" 6	1,790	4,390	67.9 123.1

* 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).

New York

WALL STREET was closed on Tuesday, November 5th, the date of the Presidential Election. Prior to the election, optimism regarding Mr. Willkie's chances produced an increasingly firm sentiment, and selling was cautious and on a small scale despite some profit-taking. Monday continued the upward trend of the closing days of the previous week, and the Dow Jones industrial index appreciated from 134.41 on Friday to 135.21 on Monday. Steel securities went ahead on the continued strength of industrial and defence demand.

In midweek, following the election news, some nervous selling was evident and a subsequent rally was not maintained. The Iron Age estimates steel mill activity at 96 per cent. of capacity, as in the previous week.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940			Oct. 16, 1940	Oct. 23, 1940	Oct. 30, 1940
	Low	High	Jan. 3			
347 Industrials	80.9	111.4	94.1	94.8	95.4	
32 Rails	20.7a	30.7	27.1	27.4	27.6	
40 Utilities	71.2a	89.4	79.6	80.3	81.4	
419 Stocks	60.9	94.8	81.0	81.6	82.2	
Av. yield*	6.61%	4.30%	5.93%	5.86%	5.80%	
	High	Low				

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

Oct. 24	Oct. 25	Oct. 26	Oct. 28	Oct. 29	Oct. 30
103.60	103.60	104.70	104.30	104.50	105.40

1940 High: 123.7, January 3rd. Low: 86.7, June 10th.

New York Prices

Total share dealings: Oct. 31, 1,340,000; Nov. 1, 1,260,000; Nov. 2, 470,000; Nov. 4, 1,250,000.

	Close Oct. 30, 1940	Close Nov. 4, 1940	Close Oct. 30, 1940	Close Nov. 4, 1940
1. Railroads				
Balt. & Ohio	4	5 1/8	Chrysler	82 1/2
Gen. Elec.	28	28 1/2	Eastman Kod.	28 1/2
Illinois Cent.	8 1/2	8 1/2	Gen. Elec.	14 1/2
N.Y. Cent.	14 1/2	15 1/2	Gen. Motors	50 1/2
Norfolk Pac.	7	7	Int. Harvester	50 1/2
Pennsyl. R.R.	24	24 1/2	Int. Nickel	27
Southern	13	13 1/2	Largest Myers	98 1/2
2. Utilities, etc.			Nat. Dairy	13 1/2
Amer. Tel.	16 1/2	16 1/2	Nat. Distillers	20 1/2
Amer. Wks.	9 1/2	10	Nat. Steel	65 1/2
Pac. Light	41	41	Proct. Gamble	55 1/2
Pub. Sv. N.J.	33	34 1/2	Sears Roebuck	79
Sth. Cal. Ed.	28 1/2	28 1/2	Shell Union	80 1/2
United Gas	11 1/2	11 1/2	Suony Vac.	8 1/2
3. Commercial and Industrial			Stan. Oil N.J.	35 1/2
Amer. Metal	16 1/2	17 1/2	20th Gen. Fox	5 1/2
Amer. Roll. Mil.	14 1/2	16 1/2	U.S. Steel	65 1/2
Arm. Smelting	4 1/2	4 1/2	West. H.L.	107 1/2
Anaconda	21	21 1/2	Woolworth	35 1/2
Briggs	24 1/2	24 1/2	Yngsta. Sheet	40 1/2

Capital Issues

Week ending November 9, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs.	3,878,437		3,878,437
3% Defence Bonds	2,971,260		2,971,260
2 1/2% Nat. War Bonds	9,538,890		9,538,890

† Week to October 29, 1940. ‡ Week to October 29th, making total since June 25th £286,398,240.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	1,232,893,786	879,637,753
1939 (New Basis)	122,759,426	100,233,484
1940 (Old Basis)	1,217,738,161	864,246,199
1939 (Old Basis)	71,786,802	50,356,723

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis)	878,653,081	984,672	Nil
1939 (New Basis)	72,621,818	25,365,934	2,245,732
1940 (Old Basis)	864,103,743	142,456	Nil
1939 (Old Basis)	34,196,632	15,840,091	320,000

Year to Date	Deb.	Pref.	Ord.
1940 (New Basis)	863,548,217	1,561,005	14,528,531
1939 (New Basis)	44,862,640	8,238,992	47,131,852
1940 (Old Basis)	862,904,567	132,500	1,209,132
1939 (Old Basis)	37,508,921	2,688,459	10,983,183

"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

Booth's Distilleries.—The amount outstanding (£994,400) of 4½ per cent. first debenture stock is to be repaid on July 1, 1941, at £108 per cent., together with accrued interest.

Industry and Trade

Dearer Coal

On May 2nd last the Mines Department authorised increases of 8d. per ton in the prices of steam and bituminous grades of coal and of 1s. 8d. per ton in those of anthracite supplied to the inland trade, and of 1s. and 2s. respectively to the export trade, to meet increased costs of production, chiefly the wage advances of 5d. per shift on January 1st and of 4d. per shift on April 1st. After April the upward trend in costs was intensified, mainly by external factors. On May 1st railway rates were increased by 10 per cent., representing an addition of roughly 5d. per ton on the average charge of just over 4s. per ton. On July 1st the English and Scottish colliery owners were authorised by the Treasury to debit their working expenses with the levy of 4d. per ton (calculated on coal disposals) which had been imposed under an Order-in-Council to equalise the cost to the collieries of imported and home-grown pitprops; in the South Wales coalfield, where local arrangements govern the supply of pit-wood, the ex-ship price of Portuguese imports was increased from 35s. to 45s. on June 1st, and from 45s. to 60s. on July 21st. On October 1st the miners received a further wage advance of 5d. per shift, involving an addition of about 5d. per ton to the labour cost. On November 1st, a 20 per cent. increase in dock charges, i.e. 1½d. to 2d. per ton, became operative, and at the beginning of next month the further addition of 6 per cent. on railway conveyance charges, equal to about 3d. per ton, will become effective. In addition to these cost increases, the coal exporting districts have been saddled with the far heavier incidence of overhead charges on their greatly reduced outputs through the loss, since June, of the Continental and Mediterranean markets.

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This is the position which the Mines Department endeavoured to meet by its decision to authorise an increase of 1s. 9d. per ton in the pithead price of all coal, subject to an additional 1s. per ton in South Wales and of 1s. 6d. per ton in Kent. (The price of blast-furnace coke was raised by 4s. per ton.) Further, special consideration is being given to the case of Durham. As was the case last May, inland contracts containing no clause authorising price variations under war conditions are not affected, and consequently the railways will continue to receive a certain proportion of their coals at their pre-war contract prices, subject only to the increase of 1s. per ton enforced by the Mines Department in November, 1939. Owing to the suspension of the publication of the quarterly joint audits the public cannot form any opinion concerning the extent to which the financial necessities of the South Wales and the Durham coalfields will be met by these increases in pithead prices, but because of their flat rate character they will increase profits in those coalfields which are already showing substantial credit balances. Presumably this is the chief reason why the Mines Department has intimated that before any further review of prices takes place the whole method of price adjustment to meet the varying circumstances of each district will be re-examined. The application of the new prices to exported coals presents special difficulties. Partly because of the much lower rate of freight from the United States to South American ports American coals have been displacing not only German and Polish but also British coals in Brazil, Argentina, and Uruguay, and when the Charges (Railway Control) Consultative Committee was recently considering the latest instalment of higher railway charges, the Mining Association of Great Britain submitted that export coal should not be subject to any further increase. The collieries have been authorised by their Executive Boards to add the new prices to their export schedules, but the exercise of this right is apparently to depend on the state of the market in importing countries.

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Freight Rates and the Ministry of Shipping

The increase in homeward freight rates, discussed on page 559 of *The Economist* of November 2nd, has focused attention on the financial basis of shipping operation under requisition. Early in the war open market rates in the principal trades were controlled by the Ministry of Shipping, but when all deep-sea shipping, other than tankers, was requisitioned, the fixing of freight rates was placed on an entirely different basis. The direct connection between

freights and the profits of the shipping industry was removed. Formerly the object, where control was exercised, had been to adjust freight rates and shipowners' operating costs so as to leave a reasonable margin of profit. Under requisitioning, such costs became only one of several factors—even then operating indirectly through the system of agreed rates of hire. By the requisition agreements with the shipping industry, the shipowner is responsible for operating costs, with the exception of fuel, dues, and war risk insurance, and is paid by the Government an allowance (on a scale varying with the size of the ship) which is worked out from the average daily running costs of the class of tonnage, whether liner, tramp, coaster or tanker. A further allowance is paid for interest and depreciation, based either on an assumed average value or, in the case of liners, on the actual value of each ship. The main advantage of the arrangement, so far as the Ministry of Shipping is concerned, is that minor day-to-day variations in running costs do not enter into its accounts, while an incentive is provided for the shipowner to keep down costs. Thus the principal factor influencing freight rates—the rates of hire—is stabilised for months in advance, though they may be reviewed by either side "if the circumstances change so materially as to create a new situation so far as rates of hire are concerned." An increase in freight rates in itself does not therefore affect the position of the shipowner.

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Since the greater part—between 80 and 90 per cent.—of our current imports are on Government account, there can be no question of the Government making a profit out of the operation of requisitioned ships. As a general rule, no cash transfers are, in fact, made between the Government departments for supplies and services. The aim of the Ministry of Shipping is to provide a public service at cost. But the rates of hire paid to shipowners is only one element in the Ministry's costs; other items include: fuel, dues and war risk premiums, the cost of chartering allied and neutral ships and the cost of hiring the ships employed by the Fighting Services which appears to be borne by the Ministry of Shipping. The neutral shipping chartered by the Ministry is paid much higher rates than those paid for requisitioned British tonnage, and it is quite possible that the earnings of these ships—about 750,000 tons gross, including Greek vessels—fall far short of the cost of their hire. So far as allied shipping is concerned, this is still organised as if the different countries were neutrals, except that the Ministry can obtain more ships. The vessels required are taken on time charter from the Allied Governments at higher rates than those that are paid to British shipowners, while the remainder is left free to engage in trades remote from the theatre of war, except to the extent that particular ships may be chartered for single voyages. If the shipping position seriously deteriorates through heavy losses, co-ordinated Allied control will have to be introduced. Another factor in the Ministry of Shipping's accounts is the operation of ships in trades between foreign countries. Here market rates are charged and the balance is on the right side. But such trading is restricted, and in the case of voyages outside the danger zone freight rates are usually moderate.

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Control of Building Materials

The constitution of an efficient priority organisation and the control of the scarce resources in building operatives and materials are essential to the success of the new Ministry of Works and Building, which has been given a virtual monopoly of building operations for the duration of the war. One of the key posts in the Ministry has been given to Mr Hugh Beaver, M.Inst.C.E., M.I.Chem.E., a partner in the well-known firm of consulting engineers, Sir Alexander

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

Gibb and Partners, which has been assisting the Ministry of Supply in its construction programme. In addition to assisting the Ministry in carrying out the general directions of the Production Council on priorities in the Government's building programme, Mr Beaver will examine and co-ordinate the various Departments' programmes of works and exercise such control over building materials as may be necessary. Much will depend on the Ministry's success in making full use of the facilities of the building materials industries, some of which have been organised as monopolies with the purpose of maximising profits. As a first step the Ministry has taken over the control of the cement and brick industries. Mr T. B. Bennett, F.R.I.B.A., a well-known architect, is to control the brick industry, but, in view of Lord Wolmer's position as chairman of the Cement Makers' Federation, his selection for the task of controlling the cement industry in the national interest follows an unfortunate precedent. Lord Wolmer will, of course, be responsible to the Controller; but he has become known as the leading spokesman of the cement monopoly, and, even with the very best intentions, it is not the easiest thing to reconcile the interests of a monopoly with the public interest. Purely as a matter of principle, it might have been advisable to select for the post a business man from some other industry.

Wool Supplies and Rationing

Thanks to the heavy intake of raw wool this year—the quantity retained during the first nine months of the year was 900 million lb. against 625 million lb. in the whole of 1938—it has been possible to meet military and almost all export requirements without stinting the home consumer. Some rationing of supplies for civil consumption has nevertheless been necessary; but whereas supplies of other textiles are regulated in the wholesale stage, those of wool are rationed at the raw material end. The new rationing period for civil consumption covers the period from November 1st to February 28, 1941. There have been complaints in the wool textile industry concerning the inadequacy of the home trade allocation and the consequent increases of short-time working in the mills. It appears that while some firms were short of orders, an appreciable number did not have sufficient orders to absorb their ration. As a result, a fairly large balance of unused ration has been carried forward to the new rationing period. Whether the whole of the ration would have been absorbed if concerns with excessive allocations had been able to transfer their surpluses to the others is a moot point. It has now been officially announced that the carry-over will be released during the new rationing period at the prices ruling prior to the issue of the new list on September 13th, whereas new allocations will be on the basis of the new issue prices, which are 4 per cent. up for wool and 6 per cent. up for tops in comparison with the previous list. There will actually be more wool available for civil consumption than there was in the previous rationing period for, apart from the carry-over, the new allocation is fully equal to, and in some cases in excess of, the July-October ration. Additional supplies are being issued for the replacement of stocks destroyed in this country by enemy action, while stocks of yarns spun for export to countries now inaccessible are also being released, in the proportion of six to one of the buyer's ration in the case of white yarns, and in the proportion of ten to one in the case of coloured yarns. The rush of retail buying before the imposition of the Purchase Tax caused a substantial reduction of retailers' stocks and there is a good deal of replenishment business in hand for completion during the next few months.

Developments in Cotton Control

The Cotton Controller is now taking an increasing part in the affairs of the industry. While there have been some who have resented this "interference" with normal trading its value is now becoming widely recognised. One of the Controller's main objects is cheaper American cotton, even if supplies of this grade are scarcer than they used to be. He has therefore decided to release, at fixed prices, 31,000 bales of American cotton secured under the cotton-rubber barter agreement last year. It will be recalled that this cotton was to be held in stock for seven years unless a war emergency should make it necessary to release it sooner. As the total barter deal—700,000 bales of cotton for 80,000 tons of rubber—involved about £6 millions, the Controller has a powerful price-regulation weapon at his command; it is estimated that he already has about 400,000 bales at his disposal with which to check attempts at speculation or extortion.

The Controller has said that American cotton prices are already high enough, and the release of some barter cotton, it is described as a first amount, will bring down prices by reducing the uncontrolled "points on" which spinners have to pay to merchants above the official prices.

Another of the Controller's aims is to increase the use of Empire cotton, and this is already meeting with some success as supplies of American cotton are restricted by the necessity of economising dollar exchange. India especially should be reassured about the disposal of the 1940 crop. Attempts are being made to protect growers in that country against a severe fall in prices which might result if they have most of the crop left on their hands and Britain's increased consumption should make this much less likely. The use of Empire instead of American cotton is creating problems for spinners, but progress is being made towards solving them. The British Cotton Industry Research Association has shown what experiment and perseverance can accomplish in wartime emergency by discovering a cotton alternative—not, they insist, a substitute—to flax.

Tin Smelting in America

As a market factor, the establishment of a tin smelter in the United States was rapidly overshadowed by the issue of the first export licences for November. Though applications for export tin were scaled down by more than half, sufficient shipments were sanctioned to lever the cash price up to the vicinity of £260 per ton. Thereafter there has been a reaction to £257 12s. 6d. per ton, or slightly below the level at which it was assumed the Ministry of Supply would continue to support the market. The prospective diversion of Bolivian supplies to the American smelter is, however, recognised by the continuance of the contango, the forward price maintaining a steady premium of £2 to £2 10s. per ton over cash. It is now quite clear, however, that the disturbance to this country's normal ore supplies will be much less than was feared at one time. Not only is the annual capacity of the new plant to be only 18,000 tons, instead of the original figure of 30,000 tons, but it is now learned that the Patino interests, which control more than half of the Bolivian output, are not participants in the deal. In view of the New York visit of Mr E. V. Pearce, of Williams Harvey, this has caused considerable surprise in the London market. It would seem that the objects of Mr Pearce's visit were probably misinterpreted completely. Though there is a tendency in this country to identify Senor Patino with the Bolivian tin industry, it is now realised that the outside producers, notably the Aramayo and Hochschild group, should be perfectly able to provide America with the ore equivalent of 1,500 tons of tin per month. The Patino ore will thus continue to come to this country for smelting. While the United States will undoubtedly seek to obtain the highest available grade of Bolivian ore, smelting costs must inevitably be high unless the American smelter also has a supply of really high-grade concentrates, which does not appear to be the case. This being so, it would seem that the United States smelting plan offers no real threat to the British tin industry either in the short or the long term. It may be regarded, in fact, merely as an index of the serious view which the American authorities clearly take of the position in the Far East.

Potatoes

It was announced near the end of last month that the Ministry of Food had issued an Order prescribing maximum wholesale and retail prices for potatoes from November 1st to June 30th. The existing margins are to remain unaltered, but selling prices will vary at intervals because of the seasonal variation in growers' prices. The Ministry is to take a census of potato stocks early in November, and after allowing for those needed for human consumption will purchase surplus supplies of ware potatoes for manufacture and stock feeding. These purchases will be made from time to time at the prescribed minimum growers' prices at the time of purchase in the district in which they were grown, and will generally be the lower grades. At the end of the season any remaining potatoes will be purchased at the mid-season price, while off-grade potatoes affected by grub or wireworm will be eligible for purchase by the Ministry, but at lower prices. Growers are thus assured of a purchaser for all the ware potatoes they produce this season. The total output of potatoes on agricultural holdings in Great Britain in 1938 was estimated at 4,404,000 tons.

COMMODITY AND INDUSTRY NEWS

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Oct. 18, 1940	Oct. 25, 1940	Oct. 27, 1939	Oct. 25, 1940
American	16.9	17.6	254	292
Brazilian	8.9	6.9	110	88
Peruvian, etc.	2.4	1.8	58	40
Egyptian	3.7	4.2	75	52
Sudan Sakel	0.2	0.3	54	8
East Indian	9.1	7.6	71	70
Other countries	7.9	9.2	55	59
Total	49.1	47.6	679	609

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—The increases in iron and steel prices which came into force on November 1st has led to higher prices for tinplates, which came into force on the same day. It has been announced that the Minister of Supply has agreed to meet a deputation from the London Metal Exchange to discuss the operation of the Non-Ferrous Metals Control.

Tin.—Prices were at first firm on the granting of export licences at the beginning of the month, but they have since shown a downward tendency. The market is affected by the prospective restriction of ore supplies when the American smelter comes into operation, but the announcement that the Patino interests will not supply ore to America suggests that the effect on this country's imports will be even less than had been supposed. World production of tin in September was estimated at 22,600 long tons, compared with 19,100 tons in August. There was an

increase of total visible supply in October of 1,186 tons at 33,959 tons, and the United Kingdom stocks at the end of the month amounted to 4,252 tons, against 3,620 tons at the end of September.

Oils and Oilseeds.—Official maximum prices of controlled vegetable oils for November are to remain the same as in the previous schedule. In the list of marine oils, whale oil (No. 3) has been reduced by 10s. to £26 per ton, naked, ex store. Linseed is steady, but few transactions are reported. The Control is seeking offers of Bombay and Calcutta linseed, but does not appear disposed to fall in with the buying limits mentioned. Since January 1st Argentine exports have amounted to 783,000 tons, compared with 1,233,600 tons during the same period last year; the proportion destined for Europe was only 461,000 tons, against 844,600 tons. The Argentine Ministry of Agriculture report the exportable surplus of old crop to be 112,000 tons, against the same figure a year ago. United Kingdom consumers are open to purchase English-grown linseed at £17 per ton (in bags) delivered. The Control is again in the market for Indian ground nuts. Egyptian cottonseed for November shipment is on offer after a long period of inactivity.

Grains.—There has been little interest in the grain markets this week and prices have been largely nominal. The

(Continued on page 592)



Keep warmer on BOVRIL and invest your money in War Savings Certificates

COMPANY MEETINGS

PARNALL AIRCRAFT LIMITED

FURTHER SUBSTANTIAL PROGRESS

HEAVY BURDEN OF E.P.T.

The fifth ordinary general meeting of Parnall Aircraft, Limited, was held, on the 6th instant, at the registered offices of the company, Yate, Bristol.

Sir Louis Vaughan, K.C.B., K.B.E., D.S.O., the chairman, who presided, said:—An examination of the balance sheet shows very considerable progress:—

	1936	1937	1938	1939	1940
Stock	20,089	31,171	51,177	109,391	24,715
Work in progress	13,429	131,151	152,819	582,197	687,189
Debtors	4,786	13,815	188,045	233,392	583,991
Investments in and amounts owing by subsidiaries	2,123	4,078	2,161	173,153	318,530
Profit	38,818	26,782	89,287	127,813	177,786

The profit figure is £177,786, after calculating on a conservative basis the excess profits tax commitments of the company. Your directors recommend a final dividend of 5 per cent., making 10 per cent. for the year.

You have still a very real reserve in the company's claim against the Air Ministry in respect of inventions assigned. In view of the grave national emergency we have acceded to an official request for the postponement of the arbitration proceedings.

I would remark that excess profits tax at 100 per cent. is very hard, and in my opinion unfair, on a company such as this, which has spent large sums of money over a period of years in evolving an apparatus vital to the supremacy of our country's aircraft.

The future programme is exceedingly heavy, and you will observe the enormous work which this manufacturing scheme will involve.

We have a number of subsidiaries, the work of which it would not be in the national interest to disclose. We have followed a policy of duplicating and in some cases triplicating our tools, so that the enemy would have a very difficult task in interfering with our production.

The report and accounts were unanimously adopted.

(Continued from page 591)

Argentine Government has set up a National Fuel Board to apply measures for the utilisation of maize as fuel. The coal shortage due to the difficulty in importing is estimated at 100,000 tons a month, which means that the most important consumers will have to find a substitute for about 30 per cent. of their normal consumption.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Oct. 19, 1940	Oct. 26, 1940	Oct. 28, 1939	Oct. 26, 1940
N. America	318	243	5,552	4,132
Argentine, Uruguay	173	28	4,640	2,764
Australia	...	...	612	...
Russia	...	...	114	...
Danube and district	...	...	1,412	182
Other countries	...	...	268	...
Total	491	271	12,598	7,078

* Unobtainable. † Incomplete. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Oct. 19, 1940	Oct. 26, 1940	Oct. 28, 1939	Oct. 26, 1940
Argentina	79	90	10,688	5,528
Atlantic America	169	100	757	1,947
Danube Region	...	...	1,095	678
S. & B. Africa	...	...	2,350	1,124
Indo-China, etc.	...	...	973	91
Total	248	190	15,863	9,356

* Not received. † Incomplete since September 21st. Source: The Corn Trade News.

Rubber.—Figures given in the October issue of the International Rub-

MALAYALAM PLANTATIONS, LIMITED

GRATIFYING RESULTS

The nineteenth ordinary general meeting of Malayalam Plantations, Limited, was held, on the 4th instant, in London.

Mr H. J. Welch (the chairman) presided.

The chairman's address stated that the total net cost of the estates now appeared at £1,659,998 and the very valuable buildings, machinery, etc., stood in the balance sheet at the nominal figure of £1. After deducting all liabilities, the surplus assets shown amounted to over £457,000, or £11 5s. 4d. per planted acre. The issued capital of the company was equal to about £44 13s. per planted acre, and therefore, after deduction of the surplus liquid assets, the net cost of the planted tea, rubber and cardamom areas, buildings, machinery and equipment stood at less than £33 10s. per acre—a record low net cost per acre for this company.

The profit on tea amounted to £201,569 and was equal to £9 7s. 5d. per mature acre. On rubber the profits amounted to £114,567, equal to £5 10s. 3d. per mature acre. An interim dividend of 4 per cent. had been paid, and the proposed final dividend of 6 per cent. would make 10 per cent. for the year.

For the current year they had budgeted to produce about 10,990,000 lbs. of tea and 6,335,000 lbs. of rubber. The major part of the exportable tea crop to December 31, 1940, had been sold at a reasonably remunerative price under contract with the Minister of Food.

Out of the current year's exportable rubber crop they had to deliver against forward sales 585 tons ex godown Colombo at 9½d. per lb., and they had forwarded sales for delivery January-December, 1941, of 600 tons ex godown Colombo at 9½d. per lb. They had also to deliver out of the current year's rubber crop about 600 tons sold forward without export licences for local consumption in India, and they had sold forward a further 90-120 tons for local delivery January-June, 1941, on similar terms.

Having regard to the war, reliable forecasts of profits were impossible, but as far as he could judge at present, the results for the current year would not prove unsatisfactory to the shareholders.

The report was unanimously adopted.

THE ECONOMIST SENSITIVE PRICE INDEX

(1935 = 100)

	Oct. 31, 1940	Nov. 1, 1940	Nov. 4, 1940	Nov. 5, 1940	Nov. 6, 1940
Crops	101.9	102.2	101.7	102.1	101.0
Raw materials	165.7	165.7	165.7	165.5	165.6
Complete Index	130.0	130.1	129.8	130.0	129.3

	Mar. 31, 1937	Aug. 31, 1939	Nov. 1, 1939	Oct. 7, 1940	Oct. 30, 1940
Crops	147.9	92.2	108.1	104.4	101.4
Raw materials	207.3	122.9	130.6	165.7	165.7
Complete Index	175.1	106.4	118.8	131.6	129.7

* Highest level reached during the 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A.

(1927 = 100)

	Mar. 31, 1937	Aug. 31, 1939	Oct. 1, 1939	Oct. 22, 1940	Nov. 5, 1940
The Economist Index (U.K.)	93.0	66.9	80.9	96.2	96.0
Cereals and meat	70.4	61.1	78.2	84.3	84.8
Other foods	74.2	54.3	68.1	87.7	86.5
Textiles	113.2	95.4	99.9	120.9	127.5
Minerals	87.0	77.6	90.5	105.6	105.5
Miscellaneous	...	...	...	...	...
Complete Index	87.2	70.3	83.3	98.9	99.7

1913 = 100

	119.9	96.8	114.6	136.2	137.3
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Irving-Fisher Index (U.S.A.)

* This figure is the last available; it relates to September 7th.

† Highest level reached during the 1932-7 recovery.

GOVERNMENT RETURNS

For the week ended November 2, 1940, total ordinary revenue was £30,497,000, against ordinary expenditure of £104,684,000 and issues to sinking funds of £145,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,441,821,000, against £415,437,000 (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 Nov. 4, 1939	Apr. 1, 1940, to Nov. 2, 1940	Week ended Nov. 4, 1939	Week ended Nov. 2, 1940
ORDINARY REVENUE					
Income Tax	510,500	75,725	135,379	9,734	7,887
Sur-tax	83,000	10,380	14,510	350	1,260
Estate, etc.	86,100	47,030	47,686	1,720	2,330
Duties	19,000	10,080	8,009	...	480
Stamps	19,000	10,080	8,009	...	480
N.D.C.	70,000	14,920	12,647	610	260
E.P.T.	...	...	32,347	...	2,775
Other Inland Revenue	1,000	430	240	10	...
Total In. Rev.	769,600	158,565	250,817	12,424	14,992
Customs	309,350	160,584	175,689	4,556	5,034
Excise	213,550	75,164	104,301	1,308	1,057
Total Customs and Excise	522,900	235,748	279,990	5,864	15,606
Motor Duties P.O. (Net Receipts)	13,291	5,104	8,150	900	D7700
Crown Lands	1,150	870	650	...	...
Sundry Loans	5,000	3,529	787	...	...
Mis. Receipts	13,250	10,089	14,748	347	18
Total Ordinary Revenue	1,360,191	423,221	566,321	20,340	30,497
SELF-BAL. Post Office and Broadcasting	86,222	46,146	47,550	1,300	2,100
Total	1,446,413	469,367	613,871	21,640	32,597

Expenditure	Estimate, 1940-41	Issues out of the Exchequer to meet payments (£ thousands)			
		Apr. 1, 1939, to Nov. 4, 1939	Apr. 1, 1940, to Nov. 2, 1940	Week ended Nov. 4, 1939	Week ended Nov. 2, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	151,787	158,593	14,105	15,329
Payments to N. Ireland	9,400	4,606	4,343	346	...
Other Cons. Fund Serv.	7,600	3,773	3,703	90	261
Total	247,000	160,166	166,639	14,541	15,590
Supply Serv.	321,970	672,279	1,835,196	40,152	89,094
Total Ordinary Expenditure	346,670	832,445	2,001,835	54,693	104,684
SELF-BAL. Post Office and Broadcasting	86,222	46,146	47,550	1,300	2,100
Total	355,301	878,591	2,049,385	55,993	106,784

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £179,079 to £3,220,416, the other operations for the week (no longer shown separately) raised the gross National Debt by £74,853,000 to about £10,388 millions.

OTHER ISSUES AND RECEIPTS

Other Issues (Net)	Other Receipts (Net)	Total	
		£ thousands	£ thousands
P.O. and Telegraphs	...	...	120
Anglo-Turkish Agm.	...	...	...
Overseas Tde. Guar.	...	...	...

* 49 weeks. † 20 weeks.

Interest free loans received by the Treasury up to November 5th amounted to 9,970, of a total value of £22,086,913. From the beginning of the campaign up to October 26th, principal of Savings Certificates to the amount of £23,622,000 has been repaid.

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AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to November 2, 1940, are:—

Ordinary Exp.	2,001,835	Ord. Revenue	566,321
Misc. Iss. (net)	6,828	Gross. borr.	1,449,475
Inc. in balances	826	Less—	...
		Sinking fds.	6,307
		Net borrowing	1,443,168
	2,009,489		2,009,489

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1939 Nov. 4	580.0	706.6	59.0	...	...	1345.6
Aug. 3	831.0	...	...	...	...	...
" 10	836.0	...	...	...	...	...
" 17	836.0	...	...	...	...	...
" 24	836.0	...	...	...	...	...
" 31	836.0	1042.6	60.7	...	30.0	1969.3
Sept. 7	836.0	...	...	...	...	...
" 14	836.0	...	...	...	...	...
" 21	836.0	...	...	...	...	...
" 28	836.0	1085.1	91.5	...	124.0	2136.7
Oct. 5	836.0	...	...	...	...	...
" 12	836.0	...	...	...	...	...
" 19	836.0	...	...	...	...	...
" 26	840.0	1145.9	69.0	7.7	199.5	2262.2
Nov. 2	845.0	...	...	...	...	...

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939 Nov. 3	55.0	102.6	55.0	23	4.39
1940 July 26	65.0	125.8	60.0	20	4.44
Aug. 2	65.0	122.1	65.0	20	4.86
" 9	65.0	116.5	65.0	20	4.62
" 16	65.0	116.5	65.0	20	5.21
" 23	65.0	109.7	65.0	20	5.63
" 30	65.0	134.9	65.0	20	6.31
Sept. 6	65.0	125.8	65.0	20	7.01
" 13	65.0	124.7	65.0	20	6.72
" 20	65.0	123.5	65.0	20	7.06
" 27	65.0	131.9	65.0	20	6.33
Oct. 4	65.0	122.0	65.0	20	4.63
" 11	65.0	122.0	65.0	20	4.60
" 18	65.0	129.8	65.0	20	4.61
" 25	65.0	135.3	65.0	20	4.41
Nov. 1	65.0	147.3	65.0	20	4.11

On November 1st 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 25 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 November 8th. For the week ended November 9th the banks will be asked for Treasury deposits to the maximum amount of £20.0 millions.

NATIONAL SAVINGS CERTIFICATES AND

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, of June 15th; Java, Egypt, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 5th; Melic Iran, New Zealand and South Africa, of October 19th; International Settlements, Estonia, Portugal, Roumania and Sweden, of October 26th; U.S. Reporting Member Banks, Japan, Lithuania, and Canada, of November 2nd.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Nov.	Oct.	Oct.	Oct.
12 U.S.F.R. BANKS	2,185	2,185	2,185	2,185
RESOURCES				
Gold certifs. on hand	14,839	14,839	14,839	14,839
and due from Treas.	14,839	14,839	14,839	14,839
Total reserves	15,188	15,188	15,188	15,188
Total cash reserves	310	310	310	310
Total U.S. Govt. aces.	2,721	2,721	2,721	2,721
Total bills and sec.	2,739	2,739	2,739	2,739
Total resources	18,777	18,777	18,777	18,777
LIABILITIES				
F.R. notes in circ.	4,781	5,508	5,520	5,549
Excess m. bank res.	54	6,870	6,940	6,930
Mr. bank reserve dep.	11,814	14,016	14,148	14,177
Govt. deposits	319	463	383	376
Total deposits	12,953	16,139	16,131	16,212
Total liabilities	18,777	22,999	22,755	22,853
Reserve ratio	85.6%	89.7%	90.1%	90.2%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	17,099	21,373	21,428	21,499
Treas. & bk. currency	2,932	3,052	3,055	3,056
LIABILITIES				
Money in circulation	7,352	8,229	8,236	8,265
Treas. cash and dep.	2,599	2,731	2,615	2,563

CENTRAL BANK OF ARGENTINA

Million paper pesos

	Sept. 30, 1939	Aug. 31, 1940	Sept. 30, 1940	Sept. 30, 1941
ASSETS				
Gold at home	1,321	1,220	1,199	1,170
Other gold & for. exch.	135	130	128	133
Non-int. Govt. bond	119	119	119	119
Treasury bonds	906	995	995	995
LIABILITIES				
Notes in circulation	1,163	1,202	1,133	1,175
Deposits: Government	93	173	181	190
Banks	497	583	573	563
Certs. of participation	119	123	180	170
Reserve ratio	77.1%	77.6%	78.2%	78.1%

NATIONAL BANK OF JUGOSLAVIA

Million dinar

	Aug. 22, 1939	Aug. 8, 1940	Aug. 15, 1940	Aug. 22, 1940
ASSETS				
Gold	1,923	2,302	2,302	2,319
Other foreign exchange	506	480	514	532
Discounts and advances	1,835	1,773	1,773	1,685
Gov. adv. and credits	2,230	3,073	3,073	3,073
Def. bonds discounted	...	4,227	4,294	4,565
LIABILITIES				
Notes in circulation	7,316	12,122	12,049	11,948
Sight liabilities	1,985	2,094	2,162	2,482

RESERVE BANK OF INDIA

Million rupees

	Oct. 27, 1939	Oct. 11, 1940	Oct. 18, 1940	Oct. 25, 1940
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	720	714	714	714
Balances abroad	142	373	378	382
Sterling securities	715	1,315	1,315	1,315
Indian Gov. rupee sec.	373	496	496	496
Investments	66	81	79	80
LIABILITIES				
Notes in circ.: India	2,003	2,233	2,192	2,173
Burma	100	119	116	114
Deposits: Govts.	131	141	141	157
Banks	197	451	493	513
Reserve ratio	52.0%	68.5%	68.5%	68.4%

NATIONAL BANK OF BULGARIA

Million levas

	July 31, 1939	July 7, 1940	July 15, 1940	July 31, 1940
ASSETS				
Gold holdings	2,006	2,006	2,006	2,006
Balances abroad, etc.	804	1,516	1,177	1,216
Discounts and advances	941	1,756	1,743	1,575
Advances to Treasury	3,417	3,373	3,373	3,373
LIABILITIES				
Notes in circulation	3,038	4,814	4,790	4,620
Sight liab. and deposits	3,117	3,110	3,119	3,369
Cover	33.0%	25.8%	25.9%	28.1%

NATIONAL BANK OF HUNGARY

Million pengos

	Aug. 23, 1939	July 15, 1940	Aug. 23, 1940	Aug. 23, 1940
ASSETS				
Metal reserve:				
Gold coin and bullion	1939	1940	1940	1940
Foreign exchange	124.1	124.1	124.1	124.1
Int. bills, wts., & sec.	454.2	676.3	698.7	710.3
Advances to Treasury	297.7	337.1	336.5	336.5
LIABILITIES				
Notes in circulation	843.1	1099.7	1109.6	1087.4
Sight liabilities	200.4	151.8	141.7	170.0
Cash certificates	99.0	93.5	86.8	86.8

CENTRAL BANK OF TURKEY

Million Turkish pounds

	Aug. 19, 1939	Aug. 3, 1940	Aug. 10, 1940	Aug. 17, 1940
ASSETS				
Gold	36.9	107.9	107.9	107.9
Clearing and other exch.	3.7	20.4	20.0	18.6
Treasury bonds	141.5	139.4	139.4	139.4
Commercial bills	136.3	263.4	260.2	257.3
Securities	51.6	56.2	56.1	56.1
Advances	13.9	42.3	46.0	48.9
LIABILITIES				
Notes in circulation	229.5	359.9	359.9	359.9
Deposits	33.2	141.1	140.1	143.3
Clearing & other exch.	39.4	27.8	28.3	28.1

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates were fixed by the Bank of England between October 31st and November 6th. (Figures in brackets are par of exchange.)

U.S. \$ (4.8625) 4.0212-0314; mail transfers, 4.0212-0314. Can. \$ (4.8625) 4.43-47; mail transfers, 4.43-47. Sw. fcs. (25.22) 17.30-40. 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. 17612-34. Portuguese Esc. (110), 99.80-100.20. Panama, \$4.02-04; mail transfers, 4.02-0414. Philippine (peso), 8.09-12; mail transfers, 8.09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 3 cent. pm.-par. Canada, 1/2 cent. pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia, 1 1/2 cents pm.-par.

MARKET RATES

London on	Par of Exchange per £	Oct. 31, 1940	Nov. 1, 1940	Nov. 2, 1940	Nov. 4, 1940	Nov. 5, 1940	Nov. 6, 1940
Budapest, Pen.	27.82	1915*	1915*	1915*	1915*	1915*	1915*
Belgrade, Din.	276.32	155*	155*	155*	155*	155*	155*
Sofia, Lev	673.66	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Helsinki, Mk	193.23	315*	315*	315*	315*	315*	315*
Alexandria, Pst	9712	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pt.	25.2212	3714*	3714*	3714*	3714*	3714*	3714*
Istanbul, LT	110	40.50(b)	40.50(b)	40.50(b)	40.50(b)	40.50(b)	40.50(b)
Athens, Dr.	375	46.55(c)	46.55(c)	46.55(c)	46.55(c)	46.55(c)	46.55(c)
Bucharest, Lei	813.8	510*	510*	510*	510*	510*	510*
India, Rup.	118d.	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Kobe, Yen	24.58d.	515*	515*	515*	515*	515*	515*
Hongkong, \$.	15.899d.	800†	800†	800†	800†	800†	800†
Rio, Mil.	40	171516	171516	171516	171516	171516	171516
Valparaiso, Pes.	17.38	171516	171516	171516	171516	171516	171516
Lima, Sol. (s.)	40	171516	171516	171516	171516	171516	171516
Montevideo, \$.	51d.	171516	171516	171516	171516	171516	171516
Singapore, \$.	28d.	171516	171516	171516	171516	171516	171516
Batavia, \$.	...	171516	171516	171516	171516	171516	171516
Bogota, Pes.	...	171516	171516	171516	171516	171516	171516

* 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. (d) Special account.
(e) 90 days. (f) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Nov. 4, 1939	Nov. 2, 1940	Aggregate January 1 to Nov. 2, 1940	Week ended Nov. 4, 1939	Nov. 2, 1940	Aggregate January 1 to Nov. 2, 1940
Working days —	6	6	260	261	6	6
Birmingham	2,720	2,028	99,937	95,739	1,679	980
Bradford	1,071	2,895	39,200	76,172	530	502
Bristol	1,432	1,763	59,870	80,137	1,373	818
Hull	996	667	34,073	32,549	10 Towns	28,894
Leicester	881	1,185	31,089	33,153	27,593	102,870
Liverpool	5,505	4,295	215,913	244,019	102,870	115,720
Manchester	12,707	12,460	419,969	492,091	267,133	265,674
					91	2,463

† Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between Oct. 31st and Nov. 6th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1 1/2%; 3 months, 1 1/2%; 4 months, 1 1/2%; 6 months, 1 1/2%; Treasury bills: 2 months, 1 1/2%; 3 months, 1 1/2%; Day-to-day money, 3/4-1 1/4%. Short loans, 1-1 1/4%. Bank deposit rates, 2%. Discount deposits at call, 1/2%; at notice, 3/4%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

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

Date	Cash	Two Months	Date	Cash	Two Months
Nov. 1	23 1/2	23 1/8	Nov. 5	23 1/8	23 5/16
" 4	23 1/8	23 3/8	" 6	23 3/8	23 5/16

NEW YORK EXCHANGE RATES

New York on	Oct. 30, 1940	Oct. 31, 1940	Nov. 1, 1940	Nov. 2, 1940	Nov. 4, 1940	Nov. 5, 1940
London: —						
Cable	403 3/4	403 3/4	403 3/4	403 3/4	403 3/4	403 3/4
Switzerland, Fr.	23.22	23.22	23.22	23.22	23.22	23.22
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.	23.85	23.85	23.85	23.85	23.85	23.85
Montreal, Can. \$.	86.680	86.810	86.810	86.810	86.810	86.810
Japan, Yen	23.45	23.45	23.45	23.45	23.45	23.45
Shanghai, \$.	6.17	6.17	6.17	6.17	6.17	6.17
B. Aires, Pao. (mk. rate)	23.25	23.30	23.35	23.35	23.35	23.35
Brazil, Milreis	5.05	5.05	5.05	5.05	5.05	5.05

† Official buying rate 29.78. (b) Offered. (c) Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribution	Appropriation					Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
Breweries													
Cairnes, Ltd.	Aug. 31	138,595	2,000	6,955	15,550	3,802	2,391	4	...	+ 762	126,516	7,146	4
Higson's Brewery	Sept. 30	135,965	...	85,202	111,678	27,500	36,000	8	...	+ 21,702	109,715	73,703	8
Hodgson's Kingston Bwy.	Sept. 30	88,192	...	15,563	89,472	...	29,122	15	5,000	- 18,559	89,937	52,512	15
Longmore (Wm.) & Co.	Sept. 30	4,480	...	4,480	14,019	...	5,119	50	...	- 639	6,092	50	50
Rochdale and Manor	Sept. 30	15,609	892	4,691	16,585	1,932	1,509	2½	...	+ 1,250	14,012	3,675	2½
Financial Land, etc.													
Balkis, Ltd.	Aug. 31	8,724	...	4,214	6,915	3,364	672	5	...	- 178	9,051	5,261	5
Borneo Company	Mar. 31	132,271	14,762	77,509	110,839	60,284	13,814	4	...	- 3,411	43,445	22,667	Nil
Tecka (Argentina) Land	June 30	82,585	...	20,725	37,450	...	16,000	8	4,000	+ 725	49,859	11,233	6
Iron, Coal and Steel													
Fairfield Shipbuilding Co.	June 30	123,115	...	105,528	150,425	15,000	8,625	6	100,000	- 18,097	286,609	264,659	Nil
Osborn (Samuel) & Co.	July 31	73,193	...	73,193	156,821	7,183	25,685	15	...	+ 40,325	75,798	75,798	15
Rubber													
Batu Rata (Sumatra)	June 30	26,860	...	11,187	14,826	...	11,250	7½	...	- 63	12,374	5,059	3
Central Sumatra	June 30	13,453	2,000	6,230	15,100	248	5,807	6	...	+ 175	9,132	4,988	5
Trusts													
Cedar Investment	Sept. 30	41,382	...	25,207	49,579	6,323	13,219	5	...	+ 5,665	46,137	28,455	5
Colonial & Gen. Invest.	Sept. 30	13,608	...	7,061	15,063	5,156	...	...	5,000	- 3,095	12,602	7,223	Nil
Phœnix Investment	Sept. 30	28,306	...	10,000	27,236	7,906	3,000	2	...	- 906	30,661	10,155	2
Other Companies													
Birkett (T. M.) and Sons	July 31	40,182	1,794	12,614	24,764	...	7,650	15	...	+ 4,964	18,616	12,423	10
Carroll (P. T.) and Co.	Aug. 31	68,004	...	41,005	72,812	16,900	14,788	7	10,000	- 683	71,679	49,179	7
Cochran & Co., Annan	June 30	61,875	7,464	7,264	7,882	...	7,272	5†	...	- 8	53,621	15,005	7½†
Herrburger Brooks	June 30	32,918	3,716	8,678	35,354	...	6,244	3	...	+ 2,434	31,260	10,813	5
Imperial Smelting Corp.	June 30	280,640	...	268,465	326,012	186,282	88,811	3½	...	+ 6,628	106,658	100,930	Nil
Maroc, Ltd.	July 31	28,126	1,243	16,147	26,640	...	13,751	40	...	+ 2,396	16,343	6,918	20
Midland Tar Distillers	June 30	92,916	12,599	22,744	49,633	5,536†	10,974	5	...	+ 6,234	59,858	8,715	Nil
North of Scotland Milling	Sept. 30	12,256	210	3,256	4,033	...	1,798	15	1,000	- 458	1,712	1,712	10
S.G.B. (Dudley)	June 30	6,573	1,500	Dr. 15,277	2,735	5,400	...	...	Dr. 7,500	- 13,177	27,739	...	5
Thompson Bros. (Bilston)	July 31	158,952	5,788	37,568	51,301	624	12,097	22½	25,000	- 153	55,737	33,806	20
Wallis Tin Stamping	June 30	30,409	...	15,061	20,894	1,976	6,936	20	...	+ 6,149	21,285	15,801	20
Wright Saddle Co.	Aug. 31	23,791	1,299	7,833	9,535	...	4,437	15	3,250	+ 96	12,310	8,068	15
Totals (£'000's):													
Week to Nov. 9, 1940	No. of Cos. 27	1,763	55	883	1,466	353	347	...	146	+ 35	1,399	858	...
Jan. 1 to Nov. 9, 1940	1,858	352,829	28,147	186,496	266,333	42,401	113,507	...	22,142	+ 8,446	325,462	194,895	...

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks. Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to Nov. 5, 1940		Name of Security	Price, Nov. 5, 1940	Ch'ge since Oct. 30	Yield Nov. 5, 1940	Last two Dividends			Name of Security	Price, Nov. 5, 1940	Ch'ge since Oct. 30	Yield Nov. 5, 1940
High	Low	High	Low					(a)	(b)	(c)				
British Funds														
71 1/2	61	76 1/2	68 1/2	Consols 2 1/2%	75 1/2	1/2	4 1/2	20/-	10	12 1/2	Iron, Coal, &c. cont.	27 1/2	1/2	4 1/2
107 1/2	98	107 1/2	103 1/2	Do. 4% (alt. 1957) ..	110 1/2	1/2	3 1/2	34/6	20/-	10	St. Dunstan Ord. £1	27 1/2	1/2	4 1/2
96 1/2	90 1/2	98 1/2	95 1/2	Conv. 2 1/2% 1943-45 ..	98 1/2	1/2	2 1/2	47/6	26/-	12 1/2	Staveley Coal, etc. £1	27 1/2	1/2	4 1/2
99 1/2	92 1/2	100 1/2	97 1/2	Do. 2 1/2% 1944-49 ..	99 1/2	1/2	2 1/2	39/-	17/6	10 1/2	Stewarts & Lloyds £1	27 1/2	1/2	4 1/2
99 1/2	87	102 1/2	94	Do. 3 1/2% after 1961 ..	102 1/2	1/2	2 1/2	24/3	11/6	2 1/2	Swan, Hunter £1	27 1/2	1/2	4 1/2
112 1/2	103 1/2	112	107 1/2	Do. 5% 1944-64 ..	107 1/2	1/2	2 1/2	21/10 1/2	9/6	6	Un. Steel Cos. Ord. £1	27 1/2	1/2	4 1/2
87 1/2	79 1/2	87 1/2	82 1/2	Fund. 2 1/2% 1956-61 ..	91 1/2	1/2	3 1/2	8/10 1/2	2/6	Nil	Vickers 10/-	27 1/2	1/2	4 1/2
93 1/2	87 1/2	98 1/2	86 1/2	Fund. 2 1/2% 1952-57 ..	98 1/2	1/2	2 1/2	8/10 1/2	2/6	Nil	Brit. Celanese 10/-	27 1/2	1/2	4 1/2
95 1/2	87 1/2	99 1/2	95	Fund. 3% 1959-69 ..	98 1/2	1/2	2 1/2	38/6	21/3	5	Coats, J. & P. £1	27 1/2	1/2	4 1/2
109 1/2	100 1/2	109 1/2	105 1/2	Fund. 3% 1960-90 ..	109 1/2	1/2	2 1/2	39/10 1/2	20/3	7	Crompton Corp. £1	27 1/2	1/2	4 1/2
99 1/2	94 1/2	102	98 1/2	Nat. D. 2 1/2% 1944-48 ..	102	1/2	2 1/2	35/9	20/10 1/2	5	English Sew. Cr. £1	27 1/2	1/2	4 1/2
96 1/2	91 1/2	101 1/2	95 1/2	Do. 3% 1954-58 ..	101 1/2	1/2	2 1/2	24/4 1/2	11/9	Nil	Lanc. Cotton Corp. £1	27 1/2	1/2	4 1/2
108 1/2	102	108 1/2	105 1/2	War Bds. 2 1/2% 1945-47 ..	108 1/2	1/2	2 1/2	61/3	42/6	10	Patons & Baldwins £1	27 1/2	1/2	4 1/2
98 1/2	93 1/2	100 1/2	98 1/2	Victory Bonds 4% ..	100 1/2	1/2	2 1/2	3 1/2	4/7	43/11 1/2	Electrical Manufact.	27 1/2	1/2	4 1/2
98 1/2	93 1/2	100 1/2	98 1/2	War L. 3% 1955-59 ..	100 1/2	1/2	2 1/2	2 1/2	16/9	10	Associated Elec. £1	27 1/2	1/2	4 1/2
98 1/2	93 1/2	100 1/2	98 1/2	Local Loans 8 1/2% ..	100 1/2	1/2	2 1/2	9/6	46/3	10	County of London £1	27 1/2	1/2	4 1/2
98 1/2	93 1/2	100 1/2	98 1/2	Austria 3% 1933-53 ..	98 1/2	1/2	2 1/2	69/2	46/3	10	Edmundsons £1	27 1/2	1/2	4 1/2
98 1/2	93 1/2	100 1/2	98 1/2	India 2 1/2% ..	98 1/2	1/2	2 1/2	20/-	11/6	12 1/2	Gas Light & C. £1	27 1/2	1/2	4 1/2
98 1/2	93 1/2	100 1/2	98 1/2	Do. 3 1/2% ..	98 1/2	1/2	2 1/2	33/9	16/3	10	Imp. Cont. Gas Stk. £1	27 1/2	1/2	4 1/2
115 1/2	104 1/2	115	105 1/2	Do. 4 1/2% 1958-68 ..	110	1/2	2 1/2	83/-	52/6	20	Lancashire Elec. £1	27 1/2	1/2	4 1/2
106 1/2	95	107 1/2	101	Dorm. & Col. Govts.	105 1/2	1/2	2 1/2	38/3	23/6	5	North-East Elec. £1	27 1/2	1/2	4 1/2
112 1/2	103	110 1/2	106	Austria 5% 1950-60 ..	108	1/2	2 1/2	42/6	20/6	3	Scottish Power £1	27 1/2	1/2	4 1/2
103 1/2	92	105 1/2	100	N. Zealand 5% 1946 ..	103 1/2	1/2	2 1/2	17/6	7/6	30	Yorkshire Electric £1	27 1/2	1/2	4 1/2
110	102	108 1/2	103	S. Africa 5% 1945-75 ..	107 1/2	1/2	2 1/2	16/4 1/2	6/-	4	Motor, Cycle and	27 1/2	1/2	4 1/2
111 1/2	104	110 1/2	104	Corporation Stocks	105	1/2	2 1/2	36/3 1/2	17/3	12 1/2	Aircraft	27 1/2	1/2	4 1/2
81 1/2	72	85	78	Birham 5% 1946-56 ..	82	1/2	2 1/2	16/4 1/2	6/-	4	Bristol Aero. 10/-	27 1/2	1/2	4 1/2
93 1/2	86 1/2	94 1/2	87 1/2	L.C.C. 3% ..	90	1/2	2 1/2	16/4 1/2	6/-	4	De Havilland Air. £1	27 1/2	1/2	4 1/2
102 1/2	95	104	97	Liverpool 3% 1954-60 ..	102	1/2	2 1/2	16/4 1/2	6/-	4	Fairley Aviation 10/-	27 1/2	1/2	4 1/2
91 1/2	73 1/2	92 1/2	71	Mid. 3% 1957-62 ..	90	1/2	2 1/2	16/4 1/2	6/-	4	Ford Motors £1	27 1/2	1/2	4 1/2
65 1/2	34	58 1/2	22	Foreign Governments	80	1/2	2 1/2	16/4 1/2	6/-	4	Hawker Siddeley (5/-)	27 1/2	1/2	4 1/2
95	50	64	25	Argen. 4 1/2% Stg. Bds.	28	1/2	2 1/2	16/4 1/2	6/-	4	Lucas, J. (1) £1	27 1/2	1/2	4 1/2
23 1/2	6 1/2	35 1/2	20	Austria 4 1/2% 1934-59 ..	27 1/2	1/2	2 1/2	16/4 1/2	6/-	4	Lucas, J. (2) £1	27 1/2	1/2	4 1/2
19	6 1/2	23	9	Belgian 4% (36) 1970 ..	11	1/2	2 1/2	16/4 1/2	6/-	4	Morris Motors 5/- Ord.	27 1/2	1/2	4 1/2
55 1/2	23 1/2	45 1/2	12	Brazil 5% Pd. 1914 ..	19	1/2	2 1/2	16/4 1/2	6/-	4	Rolls-Royce £1	27 1/2	1/2	4 1/2
72	30	63	25	Chile 6% (1929) ..	19	1/2	2 1/2	16/4 1/2	6/-	4	Standard Motor 5/-	27 1/2	1/2	4 1/2
86 1/2	58	79 1/2	50 1/2	Czechoslovakia 8% ..	66	1/2	2 1/2	16/4 1/2	6/-	4	Shipping	27 1/2	1/2	4 1/2
12 1/2	9	10 1/2	8	Egypt Unified 4% ..	5	1/2	2 1/2	16/4 1/2	6/-	4	Furness, Withy £1	27 1/2	1/2	4 1/2
44	4	7 1/2	4 1/2	French 4% (British) ..	5	1/2	2 1/2	16/4 1/2	6/-	4	P. & O. Def. £1	27 1/2	1/2	4 1/2
33 1/2	3	6 1/2	2	German Dawes 5% ..	2	1/2	2 1/2	16/4 1/2	6/-	4	Royal Mail Lines £1	27 1/2	1/2	4 1/2
30	15	24 1/2	12 1/2	Do. Young Ln. 4 1/2% ..	2	1/2	2 1/2	16/4 1/2	6/-	4	Union Castle Ord. £1	27 1/2	1/2	4 1/2
35 1/2	15	25	10 1/2	Greek 6% Stab. Ln. ..	13 1/2	1/2	2 1/2	16/4 1/2	6/-	4	Tea and Rubber	27 1/2	1/2	4 1/2
61 1/2	33	65	44	Hungary 7% ..	13 1/2	1/2	2 1/2	16/4 1/2	6/-	4	Allied Sumatra £1	27 1/2	1/2	4 1/2
				Japan 5 1/2% 1930 ..	13 1/2	1/2	2 1/2	16/4 1/2	6/-	4	Anglo-Dutch £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Apex (Trinidad) 5/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Burmah Oil £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Shell Transport £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Trinidad Leaseholds £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Miscellaneous	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Assoc. P. Cement £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Barker (John) £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Barker Pure Drug 5/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Brit. Aluminium £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Brit. Amer. Tob. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Brit. Oxygen £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Brockhouse (J.) £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Cable & Wire Hdg. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Carriera 'A' Ord. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Dunlop £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Electric & Mus. Ind. 10/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Ever Ready Co. 5/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Gallagher Ltd. Ord. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Getstetter (D.) 5/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Harrison & Cros. Def. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Harrods £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Imp. Chem. Ord. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Imp. Smelting £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Inter. Tobacco £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Int. Nickel n.p. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Lever & Unilever £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	London Brick £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Lyons (J.) Ord. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Marks & Spen. 'A' 5/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Metal Box £1	27 1/2	1/2	4 1/2
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								16/4 1/2	6/-	4	Ranks Ord. 5/-	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Spillers Ord. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Tate and Lyle £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Tilling, Thos. £1	27 1/2	1/2	4 1/2
								16/4 1/2	6/-	4	Triplex Safety G.			

Shorter Comments

This Week's Company Results.—Brewery results this week make rather a mixed showing, but in all cases the previous year's dividend is maintained. CAIRNES, LTD. is paying 4 per cent., as before, on a higher gross profit of £138,595 against £126,516. With higher excise duty and running expenses, net earnings, however, declined from £7,146 to £6,955. HIGSON'S BREWERY realised a rise in both gross and net income from £109,715 to £135,965 and from £73,703 to £85,202 respectively. A dividend of 8 per cent. is paid as in the previous year. The BORNEO COMPANY is paying 4 per cent. against nil on the basis of a satisfactory rise in gross earnings from £43,445 to £132,271, due mainly to larger releases and higher prices for tin and rubber. Net profits improved from £22,667 to £77,509. Despite a slight rise in the gross profits of HERR BURGER BROOKS, pianoforte specialists, from £31,260 to £32,918, higher costs have reduced net earnings from £10,813 to £8,678, and the dividend is cut from 5 to 3 per cent. MIDLAND TAR DISTILLERIES are paying 5 per cent. against nil. The company has realised a satisfactory improvement in both gross and net earnings from £59,858 to £92,916, and from £8,715 to £22,744. The engineering firm, THOMPSON BROS. (BILSTON), has earned a notable rise in gross income from £55,777 to £158,952. A rise in tax liability from £17,652 to £115,266 permits, however, only a moderate rise in net profits from £33,806 to £37,568. The ordinary distribution is raised from 20 to 22½ per cent. The accounts of S.G.B. (DUDLEY), makers of glazed tiles, show a disappointing fall in gross earnings from £27,739 to £6,573, while a net profit of £16,489 is replaced by a net loss of £15,277. No dividend is to be paid against 5 per cent.

MISCELLANEOUS

Horden Collieries.—Profit on collieries, etc., year to September 30th, £322,963 (£265,807); income from investments, etc., £90,176 (£87,879); taxation absorbs £170,000, and contingencies reserve £20,000, against a combined sum of £95,000; depreciation again absorbs £45,000; net profit, £173,639 (£138,092); ordinary dividend reduced from 10 to 7½ per cent.; debenture interest, £59,338; carry-forward, £79,233 (£77,431).

Maroc, Ltd.—Operating revenue, year to July 31st, £25,890 (£13,769); net profit, £17,430 (£6,918); ordinary dividend 40 per cent. (20 per cent.); carry-forward, £12,879 (£10,493).

Borneo Company.—Net profit, year to March 31st, £112,509 (£24,667); taxation, £35,000; preference dividend arrears require £60,284; ordinary dividend (first since 1930-31) 4 per cent.; carry-forward, £36,741 (£33,330).

Strand Hotels, Ltd.—Trading profit, year to September 30th, £56,000 (£83,000); Preference dividends to be met but no final distribution to follow interim of 2½ per cent. on participating preferred ordinary. (Total dividend year to September 30, 1939, 7 per cent.)

Higson's Brewery.—Net profit, year to September 30th, £135,965 (£109,714); ordinary dividend maintained at 8 per cent.

Cochran and Company (Annan).—Profit, year to June 30th, before taxation, £61,875 (£53,621); ordinary dividend 5 per cent. tax free, against 7½ per cent. tax free; to reserve, nil (£5,000); carry-forward, £610 (£618).

Yarrow and Company.—Net profit, year to June 30, 1940, £67,137 (£65,642); ordinary dividend and bonus 17½ per cent., tax free, against 20 per cent. tax

free; to reserve, £35,000 (£35,000); carry-forward, £33,921 (£28,034).

Thompson Brothers (Bilston).—Trading profit, year to July 31, 1940, £158,952 (£55,777); taxation provision, £115,267 (£17,652); net profit, £37,568 (£33,806); to reserve, £25,000 (£15,000); dividend and bonus 22½ per cent., against 20 per cent.; carry-forward, £13,581 (£13,733).

Reardon Smith Line, Ltd.—Total profits, year to March 31, 1940, £206,836, before reserving £40,000 for taxation. Total profits for previous year, £199,981, after an undisclosed amount for taxation. Book value of fleet has been written down by £229,381, which includes £206,979 received in respect of tonnage lost. The insurance reserve has been increased by £10,000, and the general reserve by £50,000. Ordinary dividend maintained at 5 per cent. tax free. Balance forward, £23,650 (£18,407).

Mount Morgan Mining Company.—Revenue from all sources year to June 25, 1940, £989,815 (£878,219). Surplus, £219,704 (£92,652). Transfer to capital redemption reserve, £25,000 (£25,000). To special account, £1,386 (£3,831). Ordinary dividend, £58,700 (£29,349). To general reserve, £100,000 (nil). Balance forward, £144,422 (£130,207).

Jerusalem Electric and Public Service.—Accounts for year to March 31, 1940, show operating surplus and sundry receipts, £P76,507 (£P70,531). London administration and general expenses absorbed £P3,892 (£P4,011). Directors' fees, £P2,000 (same). Taxation, £P20,000 (£P12,500). General reserve, £P1,154 (£P7,500), making £P60,000. Capital amortisation fund, £P5,477 (same). Depreciation account £P19,200 (£P15,000). Preference dividend requires £P10,238. Ordinary dividend 7 per cent. (same). Forward, £P10,227 (£P5,744).

THE ECONOMIST

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The Industrial Army

THE Minister of Labour possesses the quality of optimism. The rate of war production in Germany, he is convinced, will be outstripped in this country within six months—"if we don't weaken"; and, despite the fact that he is "not actually in a position" to know the number of industrial trainees for war work in British factories, he is not ready to admit that the number in training in Germany is any greater. True, Mr Bevin, not once but many times, has pointed out that the limit of what can be achieved in output by overtime and a longer working week has been reached; and he has called for "keener willingness" by employers to train fresh workers. But it seems that he still does not fully realise that the limits of individual effort have been reached in the matter of training, too.

The facts about training in Germany are not so disputable as the Minister appears to believe. The Nazi Labour Front has 16,000 instructors and 200 training establishments. Armed with full powers, its commissioners visit factories regularly to enforce training and technical reorganisation to economise skill. Over a million workers have been retrained since the war started; and the Labour Service alone, which is available for urgent work, numbers more than half a million. Opinions may very well differ about the quality of the training given, but even if it is by the best standards poor, there is no question that we have nothing comparable to this programme in this country. In Germany, it has been recognised that a carefully planned reorganisation of the whole of industry on a national basis, with the intention of increasing productivity all round and of redirecting labour from unessential occupations into the war effort, is indispensable. The question is whether we have a similar plan; and it is not easy to give the answer in the affirmative.

It would, of course, be grossly wrong to suggest that no steps are being taken to reshape the nation's economy. The screw is being tightened to curtail non-essential industries, and the new limitations upon their output which have been decided, to take effect from this month, will in

many cases be drastic; events at sea make it necessary that they should be. The belief that only the great arms contractors and their satellites are capable of turning out arms and munitions is weakening; and the search for fresh factories and workshops capable of being turned over to war production is spreading. The pressure upon firms doing war work to instal trainees is growing. But the process is piecemeal and lopsided. The lesson that non-essential manufactures must not be allowed to use up essential materials or needless imports has been roughly learned. The lesson that factories and machine tools must be brought in to do war work wherever possible is dawning. But the lesson that labour must be released for training, in step with the economising of materials and the enlistment of plant, has scarcely been seen.

Mr Bevin has even consulted with the President of the Board of Trade with a view to mitigating the effects of the Limitation of Supplies Order on employment. Whereas the object of this Order should be to set free as many workers as possible for retraining, means are apparently being sought to release as few as possible, and to limit its consequences to the saving of materials and shipping space, but not of man-power. It is unemployment that Mr Bevin is afraid of, for registered unemployment still exceeds 800,000; and the net result must be to keep as many workers as possible busy in non-essential occupations, and to man all the necessary civilian industries as expensively as can be contrived. It is obvious that the principle which should be recognised is that production in all these industries should be concentrated in the most efficient plants; and this principle is meaningless unless it carries the corollary that production must be carried on with the smallest possible labour force. The fear of unemployment arises from the absence of ways to absorb the unemployed, and that in turn arises simply from the lack of facilities to retrain the millions of men and women without whose work the gigantic war effort to which we are ostensibly dedicated is doomed to frustration.

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In making the fullest use of men, materials and machinery for war purpose, the work can be brought to the workers or the workers to the work. That is to say, either suitable industrial establishments can be converted as they stand, with their existing staff, into war factories; or their staffs can be taken away, trained and set to work elsewhere. The former course is easier and quicker, and a very great deal more remains to be done in this direction, by turning over small factories, garages, railway shops and the like to war production. None of the acuter problems of transfer arise, and failure to perform this sort of change-over to the full means an inexcusable waste of capacity and skill. But it is quite wrong to imagine that these two methods of increasing output are alternative and mutually exclusive. The tendency to oppose the large-scale transfer and retraining of labour on the ground that existing capacity is not fully used is dangerous, for it fails to appreciate the scale of the problem. When every inch of available capacity has been used, and when every skilled man has been set to work exclusively on work of national importance, the need for fresh labour for the war effort will still be enormous. If the intention is, in Mr Churchill's words, to "do our best," the need will run into millions.

Without the enlistment of a great new industrial army in the factories, we cannot have a large, accomplished and equipped army in the field. When the Ministry of Labour raises the age of reservation from military service for printing workers from 30 to 35, there is a lack of perspective. To slow down military recruitment would be folly. Printing workers have no special claim to continue at their

printing, but they represent possibly the biggest and best reserve of skilled men who could be retrained quickly for setting and machine-room work. Making the best use of the nation's entire man-power is a delicate task of balance and adjustment. It is one that cannot be done at all without nation-wide planning and sovereign guidance. It is for the Government to lay upon every firm doing war work the specific obligation of training a quota of war workers; to send out expert commissions of technicians, with at least as much authority in industry as the war agricultural committees have in farming, to advise employers on the expansion of training and the economy of skill in their factories; by appropriate sanctions, to ensure that the quotas laid down are filled; and, by large-scale and long-term programme-making, to have work for the trainees as they pass out. Industry must provide its own skilled workers by dilution and training. The Government's job is to provide the much larger number of unskilled and semi-skilled workers to support them. It is the responsibility of the Government, moreover, and not of any individual or set of individuals, whether they be producers, workers or consumers, to see that sufficient men are always available, from other work, to be trained. Industries that are not needed must be cut down, not just to save materials or plant, but to save men, in millions, as well. There is the whole field of retail trade, commerce and service occupations to be combed. If there are shortcomings in these policies, then instead of the limits of the nation's capacity being set by the numbers and endurance of its people, they will be fixed by the timidity and unambitious planning of its rulers, and they will not promise victory.

Molotov in Berlin

IF the issues behind the Molotov visit to Berlin were not so grave, there would be something richly comic about the whole situation. M. Molotov, Prime Minister of the first Socialist State, leaves his country for the first time in his life, and his first official act is to inspect a guard of honour composed presumably of picked elements from the "military vanguard of world-Fascism." Hitler, after wooing the Latin *bloc* for three unavailing weeks and even dispatching a Catholic envoy to prove his *bona fides* in America, now sits in close conference with one of those very "criminals" who rule in Godless Russia, while official *communiqués* speak of Germany's intention to "deepen her relations of friendship" with the Bolshevik anti-Christ. The negotiations, too, are not without a certain spice, since for both parties agreements are temporary instruments of policy to be broken when expedient, and the show of "complete unity" and "perfect collaboration" covers a clash of interests as fundamental as any in contemporary politics. Molotov and Hitler, facing each other across the Chancellery table, are a hideous symbol of an epoch in which words have lost their meaning, laws their purpose and the whole of human destiny lies open to the arbitrament of naked force.

The strength or weakness of a country's diplomatic position can be roughly gauged by the readiness of its statesmen to travel. Since it is Molotov that has gone to Berlin, there is strong superficial evidence to believe that the scales of strength are heavily down on the German side. And this presumption is fully borne out by the course of Russo-German relations since the disasters of June. For the first six months of the war, Russian policy was obvious enough. While Germany, France and Britain fought themselves to exhaustion in the West, and China and Japan in the East, Russia would quietly go about her own business, extending her frontiers to consolidate her defences and preparing by intensive re-armament and widespread propaganda to turn the post-war situation to her own national advantage. The seizure of Russian Poland, the Finnish war, the occupation of the Baltic States, and of Bessarabia and the Bukovina in the West, the separatist tendencies of General Chiang Kai-Shek's Communist armies on the Mongolian frontier in the East were all phases of this policy of "defensive expansion."

In May and June, the pre-condition of this policy—the immobilisation of Germany's land forces in the West—disappeared with the collapse of France, and almost immediately a movement of troops from West to East balanced the concentration of German manpower behind the invasion ports. There was a corresponding shift in the direction of German diplomacy. While "thrusting Britain out of Europe" remained Hitler's principal objective, he was now in a position to review Russia's encroachments upon his New Order and to determine that they had already gone far enough. Finland appears to be the first state in which the balance of power was redressed. By July it looked as though the long-expected Soviet "follow through" after the uncompleted victory of March was about to occur. The Russian-sponsored "Union for Peace and Friendship with the Soviets" was staging demonstrations and riots, and the Russian Government threatened retaliation when the Finns took action against the rioters. Thereafter, German counterpressure increased, and in September the Finnish Government gave legal sanction to troop movements which had in all probability already taken place, by officially permitting Germany to move troops and equipment across Finland to Norway. Since, at about the same time, the Nazis began to take a strong interest in the Petsamo nickel mines, it is an open question whether the German troop movements were entirely confined to transit traffic. In any case, the activities of the Russo-Finnish Union abruptly ceased.

Hitler's counter measures in the South-East were more open and far more sensational. Russia was making steady progress in the Balkans throughout the spring and early summer. Communist propaganda was active in Bulgaria, Yugoslavia had at last decided to open diplomatic relations, Balkan trade commissions came and went, and while the campaign in France reached its disastrous close, the Russians occupied Bessarabia and parts of Bukovina and established themselves on the principal outlet of the Danube. The possibility of a division of the Dobrudja between Russia and a puppet Soviet Bulgaria was openly discussed, and Russia concentrated troops along the Pruth and the Danube.

At this point Germany intervened with her guarantee to Roumania, and in the brief trial of strength that fol-

lowed Russia beat a rapid and complete retreat. Germany seemed to go out of her way to challenge the Soviets. Russia was pointedly excluded from the various conferences at Salzburg and Vienna which determined Roumania's fate; she was excluded from any control over the Danube, and only belatedly admitted to a puppet Commission on which Germany had already secured the decisive position; she was informed of none of Germany's moves during the occupation of Roumania, although the advance brought Nazi divisions to the shore of Russia's *Mare Nostrum*, the Black Sea; she was powerless to intervene while the infiltration of Bulgaria went forward; and now she has been summoned to Berlin to hear among other things Hitler's views on the control of the Straits.

Only one explanation covers this rout. Russia cannot risk a conflict with Germany. The German army, virtually unemployed save for police work, has been in part switched from West to East, and in Poland the reorganisation of German divisions has been combined with the recruitment and training of dissident Ukrainians. And, apart from an immediate military threat which Russia could not hope to meet, she has, since the signing of the Triple Alliance, to prepare for the possibility of a war on two fronts. Ostensibly designed to discourage America, the Pact is, nevertheless, an effective encirclement of Soviet Russia.

There is thus little in the background of the Molotov visit to suggest that Russia has many counters with which to bargain. To turn to Britain or the United States for help would invite immediate reprisals from Germany. And in the Far East it is far from certain that a *rapprochement* with the Democracies would serve her purpose. At present, Britain and America are drawing off Japan's attention from the Mongolian frontier, and Germany's conquest of Holland and France has accelerated a southward drive. Russia cannot wish to attract attention back to herself by supporting Japan's enemies at this juncture. On the contrary, the arrival of the new Japanese Ambassador in Moscow is widely believed to presage a Russo-Japanese agreement.

Hitler's diplomatic reverses of recent weeks are not serious enough, and the promise of help held out to Britain by the United States is not immediate enough, to provide M. Molotov with the means of driving a hard bargain. He has come because Russia could not do otherwise, and we must resign ourselves to the talks following a pattern imposed by Germany. On the negative side, there should be no difficulty. Russia is being asked to recognise the New Order, to acquiesce in Germany's paramount position in the Balkans and to tolerate the passing of the Straits under

German control. To all this Russia's only effective opposition would be armed resistance. There will, therefore, be no opposition, and we may expect a flowery *communiqué* expressing everyone's delighted acceptance of the New Order and readiness to work within it.

It is on the positive side that Hitler's chances of success are more uncertain. Germany's dream of colonising Russia is as old as the Reich. If to-day colonisation is offered to the Soviets under the guise of "economic collaboration," no one need be deceived. The Germans are particularly anxious to secure and exploit Russia's raw materials, and to reorganise her heavy industry into something approaching Western standards of efficiency. Steady pressure has been put on Moscow throughout the year to increase deliveries to Germany and to permit a large export of technical experts in return. Now the presence of vice-commissars for aircraft and steel production in Molotov's large retinue suggests that Russia is no longer in a position to resist the pressure. Nevertheless, Germany may well find the invasion of Russian industry as fruitless as a march to Moscow. There are infinite possibilities for delay, neglect and sabotage. If the purges are to be believed, no body of people on earth knows as much about sabotage as do the Russians, and it is most unlikely that an industrial *Diktat* imposed in Berlin would be accepted by leaders or people in a spirit of wholehearted collaboration. As they have so often done before, the Russians will promise much and deliver little.

Again, in the diplomatic sphere, Hitler can hope for little save negative support. In particular, Russia is most unlikely to co-operate in positive action against the Turks in order to immobilise them by the threat of war on two fronts. It is one thing for the Germans to make play with their armed strength to thrust Russia out of Europe into a rôle of passivity. It is quite another to use military coercion in order to secure Stalin as an active ally. The one method has succeeded, the other would court certain defeat.

The lesson for Britain is plain enough. We need not be unduly terrified by Germany's picturesque imaginings of a Eurasian continental land *bloc* in league against the Democracies. On the other hand, the visit of M. Molotov will, it is hoped, once and for all cure the rose red optimists of their belief that a wholesale change of Ministers here at home, coupled with the adoption of some startling ideology abroad, would win us Russia's active collaboration. Russia, like every other national state, looks first to her own security—from which it follows that she will not look to us, until we can provide much more convincing evidence of our ability to defeat the Reich.

America After The Election

I. To Fight or Not?

MR ROOSEVELT'S victory in the Presidential election has been taken, all over the world, as a defeat for the dictators. Obviously, Mr Willkie's professions of even greater hostility to the Axis and of even greater determination to assist Great Britain have not been taken at their face value. The world expects something more from Mr Roosevelt in the way of active support for the democratic cause than it would have expected from Mr Willkie. Perhaps this universal attitude is unjust to the Republican candidate; we shall never know now how far he would have been able to free himself from the influence of the isolationist wing of his party. Perhaps also it is more than just to the President and perhaps the democratic world is expecting too much of him. That he will continue his present policy is assured; it has been re-confirmed since the election, and with the next appeal to the voters—that is, the next recurrence of the necessity to conciliate the isolationist minority—two full years off, he will be much freer to follow his judgment than in recent months. The President has not changed his views, and with the prestige of a third victory behind him, he can make the official policy of the United States Government more completely

Rooseveltian than it has been. America will go further and faster on the course the President has set; so much is certain. But how much further and how much faster? We must guard ourselves against wishful thinking in answering these questions. We must remember that the President declared in the course of the election that he would do his utmost to keep America out of the war, and that he thought he would succeed in doing so. We must remember that he is virtually pledged, in any case, against sending troops outside the United States. Hitherto the American reaction to the war has followed fairly exactly the course that was predicted before the war broke out, always given the fact that the war itself has been unexpected. (If that sounds like the easy omniscience of hindsight, the reader can be referred to an article in *The Economist* of February 18, 1939.) There is a need for further prophecy to-day.

It will assist clear thinking if we first make certain what it is we hope for from America. It can be argued with considerable force that an American declaration of war against Germany would be a very mixed blessing for Great Britain. So long as we are fighting and they are not, we can reasonably hope to receive a higher proportion of the American

output of munitions than if both countries were equally belligerent. Mr Roosevelt has promised us an equal share in all that is produced; could any belligerent country afford to be so generous? Moreover, within our 50 per cent. share we can at present reasonably hope to get a certain measure of priority; we shall get not merely half the cake, but the earlier slices. With America at war, with her citizens flocking to the colours and demanding equipment, could this priority possibly be maintained?

But this argument ignores certain other factors of no less importance. There are many signs that America's re-armament drive is being initiated in conditions very reminiscent of Great Britain in the years 1937-39. In general, it is the American belief that a very large production of munitions can be secured without trenching upon the standard of living of the American people, but by drawing on the margin of resources of labour and capital not at present fully employed. British experience shows that this can be done up to a point; but it also shows that it cannot be done beyond that point, and that the point is soon reached. Long before the margin as a whole is exhausted—that is, long before unemployment has disappeared—specific difficulties and bottlenecks are reached which can only be removed by the compulsive intervention of the State, imposing the conditions of a war economy on small sectors of the national industry. But in a democratic and egalitarian community, it is very difficult to impose pains and penalties on isolated sectors of the community when the community as a whole is not mobilised for war. Is it possible, in peacetime, to ration the output of machine tools, to limit the sales of motor cars to the public, to impose restrictions of movement and obligations of training on certain strategically located varieties of labour? In Great Britain we find difficulty in doing some of these things, even after fifteen months of actual war. Can America, with her much looser political organisation, do them while she is still at peace? Yet without them re-armament will inevitably lag. It is the penalty of being a democracy that the production of armaments can begin in earnest only after the declaration of war.

What, then, should we in England hope for—a larger and earlier slice of a smaller cake, or a smaller slice of a much larger cake? If the answer is to be given from the somewhat narrow viewpoint of our own material needs, it must be that we should prefer America to be non-belligerent in 1941, belligerent in 1942. We must hope for her eventual participation in the struggle with all the strength of an armed continent.

This conclusion is reinforced by a very important consideration that has not hitherto been mentioned either in

this article or (so far as the public can tell) between the two Governments. This is the very thorny question of finance. It is not known to what extent the dollar reserves of the British Government have already been drawn upon, and they were, of course, large at the outset. But it requires no knowledge of secrets to appreciate that we cannot possibly finance out of our own resources the very large orders that are now being placed in the United States. The President has recently mentioned a figure of 12,000 aircraft for Britain. Even if these machines cost no more than £10,000 apiece (less than the average of a fighter and a bomber), they would cost £120 millions by themselves alone. It is obvious that financial assistance in some form will have to be provided—and probably before very long. It may be taken almost for granted that the whole programme of "defending America by helping Britain" will not be permitted to be stultified by a purely financial difficulty. But the American public has a bitter memory of war debts; there will be a strong opposition, even among many who are most anxious to help us on "cash and carry" conditions; there will be much surface acrimony; and we must be prepared for very stiff terms. The whole problem would be immeasurably simpler if American opinion were rescued, by a declaration of war, from the present dualism of outlook, in which America's safety is seen to be involved, but her wealth is not committed. Moreover, it is not the "cash" part of "cash and carry" that alone impedes us. A neutral America may provide ships; it is improbable (though not quite impossible) that she could provide escort vessels and still stay neutral.

A question mark must therefore remain against the future course of American policy. The progress made since April, 1940, has been very rapid; and if that mounting curve of support for Britain is extended into the future, it undoubtedly encourages hopes of active participation before long. But the pace may slacken. It is never sufficiently appreciated in this country that though America's interests are endangered and her sympathies aroused when Britain appears to be in danger of defeat, she has not the same realistic or emotional interest in a British victory. If, next year, we appear to be reasonably secured against invasion, starvation and destruction from the air, we may find a certain listlessness of American interest in plans for co-operation in the attack. We can be certain that there will be no going back from the level of co-operation now attained and that there will be a large measure of advance. But whether that further collaboration will reach the last full measure of joint action without reserve or limit depends entirely on what Hitler does—on what he does to us and on what he does to America.

2. The Economic Outlook

THE American businessman, like the French general, expected this war to be the last war streamlined. In other words, he looked forward to an era of unlimited orders and almost unlimited profits. When war broke out there was a brief boomlet on Wall Street and the general expectations were revealed by the regularity with which prices fell whenever, in that far-off "phoney" period, there seemed to be a risk of peace. These pleasurable anticipations naturally gave rise to a spurt in prices and to a certain briskness in business, which carried the Federal Reserve Board's new index of industrial production in December to the highest point it has ever touched, almost 10 per cent. above the peak of 1929. These hopes, however, like many others, were chilled in the cold winter of 1939-40 and a mood of economic disillusionment set in. It gradually became apparent that the Allies were purchasing little more than aircraft and specialities such as machine tools. American defence orders were barely significant in the context of the trade cycle. The Budget message of January, 1940, estimated that the United States Government would spend on armaments in 1940-41 only some \$1,800 millions—not a very impressive sum when expressed in sterling terms as £450 millions and still less imposing when stated as rather less than 3 per cent. of the

national income. Moreover, the effect of the war on the raw material markets was to create more surpluses than shortages. Throughout last winter the world conjuncture was one of incipient deflation, relieved by only a few spots of scarcity. American prices and production drifted downwards.

Since the early summer months, however, there has been a substantial recovery, which seems to be gathering strength. Steel production, as befits an economy under the shadow of war, is virtually as high as the mills can manage (it is a reflection of the starvation diet on which the industry has lived for eleven years that "theoretical capacity" is little if any higher than in 1929). The figure of the index of production for September (which arrived too late for inclusion in the charts on the next page) is within a single point of last December's peak, and the national income has risen to 90 per cent. of the 1929 level, in spite of the intervening rise in the value of money. At last the America of Franklin Roosevelt is producing as much wealth in a year as the America of Calvin Coolidge and can begin to tackle the job of putting to work the extra millions of inhabitants it has acquired since then.

Yet with all these evidences of returning activity, there is nothing that can properly be described as a boom.

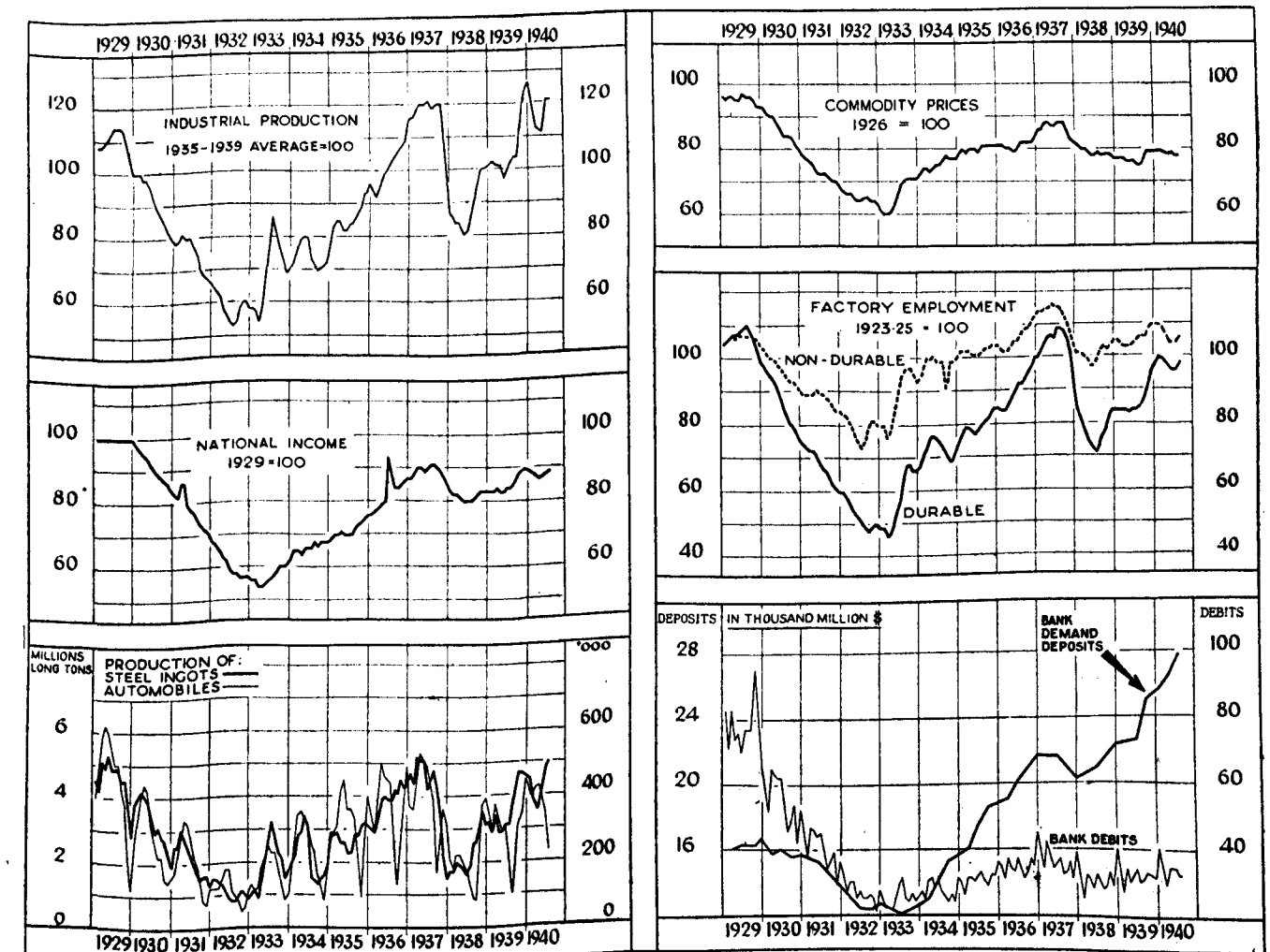
Commodity prices are giving only the most sluggish response to the upturn in business. With production substantially higher than in 1929, the prices of securities are still substantially lower, while the volume of transactions on the New York Stock Exchange—the surest mirror of speculative interest—is the merest trickle. Stocks of goods held by manufacturers—another sensitive barometer—were no higher in July than last winter (though they may have risen since). In the past, the American speculator has not resisted many opportunities to build a pyramid of paper values on any improvement in the fundamental wealth-creating capacity of the national economy. Whether his conspicuous failure to do so at present is due to the conscious controls erected by the New Deal, or to the muzzling by the same agency of the spirit of enterprise, or to the forbidding uncertainties of the times, is problematic. The fact remains that the present position is almost the exact opposite of that in, say, 1928, when an industrial recovery which was already coming to a stop was made the excuse for a wild speculative orgy.

The explanation of the recent business improvement is to be found partly, perhaps mainly, in the natural buoyancy of an economy with a large margin of under-employed resources, with large arrears of capital construction to make up and with no internal monetary or psychological impulse to deflation. Re-armament has undoubtedly played a part, but its importance has probably been exaggerated in current comment. In some industries armament or pseudo-armament orders have admittedly been dominant—in aircraft, for example, where the level of production is between three and four times that of the years 1935-39, or in the machine tool and shipbuilding industries. British orders are important for the profits they generate, but they are still small compared with the bulk of the American economy. Even the re-armament programme of the United States itself is still very small. Expenditure in the current financial year is not expected to exceed \$5,000 millions, in spite of authorisations and appropriations of three times that amount. The latest

monthly figures show an expenditure on defence of only about \$200 millions, against a total national income of over \$6,000 millions a month. Relatively to its national income, in other words, the United States is still spending substantially less than Great Britain spent in 1937-38. Our expenditure in that year did not prevent a sharp recession in trade, and American defence expenditures, even after full allowance has been made for the anticipations that the programme arouses, are clearly a very long way from dominating economic conditions. A final proof of this is given by one of the charts below, which shows employment on durable goods still lagging behind that on non-durable goods (by an irony of the statisticians, armaments are classed as durable goods). In terms of output, the durable industries are still barely level with the peak of 1929, while the non-durable industries have exceeded it by nearly 20 per cent.

The present state of trade in America may thus be a boom in embryo, but it is certainly not a boom in being. The trend, however, is undoubtedly upwards. The re-armament programme is still in the stage with which we in Great Britain were painfully familiar before the war, in which schemes are drawn up, plans are laid and, sometimes, plants are built, but money is not spent in mass. But a time will come in America, as it came in Britain, when the plans mature, the factories produce and the money is spent. It is difficult to say how large American defence expenditures would have to be before they dominated the conjuncture. The two elements in the puzzle are, first, the size of the unemployed margin that has to be absorbed before "full employment" is reached, and, second, the size of the "multiplier"—in other words, the extent to which defence expenditure sets off secondary buying by the public. The unemployed margin in the American national income may be as much as \$15,000 millions, which would indicate that defence expenditures of, say, three or four times the present level would be needed. But, on the other hand, the "multiplier" may well be large in present-day America. There is a smell of

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boom in the air; individual bottlenecks will soon be appearing and will have a tendency to stimulate buying for stock; many capital industries are seriously under-equipped and will not wish to be shut out by armament demands; British buying will put an edge on America's own re-arming; and, in the interests of national unity, the President and Big Business may well compose their long quarrel.

This is where the financial position is relevant. The last of the six charts demonstrates the astonishing plethora of ready money in the United States. The banks have twice the reserves they need, even on the very high scales now prescribed; and the public has almost twice as much on deposit as in 1929. But the chart also demonstrates the complete failure of this abundance of money to induce an

increase in the volume of spending. A plethora of money clearly does not cause a buying spree. But if the public were, for some other reason, to begin spending, there is no possibility of any control being exerted. An inflationary movement, once touched off, as it will may be within a year or eighteen months by the growth of defence expenditures, might well run away with itself. It would not necessarily show itself in commodity prices or in Stock Exchange values, though both are probable; but what would inevitably follow would be such an insistent demand for all kinds of labour and materials that the defence programme, Britain's as well as America's, would find itself seriously impeded. In a very real sense, what America has to fear in the near future is not too little prosperity, but too much.

NOTES OF THE WEEK

Neville Chamberlain

The end of Mr Chamberlain's career came with tragic suddenness. Few have ever doubted his sincerity or have failed to admire the stubbornness with which the septuagenarian spent himself in the service of the State, and there will be real and widespread sorrow that the end had to be so abrupt. It is by his foreign policy that future generations—perhaps not quite justly—will judge him. That policy rarely, until the great reversal of March 18, 1939, received anything but criticism in these columns, and it would be the rankest hypocrisy to discover any hitherto unseen merits in it because its author is dead. It is true that Chamberlain as Prime Minister inherited an almost impossible situation from his predecessor; but he had been a leading member of the Government, with a growing influence on foreign affairs, for nearly six years before he reached the highest office. He undoubtedly deserves the merit of leading a united country into the war; he and his colleagues might have deserved the merit of avoiding war altogether.

It was as a departmental Minister that Chamberlain excelled. He was possibly the best head the Ministry of Health has had, and his administration of the Exchequer was sound and competent. But in economic matters, as in political, it was in high policy, not in administration, that he made his mistakes. We do not yet realise how much harm was done, and is still being done, to our national economy by the form in which he cast the Import Duties Act of 1932. A protective tariff of some sort was perhaps inevitable in the logic of politics; but instead of making it the instrument for a conscious moulding of the country's economy, Chamberlain allowed it to become the key to a monopolists' paradise. He had all the defects, but also all the excellences, of the Birmingham business man: tenacious, hard working, completely honest, full of moral courage, suspicious of all but his own kind, by no means devoid of idealism, much more sensitive than the grim exterior would suggest, completely unaware of the limits of his own insight. He was, indeed, as the Prime Minister said, "an English worthy."

The Irish Harbours

Mr Churchill's reference to the severe disadvantage imposed on the Royal Navy in its fight against the submarine by the lack of the Irish bases that were handed back in 1938 was followed by a quite unnecessarily abusive speech by Mr De Valera in which he said that the Navy would never, in any circumstances, be allowed to use any of the facilities of Eire and that any attempt to secure a different result could only end in bloodshed. There can be no doubt that Mr De Valera has produced the most painful imaginable impression in Great Britain. There has never, in the past, been a time when Ireland and her aspirations for national freedom and unity have been without numerous and powerful friends in England; but such a time has come now if, in this matter, Mr De Valera speaks, as he appears to, for the Irish people. That, after the repeated demonstrations of what Nazism means and of what happens to small neutrals who come within Hitler's grasp, Ireland should still prefer to help England's enemies (for that is what her present attitude

amounts to) will be taken as a final proof that reason, forbearance and moderation are out of place in relations between England and Ireland. They must not, however, take clear thinking with them into the discard. We cannot afford to be guided by our emotions; unlike Mr De Valera, we are not protected by a powerful neighbour. It would, of course, be easy to say that since Mr De Valera refuses to assist our conveying work, nothing brought to these islands in British convoys should be released to Ireland. If we did that, Ireland's economy would collapse. But Mr De Valera loves the hair-shirt and we should be no nearer having the use of the ports. Reasoning will get no further than threatening. An appeal from America, if one is made, will meet with the suggestion that America should ask Britain to hand over Ulster. Nor would the offer of Fermanagh and Tyrone do the trick; so long as there are two streets in Belfast which form part of the United Kingdom, Mr De Valera will not budge; he will not even promise that a completely united Ireland would be other than "neutral." If the ports became a matter of life and death—for Ireland as well as for England—there can be only one way out: we must take them. That would, of course, revive all the old bitterness. But if bitterness there must be, let us have the bitterness *and* the bases, not the bitterness alone—which is all mere "retaliation" would provoke.

The Fighting in Greece

It is possible after two weeks' fighting to trace the pattern of the war in Greece. That the Italians expected little or no resistance is now virtually established. Thus the original offensives were desultory and unco-ordinated and have led the vanguard into difficulties which the Greeks have been quick to turn to their own advantage. To the north, where the Italians had apparently only intended to hold their front, a Greek offensive has carried the fighting on to Albanian soil and, by capturing and holding the heights above Koritza, the Greeks have secured an important strategic advantage. In the Pindus area, the Italian aim was clearly to advance to Metsovo, thereby destroying the Greeks' only lateral line of communication. But the third Alpini Division, selected for this advance, has fallen into a trap in the Gramos and the Greeks claim its complete surrender. Only on the coastal plain have the Italians succeeded in gaining ground, but the Kalamas river has delayed them and the Greeks made them pay dearly for their bridgeheads. Twice they were driven back across the stream. Even now, in the third week of the war, only "light reconnaissance units" have advanced beyond the Kalamas line. If the Italians confine themselves to the Epirus front, they will be choosing once again the line of least resistance and it will betoken the abandonment—however temporary—of the drive towards Salonika. However, the arrival of General Soddu to reorganise the Albanian front must surely be the prelude to a more vigorous offensive. The Greeks have surprised and encouraged the world by their heroic resistance. Clearly, however, they cannot stand up indefinitely to the onslaught of a Power so infinitely outclassing them in numbers and equipment. Outside assistance to Greece is a precondition of a successful defence and it is almost certain that that assistance can only come from us. Turkey is still "non-belligerent," and the Yugoslav

Government seems perilously close to the policy of "neutrality and independence" as practised by the Antonescu régime in Roumania. The blatant bombing of Monastir by Italian aircraft has led not to a protest but to the resignation of General Neditch, the War Minister. This officer, well known for his advocacy of a courageous foreign policy *vis-à-vis* Axis browbeating, was among a group of influential army people who recently presented a memorandum to the Regent, expressing their disapproval of a policy of constant retreat. Thus his resignation is strong evidence that the Yugoslav Government has failed to catch the Greeks' infectious courage. The bombing of Monastir may well have been a trial run, to test the extent of the Regent's compliance. The Government's reaction suggests there is no limit. Greece must, therefore, rely solely upon our support, and it is with delight and relief that the British public are learning of the magnificent use to which our armed forces are putting the new opportunities offered by the war in Greece. The R.A.F. is bombing Italy's invasion ports in Albania and Italy night after night, the enemy lines have been harried continuously and Naples has been attacked on several occasions. But the crown must go to the Royal Navy. The consequences of the brilliant victory at Taranto on the Greek campaign will certainly be far-reaching. The morale of the Italian troops in Albania is not high. The restoration of the front requires large reinforcements from Italy, but the putting out of action of so high a proportion of Italy's battle fleet gives the Royal Navy new opportunities for operating in the Adriatic. Already a convoy has been successfully attacked in the narrows of Otranto. The next task is to cut Albania off entirely.

War Fronts

It is still difficult to tell where the enemy's main offensive is intended. On land, it seemed three weeks ago that the forcing of war on Greece was the beginning of the Battle of the Mediterranean. In the event, the land battle has not begun. There have been whole-hearted Greek successes against half-hearted Italian movements, and there is still comparative quiet in Spain and Bulgaria, as well as in Egypt; in the Sudan the initiative is with Britain. In the air the inconclusive raiding of Britain has gone on with smaller, rather than greater, success than before, and the entry of Italians early this week into the daylight fight (when a force of bombers and fighters attacked a convoy) gave a British fighter squadron a few minutes' rough shooting with a nearly hundred per cent. bag. Laden with wine and cheese, Mussolini's airmen were ready for everything, even for the unlikely good fortune of returning unscathed to celebrate their escape at their base. Indeed, the focus of the air war has definitely moved this week to Germany. Beginning with the massive attack on Munich, the R.A.F. have gone deeper and struck harder than ever before. They have gone north and east to Munich and south and east to the towns and harbours of Italy. From Greece, British bombers have raided the Italian lines and begun to make ready the Albanian ports for a perhaps not impossible "reverse Dunkirk." All this does not mean that the tide has definitely turned. The growth in British bombing power is clear gain. But there has been no thorough Axis effort in Greece yet, while over Britain there is no doubt that, despite new counter-measures, the enemy's persistent raids can, and will, be intensified again. For the moment, now that Anglo-American co-operation is becoming more and more of a reality, with grave implications for the enemy, Hitler's chief attention is turned to the sea, to the Channel again, and to the routeways from the United States.

Contest at Sea

The foundation of Britain's victory will be power in the air, but the guarantee of her survival is sea power, and it is at the heart of British strength that the raiders, U-boats and bombers are striking in successive arcs across the Atlantic. Navally, German ships have done no more damage than the negligible slaps administered by the cautious Italian navy; while a mighty blow has been struck at the naval strength of the Axis by the crippling of 3 battleships and 2 cruisers during this week's victorious raid by the Fleet Air Arm on the Italian harbour of Taranto. At a stroke, half Italy's battle-fleet has been put out of action; Italy's supply routes and home bases have been stripped of the protection of superior forces; and it has been made possible for more British ships to be released for use in other waters where, against sea-borne trade, the enemy offensive has won successes. The rate of shipping losses has not remained at its peak, but it is

still high. By the gallant fight of H.M.S. *Jervis Bay*, 30 out of the convoy of 38 ships attacked by a German raider in the Atlantic on November 5th were saved—the Germans claimed to have sunk every ship. Bombing attacks on convoys nearer our coasts have been less successful still. The enemy's attack has so far failed to endanger our supplies, but he is exerting steady pressure and it would not be wise to disguise the danger of occasional heavy blows. It is as well to let the world know what risks we run for lack of Irish bases and of the assistance of the United States in transport and convoy—though the Battle of Taranto shows the Navy ready and able to bear its heavy load.

Shorter Commons?

At the end of this month the allocations under the Limitation of Supplies (Miscellaneous) Order, which restricted supplies to various manufacturers in the period June–November to some two-thirds of their value in the corresponding period of 1939, will, broadly speaking, be cut in half. There is now an added reason for drastic restriction. It has always been necessary for the expansion of war output that materials, foreign exchange and shipping space should be set aside for essential war use to a much greater extent than they were in the first nine months of war, but recent heavy losses at sea have made it imperative to lighten the load on our convoys. This need for the strictest economy in the use of shipping might well lead to a reconsideration, not only of the supplies of materials imported for civilian use, but also of the amount of overseas food-stuffs brought in for civilian consumption. There has been very little fall in the national standard of feeding, apart from the special cases of sugar, eggs, onions and lemons, and over the whole field of foodstuffs it is a pity that even more was not put into storage and less allowed into consumption before the intensive attack at sea was renewed. Nevertheless, the fact that extended rationing was not decided upon sufficiently soon should not prevent its consideration now. There is no question of privation, for in almost every item of civilian use, materials as well as food, we have an appreciable margin of safety. Privation is only possible in the future if that margin is squandered now. There is still too great a timidity in most measures to economise the nation's resources. As a leading article on page 599 suggests, even the fresh restrictions on materials will surrender their full effect if they are not accompanied by sure steps to concentrate manufacture only in the most efficient plants and to release every worker that can possibly be spared for war work; the lion in the path is the absence of a financial policy to oil the change-over by compensating the firms closed down. In the same way, any system of food rationing loses its virtue if it is not sufficiently comprehensive or sufficiently strict to ensure adequate supplies *and* adequate stocks in any circumstances.

Gallabat

There are at last welcome signs that British forces can take the initiative on the African front. The recapture of Gallabat after fierce fighting, during which the post appears to have changed hands several times, has been followed by an extension of our offensive, with Gallabat as a new advance

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base. Fighting has flared up all along the Sudanese frontier, and our air raids on Abyssinian objectives have grown heavier. Whether this activity is a prelude to a larger engagement—the recapture of Kassala perhaps?—or merely local harassing in the Italian manner, it is still too early to say, but at least we have the encouraging certainty that steady reinforcements over the last three months have succeeded in establishing a “margin of safety” before the Italians have been able to launch a major offensive. Mr Eden’s tour is a reminder of the potential strength and flexibility of our position in the Near East. We have highly trained troops in Egypt and Palestine, seasoned desert fighters in Transjordan and the Sudan, air bases from Lake Habbaniyah to Nairobi with which years of service have made the R.A.F. perfectly familiar. We command the seas both within the Mediterranean—our troopships to Greece made the passage without a single gun going into action—and beyond the Red Sea. And in the Empire east of Suez we have actual and potential sources of supply accessible to us along sea routes where the U-boat and the bombing plane operate only fitfully and with little effect. That grave dangers remain is obvious enough. It is only by degrees that public opinion at home has come to realise the magnitude of the gap in our defences created by France’s collapse. It is only a bare margin of safety that has been achieved even now. Yet it is not the custom of our race to fight only when the odds are even. “The square in the desert” and “the thin red line” are the traditions upon which our Empire has been built. In the schoolroom, a battle was hardly a battle unless it was fought against terrific odds, and to-day, with audacity to compensate our inferior numbers, skill and mobility to counterbalance the gaps in our equipment, the making of new epics should not be beyond our power.

* * *

Roumanian Earthquakes

Terrible though the tales of destruction and disaster from Roumania undoubtedly are and deep though our sympathy must be with the unoffending victims of the terrific earthquakes which have swept the country, it is not without a certain satisfaction that the British public reads of the damage done to oil wells and refineries, to roads and railways, to harbours and electric light plants throughout Germany’s latest protectorate. The Germans had gone to very great pains to set A.A. guns in place before Britain could launch a bombing attack on the oilfields, and now two minutes of earthquake appear to have done more damage than could have been effected by a fortnight’s heavy bombing. Drilling apparatus and equipment form a particularly disastrous loss, since the machinery was American in origin and cannot be replaced. The Germans, too, were taking up their new stations in Bucharest with such open insolence that it is only human to rejoice that they have arrived in time to share Roumania’s sorrows as well as to exploit and strip her. So many German experts—for mining, engineering, transport and the rest—have arrived to raise Roumania to a proper standard of German efficiency that it is pleasant to reflect how very much heavier is the programme which lies before them than was—doubtless with German thoroughness—originally calculated. And, finally, when we remember how Nazi propaganda laid the disasters of Turkey’s earthquake last winter at the door of the British alliance, we may hope that the “credulous Roumanian peasant” standing beside his shattered house will wonder whether this is the first fruits of the German connection.

* * *

Calling a Halt

Last week the Engineering and Allied Employers’ National Federation rejected the claims of the Amalgamated Engineering Union, the National Union of Foundry Workers and the Confederation of Shipbuilding and Engineering Unions for higher wages. The decision affected something like a million workers, and the unions’ contention that the industries concerned could well afford to pay the extra sums claimed was not contested. The employers based their refusal on the inflationary danger to the national economy of continued increases in wages and on the fact that, since engineering is now engaged almost exclusively on Government work, higher labour costs would be an additional burden upon the taxpayer. It was pointed out that, since October last year, the earnings of skilled men had risen by over 28s. a week, of semi-skilled men by 24s. a week and of unskilled men by 16s. 4d. a week, while weekly hours had increased by only 5½, 5½ and 4½, respectively, for the three grades. Earnings ranging from 86s. a week on the average

for labourers and 105s. 5d. for moulders to 133s. 4d. for fitters and 141s. 6d. for sheet metal workers were not inadequate, it was contended, either absolutely or relative to other industries. The details of this claim and its refusal are not the point. The process of free collective bargaining has been carefully and deliberately preserved throughout industry, and it is the admitted practice of trade unions to seek the wages that their industry can pay. The importance of the incident is the employers’ appeal to the national interest. Beyond any shadow of doubt the upward climb of wages is a notable threat to the stability of the country’s economy and finance.

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It is doubtful, however, whether it should devolve upon the employers in any single industry to apply a policy which, to be both fair and effective, must be applied nationally and impartially. Obviously, it is the duty of the Government to stop the drift towards inflation, not simply in wages, but no less in prices. The recent series of increases in rail and freight charges, and in coal and steel prices, illustrated the other side of the so-called spiral to that exemplified by the upward movement in engineers’ wages. The railways, the coal-producers and the steel-makers, like the engineering workers, have something to sell which is indispensable to the war effort, and in their case the Government has given sanction, and even aid, to their price-fixing policies. There is no single culprit, or class of culprits. Wages push up prices, prices push up wages; and so long as there is no sovereign wage and price policy, producers and workers will both continue to sell in the highest market—and if the market is rigged for their benefit, the more successful they will be. The engineers’ claim is a test case. If they oppose the refusal of the employers, it will go to that helpless and innocuous body, the National Arbitration Tribunal, which represents the Government’s sole contribution to the wages question since the war began. But the case is before the more authoritative bar of public opinion already. Mr Bevin will surely have to state at last how he proposes to halt inflationary advances in wages on a national basis; and how, at the same time, he proposes to protect the lower paid workers who are at present lost in the upward rush of earnings and prices all round them. Other members of the Government, and the Cabinet itself, will have to relate their attitude to the fixing of prices by public bodies and monopolies to the whole structure of wages and prices—and to national finance. In fourteen months, none of these things has been even attempted, and their lack is far more important even than a difference or a dispute in the engineering industry.

* * *

The Direction of Exports

The Delhi Conference is designed to pool the resources of the Eastern Empire in the common war effort of the British Commonwealth. Its main aim is to secure the supplies of the Eastern Empire and of the Near Eastern and African battlefronts with as little strain as possible on Western factories and British shipping, but the common war effort also includes the mobilisation of the means of payment for supplies from foreign countries. There has been an endeavour in this country to concentrate the energies of the British export trade in directions which will bring most aid in foreign exchange to Britain’s buying power, and it is perhaps not too much to hope that, at Delhi, a broader basis will be given to this campaign. Too often credit is claimed for increases in exports from Britain which prove in fact to be simply increases in sales to other Empire countries; at the new President of the Board of Trade pointed out this week, to export any but essential goods to Empire countries is to weaken the war effort. They, too, must cut down their consumption. It is important to keep British markets in the Empire, if only to prevent the drain of sterling which would result if British sales there were replaced by import of foreign goods; and there are advantages in maintaining some balance between imports and exports in British-Imperial trade, in order to limit the growth of sterling balances in London on Empire account or even to reduce those balances. But an export to an Empire country is not a shot in the economic war; it cannot pay for foreign supplies by winning foreign exchange; and the true export policy, in general, is to co-ordinate all the exporters of the Empire, not simply of Britain, in a common drive to maximise their sales to those foreign countries whose currencies or goods are needed for the war effort.

Laval’s New Tactic

Laval appears to have met with unexpected resistance in his plans for “loyal collaboration with his conquerors.” It is centred in the person of the old Marshal, who has perhaps been shocked by the speed and eagerness with which Laval was prepared to barter away France in return for a comfortable director’s post in German Europe, Unlimited. His resistance may well have been stiffened by strong representations from North Africa that to accept Hitler’s terms now would mean abandoning the very purpose for which the armistice was sought—namely, the preservation of the French Empire. Capitulation to Hitler, had it coincided with General de Gaulle’s recent successes in Equatorial Africa and the capture of Libreville, might have strengthened still further the De Gaullist movement in the French colonies. We may deplore the illogicality of General Weygand’s attitude, in which desire to preserve the Empire is combined with a blind refusal to recognise in British resistance its only guarantee—but for the time being at least it looks as though the only trace of backbone in the Vichy régime is provided by the Colonial governors. Even this, however, is not likely to have really salutary effects. Laval has seen that open submission is too much even for Vichy to stomach. Therefore there is to be no definite agreement with the Reich, no specific claims or concessions. But collaboration there will be, and it will be all the more dangerous for being veiled. Territory will not be ceded. Axis infiltration will take place instead. Thus we shall be faced with the problem of strategic points such as Dakar which are nominally French and actually hostile. It may even be that a declaration of war on Lavallian lines would have better served our purpose.

* * *

The Foreign Office

For some time it has been rumoured that a change was likely at the Foreign Office, but this week the Ministry of Information took advantage of some confident speculation in certain newspapers to put out a stern denial that any alterations in the Government were imminent. This is trebly surprising. In the first place, Lord Halifax only accepted the post of Foreign Secretary temporarily—and much time and history have elapsed since then. In the second, the Foreign Secretary has a record devoid of any notable diplomatic successes, and unmarked by any conspicuous international insight. And, in the third, it was widely hoped, for a few weeks, that Mr Eden’s diplomatic excursions in the Near East were part of the process of grooming the only possible alternative candidate for his old rôle. To say that Lord Halifax is too righteous to govern our relations with foreign Powers may be an overstatement of the Machiavellianism needed to hold our own in a wicked world—if not of the Foreign Secretary’s own special qualities. But it remains true that the lack of vigour and self-confidence shown in our foreign dealings, in our handling of the blockade and in our transactions with Italy, Spain and Roumania, can be traced directly back to the Foreign Office. Lord Halifax is a man of the highest integrity, and “is known to enjoy the full confidence of the Prime Minister.” Nevertheless, he is most un-Churchillian in his ways of thought and action, and, in foreign affairs, it is Churchillianism more than anything else that we must have in these days.

* * *

Undertow in South Africa

General Hertzog is a notably honest man and he has done his country a service. His belief that South Africa should have expressed its independence a year ago by remaining neutral stands; and it was this faith which drove him for 14 months to consort with the Union’s minority of extreme Nationalists. Now, when the short-lived alliance between him and them has been broken, with bitterness on both sides, he is free to speak his mind; and the implications of the story that he has to tell are remarkable. Ever since the war began, it has been well known that there has been an undercurrent of disloyalty in South Africa, a movement without any democratic backing, which was only arrested from breaking into subversive action on the fringes of the Union last year by the prompt action of General Smuts. General Hertzog has now seen this movement at close quarters; he has seen his hope that the critics of General Smuts’ war policy could operate together in the broad interests of a free South Africa dashed to the ground by intrigue and racial prejudice; he has found the sour leaven of the Nazi *Herrenvolk* philosophy at work among the

intransigent minority of rural Afrikanerdom; he has glimpsed *saboteurs* and the makers of a *Putsch*. Now, when he has retirement in mind, he has given fresh advice to all Afrikaners. He has warned them not to co-operate any longer with the Nationalists; “we have already driven off the Jews and the coloured people (he said bitterly this week); we have made enemies of everybody.” “May God prevent that South Africa should receive its Republic at the hands of Germany and Hitler”; almost in the same words as these of General Smuts, and in the same week, General Hertzog has vigorously attacked the view that Germany will act as *deus ex machina* in aid of South African freedom. Courageously, he has told his followers to vote for General Smuts’ candidate at a coming by-election, and once more he has counselled them to seek co-operation with the English in South Africa. General Hertzog is a realist and, in his way, a democrat. He knows that at least half of the Afrikaners in the Union are solidly behind General Smuts and that an overwhelmingly large majority of them are opposed to the short-sighted and pro-German sedition which has driven him out of the new united Opposition and which even threatens to engulf Dr Malan—whose extreme nationalism is milk-and-water beside the blood-and-soil creeds that are doing Hitler’s work under the shelter of the ox-wagon symbol. General Hertzog’s honesty may have saved South Africa from undeserved danger. It has certainly shown that, for all the narrowness of vision which causes him to oppose the war on a point of misread political principle, General Hertzog still has the wide South African patriotism which led him, seven years ago, to band with General Smuts to bring the great bulk of the citizens of the Union, Afrikaner and British, together in the United Party. General Smuts has reason to be grateful to him once more.

* * *

Shopping under Fire

The Bank of England’s analysis of retail sales in September, published in last week’s *Board of Trade Journal*, shows how shopping has been affected by the intensification of air attacks in the chief centres of population. The total value of retail sales in September was only 5.2 per cent. smaller than in the corresponding month last year. True, in August the value of sales was 10.8 per cent. higher than a year earlier; but, as sales in September, 1939—especially those of foodstuffs—were abnormally high, it appears that turnover as a whole has not been appreciably affected by air raids. The changes in the value of turnover by districts compared with the corresponding months a year ago are shown below:—

	PERCENTAGE CHANGE IN VALUE OF SALES FROM CORRESPONDING MONTH IN 1939	
	August	September
Scotland	+12.9	+12.1
North-east	+11.2	+7.1
North-west	+11.6	+4.3
Midlands and S. Wales	+12.1	+5.6
South England	+9.2	—9.1
Central and West End London	—20.2	—20.7
Suburban London	+5.4	—2.2
Total	+10.8	—5.2

In Scotland, where air raids have been least serious, the value of business has been well maintained. Rather surprisingly, the percentage fall in sales in Central London and the West End (compared with the same months of 1939) in September was no greater than in August, but all the other districts,

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and especially South England, showed a substantial decline. After the initial disturbance to shopping caused by the intensification of air raids, and perhaps with some lull given to their activities by the imminence of the Purchase Tax, both shops and shoppers seem to have adjusted themselves to the new conditions.

* * *

Civil Defenders

Two months of continual air raids on London have silenced the section of the Press and public which in the first year of war said that the A.R.P. services were unnecessary because they had not been needed. Now they have been revealed as understaffed rather than overstaffed, and there is not a single local authority in London which would not welcome more volunteers. But the total A.R.P. establishment of the country is still not properly distributed from district to district; nor has it been proved by experience to be properly distributed from service to service. The existing establishments were settled last spring; since then the course of the war has made some of them out of date, and the Ministry of Home Security has announced that the Regional Commissioners are to undertake a fresh examination. A new definition—"active" civil defence volunteers—is to be applied to those undertaking to carry out a certain minimum number of hours of duty every month; and, when the Regional Commissioners, in collaboration with the local authorities, have fixed the authorised strength, enrolment on the "active" list will be limited to these strengths, any excess volunteers being placed in a training reserve until vacancies occur. Presumably, in fixing the strengths, the Commissioners will bear in mind the experience of London and other bombed places with regard to the different services. Too much emphasis was laid in the past on first-aid, partly because so many more casualties were expected. What is now seen to be wanted is fewer first-aid parties, stretcher bearers and ambulance drivers, and more rescue workers, firemen and, above all, welfare workers for the bombed and homeless. To this last service, many of the persons at present engaged in the "medical" side of A.R.P. could with advantage be drafted.

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It has frequently been suggested that there should be more elasticity in the country's civil defence army, that reinforcements should be sent to hard hit areas from ones that have not yet suffered. This is being done to some extent; a number of overtaxed workers are receiving periods of "leave"; and the Ministry of Home Security states that the practice will be pursued as much as possible, but there are obvious difficulties in the case of part-time workers. For civil defence workers themselves, the most welcome part of the new policy is the announcement that if they are injured on duty paid volunteers are to receive full pay for a maximum period of 13 weeks and a minimum period of eight weeks before they are transferred to the civilian injury compensation scheme. At present, they are only allowed a fortnight's full pay. Unpaid volunteers will be paid their normal wages up to a maximum of £3 5s. a week, which is the amount given to paid volunteers.

* * *

Wanted—A Board of Education

It would appear from its complete silence on the subject that the Board of Education has not yet realised that the *Luftwaffe* has scored a big victory over English education. The problem is threefold. In the reception areas, available school accommodation is filled to overflowing, and the education of most of the evacuees and some of the hosts is, in most cases, part-time at the best. In many of the neutral areas, the children spend a large part of their schoolday in the shelters, and as they cannot all be taught in the shelters at once, even these schools are run on a part-time basis. But in the evacuation areas, and in London in particular, the position is worst of all. In the L.C.C. area alone there are about 112,000 children of school age—for Greater London and the Thames-side towns the number is more like a quarter of a million. But though the L.C.C. schools now remain open and have shelters, the average number in attendance is only about 20,000. The remaining children spend their time either queuing for places for themselves and their families in the public shelters or merely playing in the streets—it is alleged that some of them have even taken to looting in damaged premises. The attendance officers, who in normal times would see that the children went to school, are busy elsewhere, on welfare work or evacuation. Surely

the time has come to tell the parents that if they do not send their children to school they will be compulsorily evacuated; if the children are to run wild anyhow, it is better that they should do it in the country than in the cities. The National Union of Teachers has just issued a manifesto on education in war conditions, the main burden of which is that education must go on, though it also draws attention to the inadequacy of many school shelters—and incidentally to the startling fact that, though the Government is to pay all the cost of public shelters, the local authorities still have to provide 50 per cent. of the cost of shelters for schools. But, in the face of all the muddle, the Board of Education remains silent; the only sound that has emerged from it for months has been a scheme for providing physical training for young persons *after they have left school*. It is not merely a question of a broken-down curriculum; in fact, evacuation and air raids might do education a service if they freed it from such toils as the school certificate syllabus. But what is happening is that at the most critical period of the country's history a large section of its schoolchildren is growing up into a set of young hooligans.

* * *

Reservation for Research Workers

The Schedule of Reserved Occupations does not make any provision for economists or workers in the other social sciences, unless they are whole-time members of University staffs, nor does the reservation of statisticians at 30 completely meet the need for retaining qualified men for work of national importance. The Ministry of Labour does not propose to amend the Schedule in this respect, but it has initiated a Committee, representative of the National Institute of Economic and Social Research, the Royal Economic Society and the Royal Statistical Society, to make recommendations for the deferment of the calling up of individual men. Two categories are recognised. In Category A it is the qualifications of knowledge and experience of the individual himself which are the decisive considerations, and in this category indefinite deferment of calling-up will usually be granted, subject to periodic assurance that the individual is in fact engaged full-time in the occupations of statistical, economic or social science research work. Category B covers cases where it is the value of the work being done rather than the qualifications of the individual that justifies deferment, and the deferment granted will be for specific periods. Direct application can be made to the Committee either by the individual or by the organisation for which he is working; Category B applications should be supported by the Government department interested in the work. Further particulars can be had from the Secretary, National Service Committee for Social Economic and Statistical Research, 6 Duke of York Street, London, S.W.1.

* * *

Shorter Notes

For the Allies this has been a week of good news, not least of which is the decision of the Czech and Polish Governments to bury Teschen for once and for all. Their joint manifesto issued on Monday declares that Poland and Czecho-Slovakia have put an end to past recriminations and disputes and are determined at the end of the war to enter into a closer political and economic association. They hope that in this co-operation, based on the principles of democracy, they will be joined by other countries in South-east Europe.

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In a Parliamentary reply, the Attorney-General has explained the effect of the Landlord and Tenant (War Damage) Act on a tenant's obligation to pay rent for bombed property. Any tenant, whose house is made unfit by war damage, may give a notice of disclaimer under the Act. This notice relieves him from the obligation to pay rent from the date of the service of the notice. It also terminates the lease unless the landlord serves a notice to avoid disclaimer, in which case the liability to pay rent does not revive until the landlord has made the premises fit. The provisions of the Act do not, however, apply when a time bomb has caused temporary evacuation.

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In October, 6,334 civilians were killed in air raids on the United Kingdom and 8,695 were injured and detained in hospital, compared with 6,954 and 10,615 respectively in September. Of those killed last month, 2,791 were men, 2,900 were women and 643 were children under 16.

THE WORLD OVERSEAS

Swedish Trade Halved

(By a Scandinavian Correspondent)

SINCE the German invasion of Denmark and Norway isolated Sweden from the West, fifty per cent. of Sweden's foreign trade has vanished. Moreover, efforts to extend her trade with the German controlled or German dominated European continent show that Sweden would gain nothing from the much-vaunted "New Order" in Europe.

Figures for Sweden's foreign trade in July, the last month for which detailed information is available, show that the export of agricultural products has been cut to one-third and that the export of pulp, paper and timber, representing Sweden's most important export products, is only two-fifths of normal. The export of minerals and metals, however, is only slightly reduced. For paper, pulp and timber the outlook remains dark, even with the possibility of increased exports of these goods to Germany, Denmark and Norway, since the chief customers were the Western countries. Out of Swedish timber exports, more than 50 per cent. went to Great Britain, and of pulp, etc., Great Britain and America took three-fifths. "So long as the exchange of goods is limited to the European continent the situation remains unsatisfactory from a Swedish point of view," says the Stockholm paper, *Svenska Dagbladet*, commenting on the trade figures.

Only in the case of iron ore does Sweden hope to maintain her exports. The export of iron ore to Great Britain and America never amounted to more than 15-20 per cent. of the total iron ore exports. Iron ore production in Norrbotten is expected to be reduced, but this is for transport reasons only. It is thought that Germany still needs Swedish iron ore, though the German occupation of Luxemburg and France has deprived Sweden of her old monopoly. The index of Sweden's industrial production shows that production of Swedish iron and steel was even higher in July this year than in July, 1939. While the general index of industrial production from July to July had fallen from 125 to 106, the index for iron and steel had gone up from 121 to 125. In February this year, however, it had touched 140. In accordance with the decline in trade, the industrial index for pulp and paper fell from 105 in July, 1939, to 47 in July this year.

Smaller Imports

July was the first month to show a big fall in Swedish imports. The reason for this is that imports up to that month were to some extent maintained by clearing existing stocks in the free ports. In July imports were down by 30 per cent. compared with July last year. The prices of many imported goods are now considerably higher, so that the decrease in volume was much bigger. Exports were 40 per cent. below those of July, 1939. Imports in July, 1940, amounted to Kr. 140 millions and exports to Kr. 92 millions, compared with Kr. 204 millions and Kr. 160 millions, respectively, in July, 1939. In the first seven months of 1940, exports fell, compared with 1939, by Kr. 282 millions to Kr. 786 millions and imports by Kr. 56 millions to Kr. 1,285 millions. The import surplus was thus Kr. 499 millions against Kr. 273 millions in the same period last year.

The smaller imports of fuel, cereals and feeding stuffs are especially felt. Bread rationing has been introduced, but the fuel situation is the more serious, and liquid fuel and coal are strictly rationed.

Sweden is trying to find new markets for her industrial output, but the chances are found to be very limited. Trade negotiations have clearly shown, as the Stockholm paper, *Svenska Morgenbladet*, puts it, "that Sweden would have nothing to gain from a one-sided attachment to a continental system. . . . In their economic life and in supplies of raw materials, these countries do not supplement each other in a favourable manner. Within such a system, our big exporting industries would be reduced to a very circumscribed exist-

ence. . . . Furthermore, our high-quality industrial products demand the world as a whole as a market, while we on our part are dependent on the world outside Europe for important raw materials necessary for our industries and general needs."

Agreement with Russia

Apart from Germany, the attempts to find new markets have met with some success in Soviet Russia. From Russia, Sweden will get oil, feeding stuffs, manganese ore, flax and so on. Russia will mainly get railway equipment. The Russian orders are of such an extent that new plant is required, and Sweden has granted credits of Kr. 180 millions for the Russian orders in Sweden. The orders are to be used within two years, and the money is to be repaid within five years. As part of the agreement, Sweden gets the right of passage through Russian territory for Swedish export goods. In connection with this important concession to Swedish exports, a Swedish paper has reported that an oil cargo to Sweden, for the first time since April, was recently permitted through the Skagerrak, thanks to British and German willingness, and stated that this indicates the belief of the two belligerents in Sweden's will to neutrality. The paper even foresaw Swedish trade convoys through the Skagerrak. This, of course, would ease the position for Sweden considerably.

November 5th.

Japan Controls Shanghai's Trade

[FROM OUR SHANGHAI CORRESPONDENT]

THE beginning of October, 1940, found the Shanghai depression still unrelieved, except for a minor revival in stock exchange and real estate transactions resulting from the Chinese dollar's renewed depreciation. Nervousness about the future of local business increased, owing to the expectation of another major local clash between Western and Japanese interests. The Japanese obviously prepare for the enforcement of complete trade control at Shanghai, while British and American importers, exporters and banks co-operate in devising suitable counter-measures.

The Japanese, during the past six months, have introduced new individual controls for all major commodities forwarded to Shanghai from the interior of Central China. These controls, so far applied by different authorities and under varying pretexts, are essentially all the same. In particular, they include the subjection to a Japanese permit system of consignments of produce from Central China to Shanghai, and the limitation of permits issued on goods destined for non-Japanese exporters to a level far below their usual turnover. In numerous instances, Western exporters in Shanghai are requested to surrender to Japanese banks the foreign currencies produced from the export of such "permit" goods, and such exporters are excluded from the supply of certain products and from exporting to certain countries. No permits have been issued since September 1st to non-Japanese firms for raw silk shipments to New York, although the United States accounts for 95 per cent. of Shanghai's silk exports. British and American firms have, so far, been prevented from collecting a single egg for the all-important London egg tonnage. Numerous British and American exporters were told, on inquiring from the Japanese authorities, that the enforce-

ment of a new general export control system was pending, and that the issue of further permits would be made dependent upon complete submission to that system.

Import Permits

Non-Japanese import firms in Shanghai were also confronted during the second half of September, 1940, with new Japanese controls. British and American mineral oil products, Java sugar and other important goods imported via Shanghai into the interior of Central China were made subject to a new import permit system. In several instances, importers of such goods were requested to remove from their goods the foreign trade-marks, and to replace them with trade-marks of Japanese firms, which made themselves middlemen in the trade with the interior. Western importers and exporters have been required to effect with Japanese banks substantial deposits as guarantees of their "good faith" in executing Japanese trade regulations. In numerous cases, permission to continue trade with the Japanese-occupied interior was made dependent, in addition, upon the revelation of all business secrets, including buying and selling prices, commissions, shipping and exchange contracts, freight rates and insurance charges. Japan's insistence upon a declaration by Western firms of their ultimate suppliers and customers, here as well as abroad, has become the rule.

It, therefore, appears that at Shanghai the introduction of all-embracing Japanese trade control similar to that in North China, though with somewhat different methods, is being attempted. Trade statistics for the first half of this year show that, even before Japan's import control in North China was completed in July this year, Japanese business had secured the following leading shares in North China's imports out of the 32 commodity groups of the Chinese Maritime Customs tariff:—

	Per cent.		Per cent.
Stone and earthenware ...	99.0	China ware, glass	92.0
Animal products, canned food, etc.	98.5	Sundry goods	83.0
Fruits, seeds, vegetables ...	98.0	Metalware	82.4
Coal, fuel	97.0	Chemicals, etc.	80.0
Fishery products	95.4	Timber	75.0
Cotton piece-goods	95.3	Machinery, etc.	74.5
Rayon and silk yarn	94.0	Tobacco, etc.	69.0
Woodware	94.0	Vehicles, vessels	67.0
Paper, etc.	93.4	Wool, etc.	60.0
Wines, spirits	93.2	Dyes	53.5
		Sugar	53.2

October 1st.

The Jews and the War

[BY A CORRESPONDENT]

HITLER started his war against the Jews as soon as he came to power; and, since 1933, the Nazis have done their best to spread their anti-semitic propaganda far beyond the borders of the German Reich. Every new Nazi conquest has meant a further deterioration in the conditions of life of fresh Jewish victims of this anti-semitism. The *Anschluss* with Austria, the occupation of Czecho-Slovakia and Memel, the invasions of Poland, Holland, Belgium, Denmark and France, these brought misery and oppression to over five million Jews living in these places.

The Jewish minorities in Central and Western Europe number over 6,000,000 people, and were divided at the beginning of the war between the different countries as follows:—

Austria	191,408	Holland	120,000
Belgium	60,000	Hungary	450,000
Czecho-Slovakia	356,000	Italy	47,000
Denmark	6,000	Poland	3,600,000
France	250,000	Rumania	900,000
Germany	360,000		
		Total	6,340,408

These can be divided into three main groups: (1) The nearly 4,000,000 Jews actually living under the Nazi-Fascist rule in Austria, Czecho-Slovakia, Belgium, Denmark, France, Germany, Holland and Italy; (2) the 1,350,000 Polish Jews who are now under the Russian rule; and lastly the 1,350,000 in Roumania and Hungary. Those under the Nazi-Fascist rule have been deprived of their political and personal rights. Under German rule, they are converted into slaves, working under the supervision of S.S. and S.A. guards in concentration and labour camps. Their plight is worse in German-occupied Poland. Even in prosperous times the Polish Jews were the poorest community in Europe; and

before the war more than 40 per cent. of Polish Jews were living on *relief*.

The Nazis have now set out to break the spirit of these Polish Jews and to destroy all their social and cultural institutions which have been built up during centuries. The plan of the Lublin reservation for Jews shows what Nazi rule is aiming at; the Jews, deprived of everything, are being driven by force to settle in an over-populated district where it is impossible to organise any sufficient means of life for the forced immigrants. Before the war is over, the more than 3,000,000 Jews directly under German rule will be economically ruined without any way of carrying on and making a living.

Under Russian Rule

It is difficult to forecast what will happen to the Jews living in the parts of Russian-occupied Poland. There, perhaps, exists at least the hope that their personal dignity is being preserved—and their political status is the same as that of the other sections of the population. The socialised Russian regime is applied generally without any special discrimination or anti-Jewish laws. The possessing Jewish classes will, of course, lose everything they have; but it is possible that, on the other hand, great numbers of Jews will now find greater possibilities of establishing themselves in different trades and industries. So long as the present Russian policy towards minorities remains unchanged, the 1,350,000 Polish Jews under Russian rule will be able to carry on.

Even in Russia, however, the price paid for political and economic equality will be the loss of religious independence and the prohibition of the social and cultural activities which have been carried out for centuries by Jewish religious communities. This will happen, not as the result of any special anti-Jewish policy, but simply as the result of the Communists' approach to religion and faith in general.

The position of the third group of Jewish minorities in Central Europe, namely, those in Roumania and Hungary, depends on the general international political situation. With the German drive to the Black Sea, it has worsened, just as it has deteriorated under Vichy rule in France. Even when Nazi intolerance has been beaten and rooted out, the Jewish problem will remain throughout Europe. There will be these poverty-stricken and down-trodden minorities; there will be the problem of their social and economic salvation; and the problem in an acuter and more urgent form of their rehabilitation or their migration and settlement.

Peace Aims for Jewry

At the end of the last war, about a score of different Jewish bodies and organisations appeared before the Peace Conference and presented many different suggestions and demands. The same situation will arise during the next Peace Conference; and there will be a lack of unity, simply because of the widely varying social, economic and political structure of Jewish communities all over the world; the Jews are divided, like every other "nation." It is, however, certain that there is general agreement about the chief war and peace aims. The Jews want the basic conditions for their existence, economic and international, to be guaranteed by the Powers; they want the restoration of the "rights of man" and the "rule of law" to Jews in all countries. At the moment, the position of Jews in Central Europe is probably worse, relatively, than in the darkest days of the Middle Ages.

All Jews, therefore, are anxious for an Allied victory. This war, despite Axis propagandists, is in no way a "Jewish war," but every Jew, wherever he lives and whatever his political opinions and ideas may be, wishes either to fight actively (in the Allied countries) or to help passively (in the neutral countries) to destroy Hitlerism, for there can be no future for Jewry without a full victory for the Allies. But, afterwards, the simple restoration of political and civil rights to Jewish minorities under Nazi and Fascist regimes would not solve the problem as a whole. Jewish opinion on the wider issue is divided, and is represented by two main schools of thought: the adherents of a Jewish National State; and the Diaspora group. The first group finds its expression in the Zionist movement, and in the idea that the only way to solve the Jewish problem in all countries of oppression is to make an independent Jewish state in Palestine. This movement has much to its credit in the development of Palestine and has the full support of many organisations and individuals all over the world.

The extreme Jewish nationalists are even demanding the formation of a special Jewish army to fight side by side with the British forces in the same way as the Polish, Czech,

Dutch, Belgian and Free French forces are doing. The campaign for a Jewish army is being carried on, not only in Palestine, but also in the United States of America, where tens of thousands of young Jews have expressed their readiness to cross the Canadian frontier and join such a unit when it is formed.

The so-called Diaspora parties are not opposed to the creation of a Jewish National Home in Palestine. But they hold that Palestine alone cannot solve the entire Jewish problem. It is therefore necessary, they claim, to look for other territories for settlement; any place will do, so long as there is the possibility of settling large numbers of Jews there and assuring them suitable economic conditions, political rights and cultural, religious and national autonomy. The adherents of Marxism, of course, believe that the problem will be solved automatically after "the social revolution" and by introduction of Socialism all over the world. These people advise the Jews to co-operate fully with revolutionary political groups, as the best way to combat anti-semitism and secure full rights for the Jews all over the world.

These differences do not hinder Jews from giving full support to the Allied cause. They merely indicate the large social, economic, political—and territorial—problems that will have to be solved before this matter of the Jewish millions is settled. The easiest and fairest path, in British eyes, might be simply to guarantee to Jews wherever they may be full political and economic rights; but, even then, there would have to be mass movements from crowded and pauperised areas in Europe.

November 9th.

The New Disorder in Czecho-Slovakia

[BY A CZECH CORRESPONDENT]

GERMAN plans for transforming the Protectorate of Bohemia and Moravia from an industrial into an agricultural country are proving a failure. The destruction of industry is certainly being carried out, and more shoe, glass and textile factories have recently been closed. But the Protectorate is likely to be an agricultural liability rather than an asset.

The harvest was a complete failure; it was of very poor quality and less than 45 per cent. of the normal size. Fruit and vegetables are scarce; what there are generally do not reach the towns, for transport conditions are very bad. Only half of the buses which were running in August do so now. Military and other needs involve an excessive use of rolling stock, but repairs to it have been substantially reduced.

When the Nazis planned the Customs and Monetary Union, they envisaged Prague as a German city. All Czechs whose residence was not essential were to be expelled, and the working hours of civil servants were increased in order to make a large number of Czechs available for forced labour. Thirty thousand Germans were sent to Prague, each with carefully thought out functions to fulfil in the Protectorate's new economy.

Evacuees from Germany

Now the R.A.F. has hindered all these plans, for many thousands of Germans have arrived in the country, driven by air raids from Berlin and other places. To make room for them, several Czech villages near Prague have been emptied of their inhabitants. Some 170,000 Germans are, it is thought, to be sent to Olomouc (Olmütz in German) and its neighbourhood. Olomouc is a town in Moravia with a normal population of 23,000, which in the days of the Austrian monarchy was an important fortress. It is famous for its cheeses and beer, but it already has difficult food problems to solve, even before the new guests arrive. A good example of the sort of thing that goes on is to be found in the distribution of meat. The six German butchers in the town are allowed 50 carcasses a week, whereas the forty Czech butchers only obtain 100 carcasses. Germans are at present able to get meat and fats without ration books. However, transport difficulties alone will probably make it impossible for them to get meat when they are joined by 170,000 Berliners.

Another sign of the growing chaos is the failure of punitive measures to stop the rise in prices. These are frequently as much as 70-80 per cent. in excess of the official quotations.

November 11th.

Egypt's Trade Unaffected

[FROM OUR ALEXANDRIA CORRESPONDENT]

THE Egyptian economy has not been in the least affected by the Italian advance in the Western Desert. Only 121,493 Beduins, of which the majority were almost destitute, were scattered over the million square kilometres of the Western and Eastern Deserts, the Sinai and the Red Sea coast, while the rest of the country's 15,904,525 inhabitants are concentrated on the 33,000 square kilometres of the Nile Valley and the Fayoum. As for the oil wells, they are situated on the Red Sea coast, at the farthest point from the front. One of the advantages derived up to now from Egyptian non-belligerency by Egypt itself and the forces defending it is the preservation from air attacks of the dense network of railways, canals and bridges. Despite Italian allegations to the contrary, Alexandria harbour is practically intact.

Since the initial disruption at the time of Italy's entry in the war, navigation has been gradually resumed in the Eastern Mediterranean. Ships now ply to Palestine, Cyprus, Greece and Turkey, and in the Red Sea the improvement is still more marked. The safety prevailing in the Eastern Mediterranean may be gauged from the fact that cotton for Bombay is now shipped at Alexandria instead of Suez. As to the overland route through Palestine, Transjordan and Iraq to the Persian Gulf, it is well organised and operating satisfactorily.

The import trade is recovering, and this, coupled with the large stocks accumulated earlier, has prevented any embarrassing shortage of foreign goods. Petroleum will not be rationed before the end of October. Exports are progressing at a much faster pace than imports now that the Anglo-Egyptian cotton agreement is being fulfilled.

Higher Prices

In the course of the first year of war the note circulation increased from £22,236,000 to £31,537,000, but the effect has been cushioned by hoarding. The official cost-of-living index for the middle-class stood at 138 in July, 1940, against 128 in July, 1939, but it is generally agreed that the index does not fully reflect the advance. Of late several articles, some of which are locally produced, have tended to rise more sharply. Expenditure by the British Forces is continually expanding and now runs at the rate of £20 millions annually, compared with Egypt's total exports of £34,081,000 in 1939.

Unemployment is fairly widespread owing to the contraction in foreign trade, to the falling off in building activity and to the shelving by the Government, for reasons of economy, of almost £5 millions of public works out of a budget of less than £50 millions. This has led to renewed agitation for the replacement of foreign employees by Egyptians.

October 8th.

Books Received

- I Believe in Democracy.* By A. D. Lindsay. (London) H. Milford. 63 pages. 2s. net.
- Remove the Shackles.* By A. G. McGregor. (London) Pitman. 204 pages. 5s. net.
- Europe in China.* By P. Einzig. 128 pages. (Harmondsworth, Middlesex) Allen Lane. Penguin Specials. 6d. net each.
- Labour in the War.* By John Price. 176 pages.
- Correction.*
The Rebuilding of London After the Great Fire. By T. F. Reddaway. It was erroneously stated in *The Economist* of October 26th, page 513, that the Cambridge University Press was the publisher of this book. The publishers are Messrs. Jonathan Cape, Limited.

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Books and Publications

The End of the French Republic

THE French breakdown was to all of us a profound shock and disillusion, and any new evidence must be welcome to the future historian of this overwhelming *débâcle*. Mr Alexander Werth, as representative of the *Manchester Guardian*, watched French events throughout the last ten years; and the greater part of his book* was written, not in retrospect, but as a diary jotted down as a private outlet in face of the strict military censorship which the French authorities enforced on the Press.

Mr Werth writes on June 1st:

If France loses this war, the censorship—which has forced this irresponsible optimism upon the Press—will be greatly to blame. The papers have been telling the people for months that everything is O.K., and that victory is certain; when the blow came, people just lost their heads.

This is undoubtedly true, but Mr Werth fails to see that the censorship was only one symptom of a mortal disease which had gripped France before the outbreak of the war.

This is not to say that Mr Werth does not see the chain of events which led to the final doom. He refers to a previous book of his, in which he suggested

that the day France acquiesced in Hitler's occupation of the Rhineland she condemned herself to the position of a second-class power in Europe.

He also enumerates the various reasons which led to the unpreparedness of France for the war itself: complete chaos in the aeroplane industry in 1935 and 1936; the constant strikes and the introduction of the 40-hour week as part of the *Front Populaire* programme; the war-weariness of the French people, generally; the Maginot obsession; and, finally,

life . . . was prized too highly both by the French com-

* "The Last Days of Paris: A Journalist's Diary." By Alexander Werth. (London) Hamish Hamilton. 8s. 6d.

Free Europe

FORTNIGHTLY REVIEW OF INTERNATIONAL AFFAIRS

NOVEMBER 15

SPECIAL ANNIVERSARY NUMBER

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mand (*l'avarice du sang français*) and by many of the individuals directly concerned.

All these reasons, again, true as they are, are symptoms rather than causes of the French breakdown. Mr Werth is perhaps too fascinated by events and individuals; and too little appreciative of institutions and social trends. So, he writes:

The Constitution of 1875 was abolished (by the Vichy Government), and with it the older slogan of *Liberté, Égalité, Fraternité*. . . . The *départements* were abolished and replaced by the *ancien-régime* provinces . . .

Ridiculing Colonel de la Rocque's plans for re-establishing the old French provinces, Mr Werth has never made a careful study of the various sections of the French *nationalisme intégral* which had a much profounder effect in France than any Left-Wing writer would admit. As early as 1909, in M. Maurras's pamphlet "*Si le coup de force est possible*," there is a clear outline of Pétainism.

Freedom, Equality, Fraternity has perhaps been only a slogan throughout the last 150 years. Are not Napoleon I, his nephew and, finally, Pétain illustrations that the "slogan" under which the Revolution of 1789 was inaugurated has never found expression in adequate institutions? The "common ideals" of Great Britain and France, much emphasised during the early months of the war, never took into account the profound differences between the institutional and social frameworks of the two nations—expounded by Edmund Burke, the greatest critic and enemy of the French Revolution. The French themselves never fully understood how to make use of what some of their greatest minds—Madame de Staël, de Tocqueville, Taine, Elie Halévy—had learnt in England.

Perhaps it is timely to remember what Alexis de Tocqueville wrote some eighty years ago:

Was there ever any nation on the face of the earth so full of contrasts and so extreme in all its actions; more swayed by sensations, less by principles; led therefore always to do either worse or better than was expected of it, sometimes below the common level of humanity, sometimes greatly above it—a people so unalterable in its leading instincts, that its likeness may still be recognised in descriptions written two or three thousand years ago, but at the same time so mutable in its daily thoughts and in its tastes as to become a spectacle and an amazement to itself, and to be as much surprised as the rest of the world at the sight of what it has done—a people beyond all others the child of home and the slave of habit, when left to itself, but when once torn against its will from the native hearth and from its daily pursuits, ready to go to the end of the world and to dare all things; indocile by temperament, yet accepting the arbitrary and even the violent rule of a sovereign more readily than the free and regular government of the first citizen; to-day the declared enemy of all obedience, to-morrow serving with a sort of passion which the nations best adapted for servitude cannot attain: guided by a thread as no one resists, ungovernable when the example of resistance has once been given; always deceiving its masters, who fear it either too little or too much; never so free that it is hopeless to enslave it, or so enslaved that it may not break the yoke again . . . —"L'Ancien Régime et la Révolution," *Œuvres complètes*, Vol. IV, page 310 f, Paris, 1866.

Great Britain and the free Frenchmen under General de Gaulle are giving "the example of resistance." We must help her to break the yoke; and this is only possible if one sees more than the *façade* of France which Mr Werth has painted for us so precisely, impressively—and tragically.

Shorter Notice

"Labour and Democracy in the United States of America."
By Kenneth White. University Press of Liverpool,
Hodder and Stoughton. 342 pages. 12s. 6d.

This is an account of labour problems in the United States and of recent attempts to apply certain principles of social justice to those problems. The opening chapters, which are the best in the book, describe the peculiar difficulties due to a mixed and shifting population, the influence of extreme individualism and the alliance of business, politics and force to suppress new manifestations of trade unionism. The rest of the book is an account of the measures taken by President Roosevelt in the New Deal and after, by the American Federation of Labour and by the Congress of Industrial Organisations to bring order into industrial chaos. The state of Labour relations has been, and still is, a serious blemish upon American democracy and civilisation—and Mr. White has said so plainly, if at times a little melodramatically.

THE BUSINESS WORLD

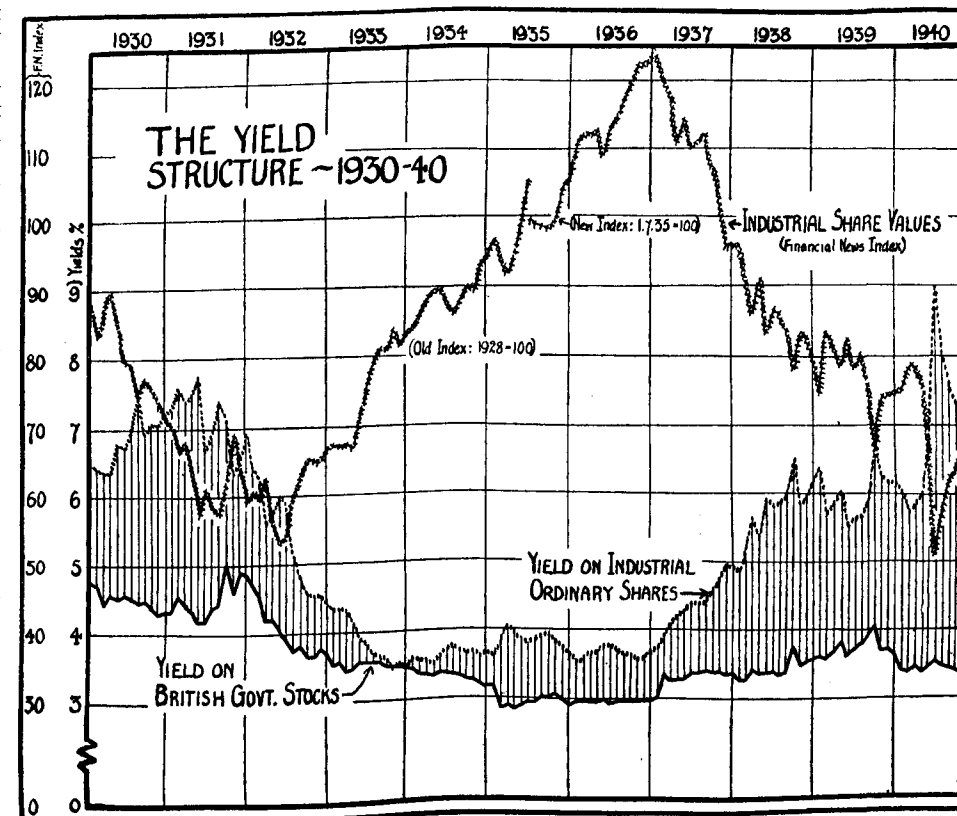
Outlook for Equities

AN examination of the fixed interest structure of the Stock Exchange, such as was set out here on October 19th, is a relatively straightforward matter. For the main influences on fixed-interest stocks—the course of interest rates and the prospects of inflation—affect ultimately the aristocracy of the market just as much as the less distinguished sections. The principal problem, in consequence, is to discover any anomalies which may have occurred and which the passing of time may, other things being equal, be expected to rectify. And it is possible, at least in theory, that in a closed capital market inflation may not be manifested, as in previous inflationary periods, in rising interest rates. Since the latter are among the most obvious manifestations of a failure to control inflation, it is indeed doubtful whether, if inflation develops, the *rentier* will be allowed even the partial insurance of an extra 2 per cent. against the menace. That conclusion may well form the keystone in the more intricate matter of an assessment of the prospects for equity shares. In peacetime, the level of long-term interest

payments. On the other hand, of course, producers of primary products, such as rubber and tin, will be able to raise their dividends approximately to the levels of 1936-37, and the majority of armament concerns (including concerns such as Imperial Chemical Industries and the General Electric Company, which can make the change from peace to war-manufacture with the minimum of disturbances) may be expected to maintain their distributions. On the whole, it would seem that investors should regard the apparent yield of 7.08 per cent., which (according to the *Actuaries' Investment Index*) ordinary shares are now offering, with some suspicion, although the caution which was necessary in 1930—when high yields clearly presaged a major fall in dividends—is not called for on the present occasion. The war has not lasted long enough to provide us with data for a firmer conclusion than that, but one thing at least is certain—ordinary dividends as a whole are unlikely to rise.

Having followed the argument so far, and taken due note of the caveat as to current yields put forward in the pre-

ceding paragraph, the reader may find the accompanying graph interesting and instructive. It plots the yields shown by the *Actuaries' Investment Index* for British Government Securities (1931-33 inclusive) and 2½ per cent. Consols (1934-40), and ordinary shares over the last eleven years—a period which covers the world depression of the early 'thirties, the re-armament boom of 1936 and 1937, and finally the first year of actual war. The course of the *Financial*



News industrial share index is also plotted, and it should be remembered that, during the period covered, industrial ordinary dividends, as calculated by *The Economist*, fell from over 10 per cent. in 1930 to 5.61 per cent. in 1932, thereafter recovered steadily to 10.0 per cent. in 1937, and subsequently fell away again—although in a moderate degree—to 9.29 per cent. in 1938, 8.99 per cent. in 1939, and 8.79 per cent. in the first six months of 1940-41. The figures are not strictly comparable, but will serve as a guide to the trend of industrial distributions.

Comparison of the periods 1930-31 and 1939-40 is of particular interest, for it was in those periods that the divergence between yields on gilt-edged securities and industrial ordinary shares—the "yield spread"—was most marked. In May, 1931, British Government stocks were selling to yield 4.18 per cent., compared with a return of 7.76 per cent. on equities, giving a margin of 3.58 points. In June, 1940, the yield on 2½ per cent. Consols was 3.53 per cent., whereas the return on equities was no less than 9.01, giving a margin of 5.48 points. Compare these spreads with the classic margin

for shareholders in many companies, much less increased

of 1½-2 per cent. which the investor normally expects, and it can be appreciated how awry the relationship between gilt-edged securities and equity shares had become in these two periods. It is notable, incidentally, that the last eleven years have provided only two, 1935 and 1936, during which anything like stability ruled in the yield structure.

In the early 'thirties, the position was corrected by "recovery" buying of equity shares, which pushed share values ahead faster than dividends could rise, with the result that in October, 1933, ordinary shares were actually yielding less than British Government securities (3.45 per cent. against 3.48 per cent.). Thereafter, dividends rose steadily, but by the end of 1936 the growing uncertainties of the European situation, among other factors, kept share prices down, with the result that a new era of abnormal yields appeared. Correction in 1940 has been a rapid process. In the four months from the end of June to the end of October the yield on ordinary shares has fallen from 9.01 per cent. to 7.08 per cent., whereas over the same period the return on 2½ per cent. Consols has merely declined from 3.53 to 3.35 per cent., that on industrial preference shares from 5.52 to 5.39 per cent. and that on industrial debentures only from 4.58 to 4.57 per cent. So marked has been the decline in ordinary share yields that it is clearly apposite to ask whether the process has exhausted itself.

The question is not an easy one to answer. But the experience of the last two months suggests that we need not give undue weight to the military factors which so depressed the

market in June. So long as public morale remains good, the magic of a closed capital market will continue to function. Indeed, yield criteria which apply well enough in normal times are of little use in the artificial conditions of a closed capital market. If yields on long-dated and irredeemable gilt-edged securities are forced down by the weight of money to 3 per cent., for example, then a reasonably well secured equity share will equally be hoisted to a level which by any normal standards could only be termed inflated. Due allowance must also be made for the permanent inflation of asset values, which the inadequacies of wartime finance may leave in their train. That said, however, it would appear that any further advance in ordinary share values is likely to be a gradual and selective process. Yields of 3.69 per cent. and 4.42 per cent. on such groups as cotton and shipping shares do not appear to be unduly generous. And a review of the returns on leading "blue chip" issues in the general run of industrials shows that Boots Pure Drug, Turner and Newall, Murex and Pinchin Johnson are now yielding between 4 and 5 per cent., and J. Lyons, London Brick, Marks and Spencer and Thomas Tilling but 5 per cent. On the other hand, it seems that it will take either the introduction of compulsory savings, on such a scale as to divert all new savings away from the market to the Government, or the worst possible military news to cause a prolonged setback in equities now. All in all, we may conclude that the first phase of recovery has ended. The next stage is likely to be general, if unexciting stability, with a progressive levelling up in the by-ways of the market.

Finance and Banking

Cheap Municipal Borrowing

The trend in the money market this week has been towards still greater ease. Evidence of this has been available in the eagerness with which non-clearing bank money has been offered at ½ per cent. on each day of the week. The present abundance of credit tends to spread evenly over the whole banking system, but the glut becomes more readily apparent with what are known as the "outside" banks—firstly, because their rates are not held by a rigid vice such as that which fixes the clearing banks' short loan and discount rates, secondly, because these outside banks do not, for the most part, enjoy the privilege of lending funds to the Government on six months' deposits. Another indication of the existing abundance of loanable resources is provided by the results of the recent tenders for Lanarkshire and Glasgow bills. The £750,000 of six months' Lanark bills went at an average rate of 1½ per cent. and tenderers at this rate obtained a mere 15 per cent. of their applications. The Glasgow bills, also to the total of £750,000 but of four months' currency, appear to have been issued at an average rate of 1 per cent. Discount market tenderers who bid at 1½ per cent. missed the bills altogether. The Bank return fully corroborates the external evidence of monetary abundance. Bankers' deposits have fallen by £3,561,000 over the week, but are still at the comparatively high level of £114,672,000. The reduction in bankers' deposits has been accompanied by an expansion of £6,646,000 in public deposits. The credit base has thus been enlarged on balance, the operative factor in this movement being an increase of £3,400,000 in the holding of Government securities.

Bank Deposits Leap Again

A further leap of £64,184,000 in the London clearing banks' deposits, over the month of October, has carried their total to £2,660,881,000. There is again a slight element of duplication in this movement, since cheques in course of collection have risen by £6,537,000 over the month, while the same factor of bigger clearing delays has probably prevented advances from falling by more than they have in fact fallen. But the residual genuine expansion is none the less striking and brings deposits to a total greater by £415,753,000 than it was on the outbreak of the war. Divested of its inflation by the extension of clearing delays, the increase of deposits still amounts to £327,228,000. The main contribution to last month's expansion in bank credit came from Treasury deposits. The clearing banks' share in this new

form of accommodation to the Government increased over the month by £88 millions to £179,500,000. As against this expansion, the holding of bills has fallen by £27,917,000, while short loans are £6,482,000 lower on the month. Both movements are indicative of a smaller holding of Treasury bills by the banks and the discount market, respectively. The cessation of sales of "tap" Treasury bills to the banks is in part responsible for the decline in the bill portfolio. The

	Oct., 1939	June, 1940	July, 1940	Aug., 1940	Sept., 1940	Oct., 1940
Capital and reserves	138.8	139.7	139.7	139.7	139.7	139.7
Acceptances, etc.	132.2	123.2	122.8	118.6	119.0	112.4
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current deposit and other accounts	2,327.3	2,469.4	2,454.0	2,481.3	2,596.7	2,660.9
Total liabilities	2,599.7	2,733.7	2,717.9	2,741.0	2,856.8	2,914.4
Cash	255.4	269.6	262.0	273.3	288.2	269.5
Cheques, balances, & items in transit	77.1	123.3	87.6	75.5	110.4	117.0
Money at call	159.1	166.1	145.8	147.6	143.7	137.2
Discounts	289.0	384.1	415.3	430.1	401.3	373.4
Treasury deposit receipts	...	...	26.0	...	91.5	179.5
Investments	605.1	636.2	657.8	682.1	697.1	722.9
Loans and advances	1,013.1	962.5	931.9	919.0	936.8	933.7
Investments in affiliated banks	24.2	23.6	23.6	23.6	23.6	23.6
Cover for acceptances, premises, &c.	176.7	168.3	167.9	163.8	164.2	157.6
Total assets	2,599.7	2,733.7	2,717.9	2,741.0	2,856.8	2,914.4

increased competition for "tender" bills and the smaller allotments with which the discount market has recently had to be satisfied has been a factor both in the decline of bills discounted and of short loans. As far as the banks are concerned, Treasury deposits have more than compensated for this decline in the supply of Treasury bills. The discount market, unhappily for it, has not found similar compensation elsewhere.

The Investment Ratio

The clearing banks' investments have again shown a considerable increase, last month's jump in this item amounting to £25,800,000, carrying the total to £722,872,000, or £123,516,000 more than it was at the outbreak of the war. In spite of the considerable expansion in this item, it is interesting to note that its latest ratio to deposits, 27.1 per

cent., is lower than it was in February, 1937, when the clearing banks' investments touched their pre-war peak. In that month their total was £671,274,000, or over £50,000,000 below the latest figure, but the ratio to deposits in the earlier month stood at 29.5 per cent. An interesting feature of the latest clearing bank figures is the revelation of a reduction of £18,642,000 in the cash holding. A number of the banks found themselves unexpectedly short of cash on their last making-up days, but this position had been fully remedied by the close of the month. The result is that, in the aggregate, the figures show a cash ratio of 10.13 per cent., the lowest figure recorded since last January, and one suggesting a rather "taut" credit position.

Towards Industrial Banking

One of the ways out of the acknowledged *impasse* in which the private or merchant banks of the City of London now find themselves is the establishment of closer and more direct links with industrial enterprises. Evidence has already accumulated of the growth of this tendency. The sponsoring of industrial issues is a type of business with which a number of the private banks have been associated for some years past. From sponsoring an issue to taking a direct participation in it is usually a small step. The next stage in the evolution of the merchant into the industrial bank is the acquisition of a participation in industry as a direct self-contained business proposition. An example of this type of operation has been provided this week by the news that Messrs Kleinworth Sons and Company are associated with a Coventry engineering firm in the formation of a private company which is to be called Hard Metal Tools, Ltd. The banking firm is subscribing part of the capital of £91,600 and is to nominate two out of the five directors.

New Belgian Franc Parity

It was announced at the beginning of this week that the sterling parity of the Belgian franc would be changed from 176½ to 123 to the pound. The news, though of mainly academic interest to the market, has caused some surprise. The parity to which the Belgian franc reverts is approximately that which obtained at the time of the German invasion of Belgium, and it is the rate at which the bulk of the Belgian notes brought over here by refugees were exchanged into sterling. There was admittedly an element of artificiality in the subsequent abrupt adjustment of the Belgian franc rate to exact parity with the French franc, at 176½ to the pound. The movement, however, occasioned no dislocation, for the adequate reason that the market in Belgian francs had virtually disappeared. Simultaneously with this adjustment of the Belgian franc rate, there was established a rate of 176½ for the Congolese franc—a currency in which an active and fairly important market immediately developed. It is interesting to note that this Belgian Colonial franc is being left at the rate of 176½ to the pound, and thus has now fallen to a discount of about 30 per cent. on the Belgian franc. This discrepancy is all the more remarkable in view of the fact that while the Belgian Congo franc is a particularly strong currency, the balance of payments of the Colony showing a persistent surplus, the Belgian franc itself is being subjected to all the nefarious influences of the German occupation. The new Belgian franc rate must be regarded as a book-keeping parity intended to regulate the transactions between the Belgian and United Kingdom Governments. These transactions are becoming more important now that all the "key" men of the Belgian Government are in this country. The number of genuine refugee Belgian notes still awaiting conversion into sterling must now be a negligible quantity. As a market rate, therefore, the new parity will not be called upon to function.

United Kingdom Payments with Chile

Further Treasury Orders issued this week (S.R. & O., 1940, Nos. 1958 and 1959) give effect to arrangements made with the Chilean Government for the regulation of payments between Chile and the United Kingdom. The arrangements follow the now familiar pattern. Payments between the two countries must in future be made in sterling through Special Accounts maintained with London banks and registered as such with the Bank of England. Certain limited and specified types of income accruing in sterling to residents in Chile may, however, be paid into Chilean Sterling Area Accounts. The moneys thus accumulated may be used for effecting personal payments due in this country, such as school fees, subscriptions, etc. Our South American mission which has

been negotiating these payments agreements has not very much more ground to cover before the whole South American continent is brought within the scope of the Special Account mechanism.

Discount Market Losses

The discount market has sustained two personal losses this week by the deaths of Mr Francis Goldsmith and Mr Dominick Spring Rice. Mr Goldsmith had retired from the position of managing director of the National Discount Company in 1939, but he had retained his seat on the board of the company and, despite ill-health, he continued until a few days ago to come to the City and give the company the benefit of his great knowledge and wide experience of the market. Between 1931 and his retirement from the active management of the National Discount Company, Mr Goldsmith was chairman of the London Discount Houses Committee. Mr Spring Rice was for some years associated with Alexanders Discount Company, but left them for the more adventurous realms of merchant banking. He retained his keen and intelligent interest in the market and leaves many friends to regret his death at the early age of 51.

Lower Interest on Local Loans

Though conditions in the money market have for close on a year attained virtual immobility, the authorities are evidently still thinking in terms of a falling trend of interest rates. A recent indication of this was provided by the decision of the Treasury to lower by ¼ per cent. the whole range of rates charged on Local Loans. These are loans made by the Government under successive Public Works Loans Acts to smaller local authorities which are deprived of direct access to the open capital market. The previous scale of these rates was that fixed by the Treasury Minute of May 9, 1939 (at which time, incidentally the banks' short loan rates and the discount rate on Treasury bills were about one-half of what they are to-day). The new scale ranges from 3½ per cent. on housing loans to local authorities secured on local rates, with a top figure of 4½ per cent. on unsecured loans of 30 to 50 years made under the Harbours and Passing Tolls Act of 1861.

RISING VALUES

All Fire Insurances effected at pre-war, pre-Purchase Tax figures should be increased

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Investment

Equities Take the Lead

In the past few days, the forces which were making for a widespread rise in equities have operated with growing force as the facts of the position became apparent to a wider circle of investors. Gilt-edged have been neglected because they have had their rise, and possibly owing to the efforts of the savings campaign to secure subscriptions for new issues. The experience of home railway equities was rather better, and elsewhere the movement towards higher values has continued where it existed and has spread to new fields. Almost the only section which remains without friends is that of oil shares. Actually, turnover tends to increase at the outer margin of the field covered by inquiry, while the area over which it is difficult to obtain stock at or near existing prices tends to enlarge. This difficulty now applies to some of the leading industrial equities as well as to all the more attractive fixed-interest stocks, outside the funds, whether they are dealt in in the Consol market or elsewhere. The movement consolidating the earlier advance in first-line investment stocks has been carried a long step forward, and it is now beginning to be a question of bargain hunting in a field where results are considered more a matter of speculation than of certainty. There can be no doubt that in many cases yields have now fallen to levels which suggest caution, but there remains a wide field which has yet to be fully explored. This should suffice to keep the market reasonably active for some time to come, provided that there is no reverse in the military field to occasion a definite setback. Even should such occur, there is little reason to suppose that it will do more than call a brief halt, for the reasons which dictated the slump of the early summer are gradually losing their potency. Whether Government policy in the fields of finance and labour will be sufficiently energetic to warrant a further decline in the rate of interest and a consequent levelling up of all quotations remains to be seen. Meanwhile, naval and military news tends to promote confidence, and there is some sign of investment trust buying in anticipation of payments under the vesting order.

* * *

Argentine Railways

Stockholders in Argentine railways have still some time to wait for the annual reports and comments of their chairmen, but meanwhile there is a development of some interest in the renewal of a suggestion, in the Congress of the Republic, for the wholesale nationalisation of the foreign-owned railways. It was generally realised that this issue has remained a live one in the country, even if little has been heard of it for some time, but there is no reason to suppose that the motion has any official inspiration behind it. That such is the long-term policy there is small doubt, and already the Argentine authorities have taken over the little Cordoba Central line, largely by an issue of Government stock. What evidence exists, however, suggests that the Government is in no hurry to complete the transfer and the railway directorates show no sign of expecting any drastic action. The possibility of much more ambitious measures than have so far been attempted has, however, already been mooted in connection with the reported Anglo-Argentine agreement—which still awaits official confirmation—while some such development might fit admirably with this country's requirements for expanding purchases of essential commodities and manufactures from without the sterling bloc. In these circumstances the possibility that either the existing Anglo-Argentine arrangement, or some future accord between the two countries, will include a deal over the railways cannot be excluded, and it is as well to consider on what terms it might prove acceptable. Apart from the debentures, the quotations for the stocks of the British-owned railways represent little more than option money. At current prices, stocks of the four leading concerns, having a nominal value of some £203 millions, are valued at £31 millions. They have been brought to this state by a combination of circumstances, some common to all railways and others peculiar to Argentina. There are the familiar factors of road competition, repeated demands for higher wages and official resistance to increased freights, in all of which the local Government has been, over a considerable part of the past fifteen years, less considerate to the companies than have the corresponding authorities in this country. In addition, the companies have

suffered from the ill-effects of continuous depreciation of the peso and the lack of diversity of products, inevitable in a young country.

*

In all the matters in the first group, the Government of the Republic has recently adopted a policy slightly more favourable to the railways, and it is only reasonable to suppose that any offer of purchase would be based on the assumption that the lines should be given a peso revenue sufficient to ensure at least their maintenance and the ability to raise fresh capital as required. The companies have, in fact, just filed a petition for a 5 per cent. increase in all charges, and Sir Pollett Holt seems to be persuaded that it has a good chance of success. It is also true that diversity of output is coming slowly to Argentina; that the railways have done a good deal to stimulate it in the past, and that the rate of conversion from primary to secondary and tertiary types of industry is likely to bear direct relation to the power of the country to export and to borrow. As to the exchange position, while the railway stockholder is entitled to assume that depreciation will not continue indefinitely, it is not likely to be of any service to his cause to attempt to claim anything on account of the depreciation in the peso existing at the time of the contract, and unless arrangements are made to acquire Argentine products the loss of value is likely to continue. Whenever the purchase were negotiated by the companies, it is most improbable that payment would be made in sterling or in free pesos. The alternatives would be either partially blocked currency or, more probably, Argentine Government stock, which could only be realised over a substantial period of years. In existing circumstances it is, however, far from impossible that the British Government could, as part of a wider arrangement, find an immediate use for the peso proceeds, thus providing sterling for payment to the stockholders. It is not easy to hazard a guess as to the terms upon which the authorities in Argentina would be prepared to accept railway stock as a substitute for, or in addition to, their own bonds, but no offer would be equitable from the standpoint of the stockholder which did not take account of the future and did not assume that Argentina would behave as a good neighbour. In so far as the assessment of the future is based on past experience, it must cover an extended period of years and not merely the transition phase, through which all railways have been passing and during which there was a tendency to regard them as a moribund industry.

* * *

Lena Goldfields

The failure of the Soviet Government to give routine instructions for the November 1st payment on £3,000,000 of maturing notes issued to Lena Goldfields in settlement of the company's claim against the U.S.S.R. is as unexpected as it is disappointing. By the Concession Agreement of November 4, 1934, the Soviet Government agreed to pay to shareholders a total sum of £3,000,000 in consideration of the transfer of the company's assets in Russia. After an initial payment of £50,000, the Soviet authorities have until now punctually performed their obligation to pay £92,500 on May 1st and November 1st until 1944, to be followed by £55,000 on each of these dates for the subsequent ten years to 1954. It is hardly credible that the present failure to give normal instructions to the London paying agents, the Moscow Narodny Bank, is dictated by financial inability to provide the relatively trivial sum in question, or that, after the present lapse of time, difficulties in communication should provide the explanation. If the cause of the breakdown in payments lies in the political field, it must presumably reside in some matter distinct from the general conduct of the war, which has arisen since May 1st of this year, up to which date there was no default. There is no information to reveal whether the Soviet Government is obliquely drawing attention to outstanding political differences in the realm of the Baltic States, whose balances have, of course, been blocked by this country since the Russian occupation last summer. For whatever reason the present default has occurred, it is regrettable that the unblemished record of six years should be spoiled by a trivial gesture for which no explanation is provided. In this respect, it is to be hoped that the absence of notice of default portends a technical hitch rather than an act of policy and that payment will be resumed at an early date.

The McIntock Reports

The reports of Sir William McIntock on what are colloquially known as the Commonwealth Mining group of companies were duly made available on Monday at the offices of the registrar, but each company's report was only shown to shareholders in that company in person. It follows that neither the Press, as such, nor legal representatives of the shareholders, have as yet had an opportunity for a detailed survey of Sir William's conclusions. Until this is made possible by the circulation of the reports towards the end of the month, no final opinion can be expressed on this most regrettable affair, but, from what information has so far come to light, it is already quite clear that in demanding the publication of the reports those responsible have been on no wild goose chase. Behind the companies in which the public was interested, there are a number of concerns, including Australian Machinery and Investment, in which Mr de Bernales, or his family, held the control. So intimate was the association that, in explaining certain actions, Mr de Bernales identified himself completely with A.M.I. It was this company which bought the Australian properties subsequently floated as mining subsidiaries of Great Boulder Mining and Finance. The cost of these is described as relatively negligible; nothing was spent on exploration and development; no independent reports were obtained, but mining engineers, employed by A.M.I., collected historical and geological data, on which they based favourable reports as to the prospects of the properties. These were sold to Mining and Finance at greatly inflated prices and the profit made was not disclosed to the prospective shareholders. A clue as to the explanation of this extraordinary procedure which the board may put forward is provided by a board minute of one of the companies suggesting that any property, which proved worth carrying on, must bear its share of the cost of acquiring and investigating mines which had to be abandoned as worthless. Had the properties actually sold to the public proved profitable, the shareholders might possibly have been prepared to concede this point, although a more acceptable means of recouping past losses would have been out of profits on mine working rather than on the sale of an undeveloped property. When the reports of engineers on which prospectus estimates of probable profits were based were proved, in a matter of months, to be completely at sea, it is hardly surprising that Sir William questions their *bona fides*. It also transpires that machinery was supplied to mining subsidiaries by one of the de Bernales family companies, Kalgoolie Foundry, whose general manager, Mr W. T. O. Liddell, was also a director of several of the mining companies. On asking for information as to this machinery from Australia, the action of the group was to secure a reply from Mr Liddell, who not unnaturally contended that the purchases were in order and the jobs had been carried out in first-class fashion. The shareholders and all those interested in the protection of investors will await further details, and the reply of the company directors, with considerable interest. The task of the latter, in giving a convincing explanation must, however, be rendered doubly difficult by the fact that at no point does any independent opinion appear to have been sought from authorities of acknowledged standing in their profession.

Company Notes

Two Brewery Results

Two leading breweries whose full accounts are published this week, Bass, Ratcliff, and Mitchells and Butlers, show mixed results for the last financial year to September 30th. Bass total income, before depreciation or taxation, has suffered a setback from £1,545,450 to £1,503,980, though this figure is still considerably above total earnings for 1937-38 at £1,412,568. Mitchells and Butlers, however, have earned profits of £599,827 against £654,027, struck after tax and depreciation, and the directors are able to state that total receipts increased during the past year, the visible decline being due solely to an increase in the company's tax provision. Since other charges against profits have remained at the previous year's level, equity earnings at £490,510 against £536,591 are still sufficient to cover the usual 21 per cent. ordinary dividend. Bass, after raising the provision for rents, rates and taxes from £445,086 to £562,649, has suffered a reduction in surplus earnings from £671,534 to £534,573, representing a rate of 23.9 against 29.9 per cent. In consequence, the directors have dropped the 5 per cent. tax free bonus paid in the past two years, though the 20 per cent. tax free ordinary dividend is maintained. Both companies are repeating the

previous year's allocations to reserves—£100,000 for Mitchells and Butlers and £50,000 for Bass—and both companies are able to increase the carry-forward, from £659,988 to £669,630, and from £807,407 to £844,852 respectively. A comparison of the trend of profits earned by the two companies over the past three years is provided by the following table:—

YEARS ENDED SEPTEMBER 30TH						
	1938		1939		1940	
	Mitchells and Butlers	Bass, Ratcliff and Gretton	Mitchells and Butlers	Bass, Ratcliff and Gretton	Mitchells and Butlers	Bass Ratcliff and Gretton
	£	£	£	£	£	£
Total income after depreciation*	686,730	1,330,538	654,027	1,468,464	599,827	1,425,634
Rents, rates and taxes.....	2,967	348,784	2,533	445,086	...	562,649
Renewals, fees, etc.	37,387	107,858	50,000	93,755	2,211	72,822
Debtenture interest.		192,456		190,089	50,000	187,590
Prof. and other divi- dends	70,815	68,000	64,903	68,000	57,106	68,000
Ordinary stock :—						
Earned	575,561	613,440	536,591	671,534	490,510	534,573
Paid	450,705	558,910	421,842	558,910	380,868	447,128
Earned "	26.8	27.4	26.7	29.9	27.0	23.3
Paid "	21	25†	21	25†	21	20‡
Reserves	100,000	...	100,000	50,000	100,000	50,000
Carry forward.....	645,239	77,334	659,988	807,407	669,630	844,852

* And after taxation and other charges for Mitchells and Butlers.

† Tax free; including bonus of 5 per cent. in 1938 and 1939.

‡ After deducting £28,551 for depreciation of investments.

No striking changes are revealed in the balance sheet position of either company. Mitchells and Butlers have reduced their cash holdings from £1,014,440 to £944,610, while they have acquired interests in three Walsall concerns valued at £116,746 and British Government securities valued at £100,000 at cost. Bass cash holdings have fallen more strikingly from £1,227,135 to £775,059, but investments in British and Colonial Government securities have risen from £423,872 to £836,814 at cost. The directors of Bass announce the deposit of £150,000 free of interest with H.M. Treasury on account of taxes due January 1, 1941. It is clear from these two sets of accounts that, despite the unfavourable conditions of the past year, total receipts have been well maintained, and that, damage from bombardment apart, there is every prospect that rising wages will ensure a satisfactory level of current beer consumption. The relatively greater success of Mitchells and Butlers in 1939-40 must be attributed in part to current prosperity in the Midlands and in part to retrenchment of the consumers of the more expensive Bass products. The £1 ordinary stock of Mitchells and Butlers now quoted at 64s. xd. yield £6 11s. 3d. per cent. The £1 ordinary stock of Bass is quoted at 113s. and yields £3 10s. 10d. per cent. tax free, equivalent to £6 3s. 2d. less tax.

* * *

Rhokana Reduced Dividend

The decision of Rhokana Corporation to reduce the final ordinary dividend from 25 to 15 per cent., making a total for the year to June 30, 1940, of 40 against 50 per cent., has caused some disappointment in the market. Yet the announcement should not have been unexpected—despite the maintenance of the Roan Antelope payment—for Mufulira paid a lower dividend, and the reduced receipts of Rhodesian Selection Trust from this company are necessarily accompanied by a smaller distribution to Rhokana on account of the 1,579,270 £1 shares which that company holds, out of the total Mufulira ordinary capital of £4,888,874. In fact, the income which Rhokana derived from Mufulira in respect of the past year amounts to £177,668 against £217,149 in each of the two previous years. While the reduction in income from Mufulira was a depressing factor, the sum concerned is small compared with total net receipts on profit and loss account, which amount to £2,549,000. Thus, after inclusion of the Mufulira dividend, the Rhokana net profit, after all charges except taxation, amounts to £2,726,668 against £2,166,398. This satisfactory rise on 1938-39 earnings, due mainly to increased output, should prove some consolation to shareholders, although they are not permitted to enjoy its fruits. The main factor determining the board's decision to reduce the ordinary dividend is undoubtedly the high liability which the company will incur for income and excess profits tax. In recent years, Rhokana's tax provision has risen from £2,892 in 1934-35 to £750,000 in 1938-39. It must be expected that the liability in respect of last year will be very substantially higher, and there is no doubt that financial prudence demands the reduction in dividend which the

directors have seen fit to make, though their decision must point out one more example of the heavy burden which E.P.T. and double taxation place upon mining enterprises. The reduction in the total distribution of *Rhokuna Corporation*, from holds a considerable interest in *Rhokuna Corporation*, from 11½ to 9½ per cent., less tax at 5s. 7.32d. in the £, is not unexpected. The preliminary figures show a gross profit of £520,000 against £662,000. The *Rhokuna* £1 ordinary shares now stand at £7 and yield £5 14s. 3d. per cent., less tax at 5s. 6d.

* * *

Prices Tailors Earnings

In the year to June 30th last, Prices Tailors, with gross profits of £542,216, recovered a considerable proportion of the previous year's drop in earnings from £572,576 to £452,864. Depreciation has absorbed a slightly higher sum at £96,302 against £95,322 and the normal 8 and 7 per cent. dividends have been paid on preference and preferred ordinary shares. Equity earnings have, however, dropped strikingly from £126,167 to £11,581 since total allocations to taxation have been more than doubled at £400,000 against £190,000. The dividend transferred to Prices Trust amounts to 53.1 per cent. less tax against 68.6 per cent. tax free in the previous year and 114.3 per cent. tax free in 1937-38. It is, as the directors state, just sufficient to enable Prices Trust to maintain the previous year's ordinary distribution of 25 per cent. less tax. The 53.1 per cent. payment absorbs £93,000, necessitating a considerable draft on the carry-forward, which has dropped £81,419 to £142,579. No allocations are made to free reserves against £40,000 in each of the two previous years, but it may be assumed that the tax provision is an essentially conservative estimate of the company's liabilities. The following table provides an analysis of the trend of earnings in the past three years:—

	Years ended June 30		
	1938	1939	1940
Profit.....	£572,576	£452,864	£542,216
Taxation	170,000	190,000	400,000
Depreciation and fees	90,597	96,822	97,635
Prof. and pref. ord. div.....	40,563	39,875	33,000
Ordinary shares:—			
Earned.....	271,416	126,167	11,581
Paid	200,000	120,000	93,000
Earned %.....	155.1†	72.1†	6.6
Paid %.....	114.3†	68.6†	53.1
Spec. renewals reserve.....	10,000	20,000	...
Contingencies reserve	30,000	20,000	...
Carry forward	257,831	223,998	142,579
† Tax free.			

Since the outbreak of war, Prices Tailors have, of course, been engaged on a considerable volume of Government work. It is, however, unlikely that this business provides the same margin of profits as the production of civilian clothes, in which sphere the company is hampered by the difficulty of securing stocks of raw materials. Thus, it is satisfactory that the balance sheet shows a rise in stocks from £616,920 to £986,416. In consequence, cash holdings are reduced to a low level, and amount to £51,012 against £378,436. Debtors at £145,332 are some £25,000 higher, but creditors have risen by nearly £200,000 to £947,803. As in the previous year, the company has guaranteed the bank overdraft of a subsidiary amounting to £500,000, though the directors state that this sum has been reduced to £287,000 since the date of the balance sheet. In this connection, it is to be regretted that the very full accounts which are supplied by the group are not completed by the inclusion of a consolidated statement. The 5s. ordinary shares of Prices Trust at 15s. 6d. yield £8 1s. 2d. per cent.

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Odeon Theatres Results

The Odeon report confirms the impression created by the preliminary statement that the decline in total income from £513,380 to £477,493 for the year to June 22, 1940, is encouragingly small in view of the difficulties under which the cinema exhibiting trade has laboured during the past year. The fall in theatre profit was rather heavier than the fall in total income, £342,631 being earned against £404,013, but the leasing of seven "first-run" theatres from the Paramount Company, which the directors are able to announce, should do much to raise box office revenue in the current year. Since charges against profits were increased last year by the expenditure of £12,334 on A.R.P. and by the raising of the tax provision by £50,000 to £150,000, there is no doubt of the wisdom of the directors' decision to pass the ordinary dividend. Movements in the balance sheet indicate

no more than normal trading developments. Debtors and creditors have increased from £81,838 to £118,338 and from £306,185 to £387,163 respectively. The secured loan has been reduced from £138,642 to £127,636, but some £8,000 is now owed to a subsidiary. No further preliminary expenses have been written off, and these still stand on the assets side of the account at a total of £170,640, while cash holdings have declined by rather over £100,000 from £219,722 to £118,393. The directors draw attention to the arrangement by which the remaining eight annual instalments—to a total of £269,272—due for the purchase of cinema properties in 1938 will be suspended until two years after the conclusion of the war. By this means the company appears to have relieved a certain stringency of working capital. The 5s. ordinary shares are now quoted at par.

* * *

Kaffir Results

The annual report of *Sub Nigel* shows that a record of 771,800 tons was milled. Costs were 12.78d. per ton higher at 34s. 3d., due to the inclusion of gold realisation charges, but profits are well maintained. Underground development continued, and, in spite of a reduced development, footage ore reserves are increased by 273,000 tons to 2,857,000 tons, averaging 13.3 dwt. No details are given this year as to values in the lower parts of the mine, but in the eastern Lease Area development was accelerated, although values and percentage of payability are still considerably below those ruling in the rest of the mine. Working costs of *Sub Nigel* must always be high compared with the majority of other mines on the Rand owing to the narrow reef and the necessity of doing a large amount of subsidiary work in the highly developed shoot system. The report is thoroughly satisfactory and *Sub Nigel* should have no difficulty in at least maintaining half-yearly dividends of 7s. 6d. for a long time to come. In order to conserve funds, drilling operations were suspended by *West Witwatersrand Areas* in September, last year, and the report deals mainly with operations at its subsidiaries, *Venterspost*, *Libanon* and *Blyvooruitzicht*. *Venterspost* had another very good year, the percentage of payability in development being highly satisfactory, although there was a falling off in the more irregular "contact reef." Reserves amount to 2,399,000 tons, averaging 4.4 dwts., an increase of 355,000 tons over the previous year and a decrease in grade of 0.4 dwts. The plant, with a capacity of 100,000 tons a month, is now in full operation and has been supplied since June last with ore solely from the mine. With the very wide average reef widths and the high percentage of payability, *Venterspost* should later be able to supply a largely increased tonnage to the mill. *Libanon* has also had a year of solid progress. The No. 1 shaft, near the western boundary of *Venterspost*, has been completed at 4,110 feet and cross-cutting to the reef on three levels has already begun, while shaft-stations at a further seven levels are being made, following which cross-cutting to the reef from these points will be started. Meanwhile, work in No. 2 shaft to the west has been stopped to enable available funds to be concentrated on reef development from No. 1, the results of which will be awaited with much interest. The No. 1 shaft of *Blyvooruitzicht* has reached a depth of 3,003 feet, and work in No. 2 shaft has been suspended to conserve funds for the maximum reef development from No. 1 shaft, but no results can be expected for some time to come. Water difficulties in shaft sinking are being overcome by cementation. *West Witwatersrand Areas* remains an interesting speculation, especially for post-war developments when the great area controlled by the company will be more closely investigated with a view to the formation of several more subsidiary companies.

* * *

Leach's Argentine Estates

The total profit of £230,004 earned by Leach's Argentine Estates for the year to March 31, 1940, is the best for more than a decade and exceeds the 1938-39 earnings by nearly £36,000. The improvement is due mainly to the record sugar crop for 1939 which, coupled with the rise in yield, produced 32,054 tons, against 29,018 tons. Despite an increase in the company's allocation to depreciation of some £10,000 to a total of £49,940 and a rise in tax provision from £15,000 to £30,000, the sum available for dividends after meeting charges on registered notes and funding certificates rose from £106,965 to £117,723. Thus, ample cover is provided for the customary 6 per cent. dividends on preference and ordinary stock, each of which absorbs a gross amount of £30,000. No payment is made on the £52,500 of deferred stock, which has in fact received only one distribution in the past ten years—the dividend of

4.7 per cent. for 1937-39. The allocation to general reserve, to which the carry-forward is automatically transferred, amounts to £51,796, against £41,097. After receiving a transfer from general reserve amounting to £15,500, the exchange reserve, in respect of excess trading assets over liabilities now held in Argentina, stands at £60,500 in the balance sheet. The general reserve shows a rise from £383,042 to £397,007, after providing £22,331 exchange loss on remittance of 1938-39 profits, while fixed assets have appreciated from £2,398,041 to £2,448,910. Changes in current items in the account are on a small scale. Bank overdraft has increased from £33,272 to £54,213, and creditors at £239,982 are up by more than £100,000. Bills payable are, however, lower by some £90,000 at £203,923. Assets have remained relatively stable at the levels of the previous year, though

debtors, including payments in advance to the extent of £69,067, have risen from £208,436 to £239,873. The company has enjoyed a satisfactory trading year, and the directors are able to report a new record output and yield per ton of cane milled for 1940, a satisfactory result for a company which derives some 82 per cent. of its total revenue from the sale of sugar. An increased proportion will, however, probably have to be sold outside the Republic at unremunerative figures. The long-term outlook is closely conditioned by the terms and eventual passage by Congress of the long-delayed National Sugar Law, but at least there is every reason to expect that earnings should be satisfactory during the current year. The 10s. ordinary stock now stands at 6s. 3d. ex dividend and offers the generous yield of £9 12s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE firmness which characterised most sections of the market before the week-end has been continued this week. Dealers were encouraged by continued military, aerial and naval successes, and the centre of interest moved from the Consol market to promote a general rise in industrial equities. The upward movement in home rails continued, and turnover in mining markets has been maintained at a fair level. Last week's improvement in the scale of rubber dealings became more marked, but prices of oil securities continue to move irregularly.

*

In the gilt-edged market, prices held firm at last week's closing levels until Tuesday, when a slight reaction took place in the quotations of leading investment stocks, due mainly to lack of interest. Three and a-half Consols $\frac{1}{2}$ on that day, but prices subsequently remained firm. Demand in the foreign bond market was generally firm. Argentine and Brazilian issues were in lively demand, in particular the San Paulo Coffee Loan, which rose continually, gaining 4 points on Tuesday, following instructions for Sinking Fund buying. At the beginning of the week, speculative buying raised German Young and Dawes Loans and the main French railways by $\frac{1}{2}$ point and Greek 7 per cent. bonds were also bought. Japanese issues attracted some attention, but moved irregularly.

*

Buying of home rails continued on a satisfactory scale from the end of last week and shortage of stock continued to raise prices, especially those of the senior issues. On Tuesday, L.M.S. 4 per cent. Guaranteed led the market with a gain of $\frac{1}{4}$ points and Great Western ordinary closed as much as 1 point higher. The demand for foreign rails was on a small scale, but improved traffic returns gave rise to some buying of Argentine debentures.

*

The industrial market was favoured by buyers during the past week and all sections enjoyed considerable gains. In the brewery group, the announcement of the reduced Bass distribution caused no surprise, and further increases in price were recorded which, over the week, extended to Watneys, Ind Coope, Mitchells and Butlers and a number of other leading companies. Particular attention was paid to electrical supply and equipment shares, including G.E.C., Crompton Parkinson, Siemens and W. T. Henleys. Among motors, Rolls Royce was in demand, and in the iron and steel section John Brown was prominent in a long list of gains with an advance of as much as 1s. 6d. on Tuesday. The revival of interest in shipping shares, which occurred in the previous week, continued with further gains for Elder Dempster and P. and O. deferred, while textile and tobacco leaders

were all marked higher. Among other leading industrials, Dunlop and I.C.I. have been conspicuously in demand.

*

Last week's subdued close in the mining markets was followed by few rises. Although the majority of price movements were upward, business in *kaffirs* was not on a large scale. Demand was mainly for dividend paying companies and was supported by some buying from the Cape. Companies which finished higher on the week include *Sub Nigel*, East Daggas and East Geduld. In the copper section, Roan Antelope continued to be in demand. Rubber shares attracted more interest than for several weeks past and fractional gains were enjoyed by such leading issues as Allied Sumatra, Anglo-Dutch, Malayalam and Rubber Trust. The trend of prices in the oil market continued to move uncertainly. Anglo-Iranian and Burmah Oil preference issues were in demand, but Shell Transport preference and Trinidad Petroleum Developments reacted. Mexican Eagles were sold following unfavourable political news from Mexico.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Nov. 7 ...	1,800	3,095	68.5	123.2
" 8 ...	1,853	4,320	68.8	123.4
" 11 ...	2,171	4,320	69.2	123.5
" 12 ...	1,948	3,540	69.5	123.6
" 13 ...	1,629	3,805	70.3	123.6

* 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).

New York

AFTER its initial reaction, following the news of the result of the Presidential Election, Wall Street enjoyed active buying and sentiment was encouraged by Mr Morgenthau's statement and by the trend of the war news. At the close of last week, interest was concentrated on steel issues, but in the early days of the present week demand broadened and rail, copper and chemical securities were all in demand. Late on Tuesday, a number of leading issues, including Westinghouse Electric and Bethlehem Steel reacted to profit-taking and prices closed at a generally lower level. In midweek, the Berlin discussions with M. Molotov induced further cautious selling, and steel prices again dropped fractionally. The *Iron Age* estimates steel activity at 96 per cent. of capacity, as in the previous week.

New York Prices

Total share dealings:—Nov. 6, 1,210,000; Nov. 7, 2,080,000; Nov. 8, 1,750,000; Nov. 9, 1,100,000; Nov. 12, 1,450,000.

1940	Close Nov. 4	Close Nov. 12	1940	Close Nov. 4	Close Nov. 12
1. Railroads	278	291	Celanese of A.	27	29
Balt. & Ohio	58	44	Chrysler	83	82
Gr. Nthn. P.	284	291	Curt. W. "A"	28	29
Illinois Cent.	88	9	Eastman Kd.	138	140
N.Y. Cent.	151	161	Gen. Elec.	351	342
Norfolk Pac.	7	7	Gen. Motors	51	54
Pennsyl. R.	248	25	Inland Steel	91	93
Southern	131	141	Int. Harv.	53	56
			Int. Nickel	26	27
2. Utilities, etc.			Liggett Myers	97	96
Amer. Tel.	166	166	Nat. Dairy	13	14
Amer. Wks.	10	8	Nat. Distillers	20	21
Pac. Light	41	39	Nat. Steel	67	71
Pub. Sv. N.J.	34	32	Proct. Gamble	57	58
Stn. Cal. Ed.	281	27	Sears Roebck	80	79
Union Gas	11	11	Shell Union	10	10
			Socoy Vac.	8	9
3. Commercial and Industrial			Stan. Oil N.J.	35	36
Amer. Metal.	174	21	20th Cen. Fox	57	63
Am. Roll. M.	168	17	U.S. Steel	69	75
Am. Smelting	438	47	Westhse El.	107	107
Anacosta	24	28	Woolworth	36	35
Briggs	24	26	Yagstn. Sheet	41	44

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES				
1940				
	Low Jan. 5	High Jan. 3	Oct. 23, 1940	Nov. 6, 1940
347 Industrials	80.9	111.4	94.8	94.5
32 Rails	20.7	30.7	27.4	27.6
40 Utilities	71.2	89.4	80.3	81.4
419 Stocks	69.9	94.8	81.6	82.2
Av. yield*	6.61%	4.30%	5.86%	5.80%
	High	Low	High	Low

* 50 Common Stocks.

DAILY AVERAGE 50 COMMON STOCKS				
Oct. 31	Nov. 1	Nov. 2	Nov. 4	Nov. 6
107.00	106.91	107.30	107.70	104.40
1940 High: 123.7, January 3rd. Low: 86.7, June 10th.				

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
November 16, 1940	£	£	£
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
By Savings Certs.†	3,028,319	...	3,028,319
Nat. Defence Bond†	3,086,270	...	3,086,270
2½% Nat. War Bonds†	18,440,220	...	18,440,220
† Week to November 5, 1940. † Week to November 5th, making total since June 25th £304,838,660.			

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	1,257,448,595	904,192,562
1939 (New Basis)	123,424,704	100,898,762
1940 (Old Basis)	1,242,292,970	888,801,008
1939 (Old Basis)	71,886,802	50,456,723
Destination (Conversions Excluded)		
Year to date	U.K.	Brit. Emp. Foreign ex U.K. Countries
1940 (New Basis)	903,207,890	984,672
1939 (New Basis)	73,287,096	25,365,934
1940 (Old Basis)	888,658,552	142,456
1939 (Old Basis)	34,296,632	15,840,091

Year to date	Deb.	Conv.	Excl.
1940 (New Basis)	888,103,026	1,561,005	14,528,531
1939 (New Basis)	45,036,645	8,469,629	47,392,288
1940 (Old Basis)	887,459,376	132,500	1,209,132
1939 (Old Basis)	37,008,921	2,688,459	10,983,163
"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.			

Industry and Trade

Unemployment and the War Effort

Despite the pressing need for drafting additional labour into the munitions industries, the number of persons registered at the employment exchanges of Great Britain failed to show a reduction between September 16th and October 14th. The number of wholly unemployed actually rose from 614,000 to 635,000 while the total number on the registers increased from 830,000 to 835,000. The time has surely come when industries engaged on the production of munitions or other essential commodities must seriously take in hand the training of the large numbers of additional workers that will be required next year if we are to catch up with the Nazis' production programme. While the Ministry of Labour ceased publication of changes in unemployment in individual industries last month, it continues to issue data of changes by districts:—

CHANGES IN UNEMPLOYMENT BY ADMINISTRATIVE DIVISIONS BETWEEN SEPTEMBER 16TH AND OCTOBER 14TH			
Declines		Increases	
London	23,617	Wales	7,449
North West	3,550	East	6,885
North	1,007	South West	6,789
Scotland	1,450	South	6,745
North Midlands	204	North East	4,899
		Midlands	2,446

These figures provide little indication of the course of production in the munition and other industries, though the increase in unemployment in Wales is presumably due, at least in part, to the setback in the coal trade.

Control of Exports

The Board of Trade has issued a consolidated list of the goods and destinations to which the Export Control Orders apply; the goods remain the same, but there is some revision in the destinations. The Export of Goods Control (No. 39) Order, 1940, will come into force on November 15th, when no goods may be exported without licence to any of the following countries:—

Bulgaria	Greece
Estonia	Hungary
Finland	Jugoslavia
French Colonies and Mandated Territories (other than French Cameroons, French Equatorial Africa, French Settlements in Oceania, New Caledonia, New Hebrides and French Settlements in India)	Latvia
	Liechtenstein
	Lithuania
	Poland
	Roumania
	Sweden
	Switzerland
	Vatican City
or to any port or destination in the Union of Soviet Socialist Republics on the Black Sea, Baltic Sea or Arctic Sea, or to Enemy Territories.	

The position with regard to the goods in Lists A and B is not changed by this Order. List A contains those goods whose export is entirely prohibited without licence. List B consists of goods, such as rubber, machine tools, navigational time-pieces and certain chemicals, which may not be exported or shipped as ships' stores without licence to destinations not in the Dominions, a British Protectorate, territory under His Majesty's protection or suzerainty, or British or Dominion mandated territory. From November 15th goods in List C may not be exported without licence to:—

Andorra	Manchuria
Faroe Islands	Portugal (including Madeira, the Azores and the Cape Verde Islands)
Formosa	Rio de Oro
Iceland	Spain (including the Canary Islands and the Spanish zone of Morocco)
Iraq	Tangier Zone
Japan	Turkey, including the Hatay
Japanese Mandated Islands	
Korea	
Kwantung Leased Territory	
or to any port or destination in the Union of Soviet Socialist Republics not on the Black Sea, Baltic Sea, or Arctic Sea.	

The Order gives a complete list of the articles in each category.

At the same time the Order makes a concession permitting the export without licence of articles of food (except potatoes,

grain and feeding-stuffs for animals) to British Colonial dependencies. The system of import control in the Colonial dependencies still exists, however, and will be extended if necessary to cover all articles of food imported from the United Kingdom. Exporters will have to make sure that the necessary import licences have been granted, for the arrival of the articles will not constitute a claim for a licence and unlicensed goods may be confiscated. It is emphasised that the policy of the Ministry of Food in supplying the Colonial dependencies is unchanged; except in special cases, licences will not be granted for more than the normal pre-war imports from the United Kingdom, while some commodities will be restricted below this level and the whole list is subject to alteration with varying circumstances.

Dearer Clothing and Wool Prices

Clothing is among the items that have shown a substantial increase in price since the beginning of the war. According to the Ministry of Labour, even the types of clothing bought by working-class families were, on the average, 44 per cent. dearer on October 1st than before the war. So far as materials made from wool are concerned, the explanation of this rise in prices is to be found largely in the increased cost of raw wool, though the rise in wages has been a contributing factor. According to the *Weekly Wool Chart*, the price of wool on November 1st was 69 per cent. higher than at the end of August, 1939, while that of tops showed an advance of 73 per cent. The rise in wool prices is due chiefly to the Government's decision to purchase the clips of Australia and South Africa during the war at a price substantially in excess of the pre-war figure and to the rise in freight rates. The price which manufacturers have to pay for their raw wool is fixed by the Government. The rise in prices, coupled with rationing, has brought a fall in the home demand for civilian clothing, which is likely to be accentuated as a result of the imposition of the Purchase Tax.

Expanding Rayon Exports

There seems to be every likelihood that the importance of the rayon export trade will increase very considerably during the war. It was recently announced that a new company, Central Rayon Office, Ltd., had been formed to assist in developing exports, and by means of a levy on production would have an income of over £1 million per annum for that purpose. The increase in the volume of rayon exports and the decline in that of cotton yarns and piece-goods is shown by the figures for the first eleven months of war and the corresponding period in the previous year:—

EXPORTS OF COTTON AND RAYON GOODS			
	Sept., 1938	Sept., 1939	Sept., 1940
Rayon yarn	to	July, 1939	July, 1940
Cotton yarn	'000 lb.	5,166	10,850
Rayon piece-goods	'000 lb.	119,965	76,944
Rayon piece-goods	'000 sq. yds.	35,166	50,795
Cotton piece-goods	'000 sq. yds.	1,292,508	1,116,466

The use and sale of rayon has many advantages from the national point of view. The raw material, which is now derived from Empire countries, forms a relatively small part of the cost of the finished product and a much smaller part than in the case of cotton. When the rayon is exported in the form of piece-goods instead of yarn the additional value is usually the result of work done in Lancashire on looms which would otherwise be idle and could not be used for Government contracts. Rayon's greatest competitive advantage over cotton, however, is in its price. Prices of American cottons are to-day 50 per cent. above the pre-war levels, while yarns spun from them have increased by 60 per cent. owing to the establishment of profitable margins for spinners. In the case of rayon of the usual filament type the increase is 42 per cent., and the permissible export reductions are much larger than in the case of cotton. The price of staple fibre, which often competes closely with cotton, has increased by only 15 per cent. and its yarn by only 20 per cent. from the pre-war levels. This advantage in price changes has played a considerable part in the different fortunes of these two textile trades during the war, though it must also be remembered that we have lost a large market for cotton goods in Central Europe which it will be difficult to replace.

America and the Copper Market

At a series of meetings brought to an end this week, American copper producers and consumers came to the conclusion that the United States will require more copper next year than the country can produce from domestic sources. In order to make up the deficiency, substantial quantities of the metal will have to be imported from South America, and in particular from Chile, the world's second largest copper producing country. Last year America's copper requirements, both for domestic and export deliveries, reached a total of 949,000 short tons, while the country's production of refined copper did not exceed 815,000 tons. In recent months America's home production of the metal averaged over 85,000 tons a month, equivalent to just over 1,000,000 tons a year, but since August deliveries have been far in excess of this quantity, while actual consumption plus exports exceeded this high level. As the United States armament industry is gradually coming into full swing requirements of copper, one of the chief armament metals, are bound to rise, while American production has reached its economical upper limit. The quantity required from Chile, therefore, should be substantial, and may exceed the total of 120,000 tons which it was recently predicted the United States Government would exempt from the duty of 4 cents per lb. within the next twelve months.

Substantial American imports from Chile for immediate consumption would have a far-reaching influence on the world copper situation. Until now the United States has secured most of its copper from home sources, and the Chilean copper imported, which absorbed the bulk of that country's output since the beginning of the war, was almost entirely destined for re-export. Meanwhile, almost the whole of the European market, which absorbed the greater part of the Chilean copper before the war, has been cut off, while Great Britain's huge copper requirements are met from Empire sources. Japan and Russia, though large copper importers, could not provide sufficiently large markets for Chile's excess, especially as political considerations have repeatedly influenced sales to these two countries. Chile, with its annual producing capacity of almost 500,000 tons, has therefore only a restricted market, a fact which influenced the whole international copper price situation during the past twelve months. Larger direct imports by America should reduce the Chilean selling pressure, but even they will not be sufficiently influential to bring world supplies and requirements of copper into equilibrium. The jump in the world's copper producing capacity from just over one million tons in 1914 to over 2.5 million tons this year requires a much wider and more natural market than the present war with its reduced world trade and blockaded consuming territories can permit. There is, therefore, no reason to expect that world market prices for copper will rise very much above their present level of about 12 cents per lb. as a result of the potential American import requirements, and the high levels registered at times during the war of 1914-18 are unlikely to be reached again.

Cotton Market in Transition

The cotton market is at present going through a rather uncomfortable transition period which will only be ended with the meeting of the Liverpool Cotton Association called for November 27th to approve or reject (but not amend) the new Emergency Futures Contract. The introduction of the new contract at the beginning of December will mark the completion of a series of steps in cotton control whose fundamental object has been to reduce the consumption of American-grown cotton and thus save dollar exchange without creating serious difficulties in the futures market. For many months cotton imports from America have, of course, been officially restricted through the allocation of freight space, and it was the resulting depletion of private stocks which led to a severe squeeze on the Liverpool market and the consequent breakdown in the old system of trading. To meet this situation contracts were forcibly transferred forward, while futures trading was limited to a few positions for which maximum prices have been fixed. This could clearly be no more than a stop-gap measure. Even the introduction of a wider contract, against which non-American cotton will be tenderable, could not help to prevent squeezes unless demand were in some way reasonably adjusted to the reduction in the available quantities of American cotton. By far the most important aspect of the new system of control, therefore, has been the attempt to deflect demand from

American to outside growths by means of licensing and by permitting producers to use Brazilian instead of American cotton in fulfilment of Government orders.

Up to the present, this attempt has not been altogether successful, largely because of the abnormally high premium of some 350 points commanded by Egyptian cotton, though the news that 27,000 bales of Egyptian cotton were imported during October may help to restore a more normal differential. The continuing relative scarcity of American cotton, on the other hand, is indicated by the exceptionally heavy premium for spot over the controlled futures prices. The spot basis for middling, for example, recently rose to as much as 98 points, when the Controller intervened by fixing official price differences with a basis for middling, at first of 75 points on, and now of 60 points on. Since the rise in the spot basis eats into the controlled margins for yarns, the high prices have given rise to complaints from spinners and have also tended to deter sellers of yarns. This contrasts with the position in Egyptians, where the spinners' margin is unaffected by the spot basis and where the high prices have tended instead to deter buyers. Although private imports of American cotton have this month been cut to 7,500 bales (against 15,000 in October and 30,000 in September), the tightness of this type should be considerably alleviated by the month's release of a total of 51,000 bales from barter stocks—incidentally, on a basis equivalent only to 30 points on. This preponderance of barter supplies strikingly illustrates the extent to which questions of foreign exchange and shipping have divorced the Liverpool cotton market from world supply and demand factors. In the United States, of course, the Government's loan arrangements remain the sole support of the market. For even with domestic consumption at the rate of 8 million bales per annum, the Administration will almost certainly have to add a further 2 million bales this season to its already enormous loan stocks should the current crop fulfil the present estimate of 12,847,000 bales. Actually, the ginnings figures suggest that this may prove an over-estimate.

TNT from Petroleum

Of all high explosives used in peace and war, TNT (trinitrotoluene) is one of the most familiar. This potent instrument of destruction is manufactured from nitric acid, sulphuric acid, sulphur anhydride and toluene; and owing to inadequate supplies of the last-named ingredient a serious shortage of TNT threatened at one period during the last war. Toluene, a colourless liquid, is an aromatic hydrocarbon which is normally obtained in by-product coke-ovens from the lower boiling portions of coal-tar. In wartime, however, requirements naturally rise steeply, with the result that normal methods of supply are insufficient. Thus, last year's output of toluene in the United States was in the neighbourhood of 25 million gallons (against 14 millions in 1918), whereas, according to a recent estimate, at least 40 million gallons would be needed for armaments if the country were at war. The additional wartime demand may be partially met by restricting the use of toluene for non-military purposes (such as the manufacture of dyes and lacquers) and, of course, by increasing the amount recovered from coal-tar. In 1914-1918, however, these expedients proved inadequate and the Allies were forced to turn to other sources, such as Borneo petroleum, in which small quantities of toluene occur. There is little doubt that production from coal-tar is again tending to lag behind demand at the present time; fortunately, however, there need now be no fear of a shortage, for the oil industry has discovered a means of producing toluene synthetically from crude oil, natural gas or the waste gases from oil refineries. Already the Shell Company of America has placed a contract (valued at half a million dollars) for the construction of a new toluene-producing plant at its Houston refinery, having an annual capacity of about 2 million gallons of TNT grade toluene, which could easily be expanded to turn out 7 million gallons should the Administration so desire. The Standard group is also interested in the same process. The military authorities may thus rest assured that the production of explosives need not now be held up by any lack of toluene, for this essential material can be produced by the oil industry, when the necessary plant is available, in any required quantity. But since the investment will be valueless once peace is restored and the demand for toluene reverts to its normal level, the oil companies can hardly be expected to embark upon this new project on a large scale unless Government assistance is forthcoming. This question of State aid is now under discussion in the United States and an early decision is expected.

COMPANY MEETING

BATU RATA (SUMATRA) RUBBER PLANTATIONS, LIMITED

SATISFACTORY RESULTS

Mr A. P. Hadow, the chairman, presiding at the thirtieth annual general meeting of the Batu Rata (Sumatra) Rubber Plantations, Limited, held, on the 11th instant, at 17 Mincing Lane, London, said that the quantity of rubber which the company was permitted to export for the year was 1,224,614 lbs.—a substantial increase compared with the exportable quota of 741,279 lbs. for the previous season. The crop of rubber harvested was 1,011,350 lbs. and the gross average price realised for the exportable quantity was 10½d. per pound, a welcome improvement compared with 7½d. per pound

for the previous year. After making full provision for taxation, there was a profit of £13,686. The directors had allocated £2,500 to Bangoen Poerba rejuvenation account, and they recommended a dividend for the year of 7½ per cent.

As regarded the replanting programme, the directors' progressive policy was being continued and a start had been made on a further 93 acres at Bangoen Poerba; this area, with an additional seven acres, making 100 acres, was to be planted up before the close of the current year, and for the following year—1931—a further 50 acres were to be replanted. To date £4,314 had been expended on Bangoen Poerba replanting, against which the rejuvenation reserve fund now stood at £4,800. The estates had been maintained in good order, and the visiting agent gave most satisfactory reports, particularly regarding the favourable results of manuring and the development of replanted areas.

The report was unanimously adopted.

COMMODITY AND INDUSTRY NEWS

THERE have been signs this week of the beginning of a general rise in prices in America stimulated by Mr Morgenthau's references to increased borrowing. Two schemes to help unemployed miners were announced by the Secretary for Mines last week. The first was that they should go to work in other coalfields, particularly Kent and Somerset, which are nearer to the consuming centres so that the transport position might be eased, and the second that they should work as rescue parties to free people trapped under air-raid debris. Both these schemes are to be open to volunteers, but it is too early to see whether they will be successful in helping to reduce unemployment among coal miners.

Cotton.—Although the terms of the Emergency Futures Contract have been published they have yet to be considered by the Liverpool Cotton Association and if they are approved will come into force on December 2nd. In the meantime, maximum prices for American cotton in Liverpool have been fixed, but those for other growths have not yet been announced. There has been a keen demand for coarse and medium American yarns and spinners have been unable to satisfy users' demands. There has also been rather more inquiry for Egyptian yarns.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Nov. 7, 1940	Nov. 13, 1940	Nov. 10, 1939	Nov. 13, 1940
American	28.6	20.2	316	324
Brazilian	8.8	9.5	118	93
Peruvian, etc.	2.7	2.7	66	43
Egyptian	4.9	1.5	90	64
Sudan Sakei	0.2	0.1	59	7
East Indian	5.3	4.5	79	90
Other countries	7.1	9.5	65	78
Total	57.6	49.0	793	699

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—Tin prices have fluctuated but are now rather firmer than a week ago, due to the expectation of an increase in general purchases in America. It was announced last week in America that the Metals Reserve Company has contracted to purchase sufficient ores to produce 18,000 tons of fine tin annually for the next five years from Bolivian producers. The United States will be unable to produce sufficient copper for her needs next year and will have to import supplies from Chile. A protective clause is to be inserted in contracts between Chile and Japan to provide for their cancellation if the metal is needed by Chile or the United States.

Grains.—There was a sharp recovery in Chicago wheat options during the week and a less marked increase at Winnipeg and Buenos Aires. The trend of f.o.b. prices was therefore higher in sympathy. The long drought in Australia is still un-

broken and one estimate suggests it to be unlikely that the harvest will reach 100 million bushels. Maize prices have declined to 10s. 1½d. per 480 lb.

Oil and Oilseeds.—Supplies of controlled vegetable oils and fats are ample to meet all the demands of margarine manufacturers whose production, according to the Ministry of Food, has been greater than ever before and has allowed stocks to be accumulated. The Control is willing to buy Indian linseed but shippers are holding out for higher prices.

Rubber.—There was a sharp advance in the price of rubber on the London Exchange on Tuesday. The firmer tone on the market is thought to be due to an increase in commercial buying, which has recently been on a very small scale. Stocks have become depleted, but with the possibility of less intense air activity during the winter weather consumers are more willing to hold stocks, while the initial advance has also encouraged consumers who fear further increases to make their purchases now.

THE ECONOMIST SENSITIVE PRICE INDEX (1935 = 100)

	Nov. 7, 1940	Nov. 13, 1940	Nov. 10, 1939	Nov. 13, 1940
Crops	100.6	100.9	100.3	100.1
Raw materials	165.4	165.6	165.7	166.2
Complete Index	129.0	129.3	128.9	129.0

	Mar. 31, 1937	Aug. 31, 1939	Nov. 13, 1940	Nov. 10, 1939
Crops	147.9	92.2	110.8	103.5
Raw materials	207.3	122.9	131.4	166.6
Complete Index	175.1	106.4	120.6	139.3

* Highest level reached during the 1932-37 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	July 1-29, 1940	July 30-Sept. 2, 1940	Sept. 3-11, 1940	Sept. 12-19, 1940	Sept. 20-27, 1940
British:—					
Merchant ships:—					
Normal trading	224	313	299	301	2,140
Naval auxiliaries	...	...	...	...	73
Naval Trawlers, etc.†	2	2	1	2	19
Allied	227	354	300	303	2,384
Neutral	67	47	43	47	855
Grand Total	337†	433†	399†	394	3,829

* Diverted from mercantile voyages for naval purposes, e.g. evacuation. † Formerly commercial vessels; in a few cases the tonnage has been estimated. ‡ Revised figures.

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

	Average Daily Sales			Stocks (at cost) end Sept.
	July	Aug.	Sept.	

(a) By Commodities

	%	%	%	%
Non-Food Merchandise:—				
Piece-goods	3.1	29.6	14.3	+50.7
Women's wear	5.9	30.0	16.4	+20.8
Men's and boys' wear	12.3	21.5	27.7	+34.4
Boots and shoes	13.4	32.1	10.0	+16.2
Furnishing departments	17.6	15.9	0.2	+25.9
Hardware	0.5	13.4	4.4	+22.1
Fancy departments	1.2	2.8	5.2	+30.1
Sports and travel	10.7	1.1	8.3	+38.2
Miscellaneous	13.6	38.0	0.9	+52.9
Total — Non-Food Merchandise	1.3	21.0	6.7	+28.9
Food & Perishables	12.0	5.4	11.5	+48.7
Total — All Departments	5.6	10.8	5.2	+31.0

(b) By Districts

	%	%	%	%
Scotland	14.7	12.9	12.1	+20.7
North-East	13.3	11.2	7.1	+30.7
North-West	14.3	11.6	4.3	+35.0
Midland & S. Wales	15.5	12.1	5.6	+35.7
South England	4.1	9.2	9.1	+36.8
Central & West End London	26.1	20.2	20.7	+25.6
Suburban London	6.4	5.4	2.2	+31.2

Source: Board of Trade Journal.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture)		Percentage of insured persons (aged 16-64) unemployed (incl. agriculture)	
	Total	Index, adjusted for seasonal variations	Of whom wholly unemployed	%
1939				
Oct. 16	1,431	70.8	1,222	85.4
Nov. 13	1,403	69.1	1,213	86.5
Dec. 11	1,362	68.4	1,171	85.9
1940				
Jan. 15	1,519	68.8	1,220	80.3
Feb. 12	1,504	69.4	1,141	75.9
Mar. 11	1,121	54.7	966	85.9
Apr. 15	973	48.1	840	86.3
May 20	881	44.3	731	83.0
June 17	767	39.4	648	84.6
July 15	827*	41.0	637	77.0
Aug. 12	799	39.7	613	76.7
Sept. 16	830	41.2	614	72.8
Oct. 14	835	41.4	635	76.1

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 raised the total in July to 835,000.

Source: Ministry of Labour.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended November 9, 1940, total ordinary revenue was £22,771,000, against ordinary expenditure of £87,410,000 and issues to sinking funds of £145,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,506,605,000, against £427,419,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Nov. 11, 1939	Apr. 1, 1940, to Nov. 9, 1940	Week ended Nov. 11, 1939	Week ended Nov. 9, 1940
ORDINARY REVENUE					
Income Tax	510,500	84,499	142,910	8,774	7,531
Sur-tax	83,000	10,710	15,826	330	1,316
Estate, etc.	86,100	48,380	48,819	1,350	1,133
Duties	19,000	10,300	8,108	220	100
N.D.C.	70,000	15,460	12,947	540	300
E.P.T.	...	...	33,648	...	1,301
Other Inland Revenue	1,000	450	250	20	10
Total In. Rev.	769,600	169,799	262,508	11,234	11,691
Customs	309,350	165,842	182,510	5,258	6,821
Excise	213,550	76,490	105,700	1,326	1,399
Total Customs and Excise	522,900	242,332	288,210	6,584	8,220
Motor Duties P.O. (Net Receipts)	35,000	9,683	12,402	367	1,223
Crown Lands Receipts from Sundry Loans Mts. Receipts	13,291	6,504	9,100	1,400	950
Total Ordinary Revenue	1,360,191	444,114	589,092	20,893	22,771
SELF-BAL. Post Office and Broadcasting	86,222	47,046	48,800	900	1,250
Total	1,446,413	491,160	637,892	21,793	24,021

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Nov. 11, 1939	Apr. 1, 1940, to Nov. 9, 1940	Week ended Nov. 11, 1939	Week ended Nov. 9, 1940
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	230,000	152,711	160,349	924	1,756
Payments to N. Ireland	9,400	4,605	4,759	...	415
Other Cons. Fund Serv.	7,600	3,779	3,703	5	...
Total Supply Serv.	247,000	161,095	168,811	929	2,171
Total Ordinary Expenditure	346,670	865,341	208,924	32,896	8,740
SELF-BAL. Post Office and Broadcasting	86,222	47,046	48,800	900	1,250
Total	432,892	912,387	257,724	33,796	9,990

The 1939 figures include expenditure out of defence loans.

OTHER ISSUES AND RECEIPTS

	(£ thousands)		(£ thousands)
OTHER ISSUES (NET)		OTHER RECEIPTS (NET)	
P.O. and Telegraphs	400	Land Settlement	15
Overseas Tde. Guar.	49		15
	449		15

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to November 9, 1940, are:—

	(£ thousands)		(£ thousands)
Ordinary Exp.	2,089,245	Ord. Revenue	589,092
Misc. Iss. (net)	7,262	Gross. borr. 1,514,069	
Inc. in balances	202	Less:—	
		Sinking fds.	6,452
		Net borrowing	1,507,617
	2,096,709		2,096,709

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1939						
Nov. 11	605.0	695.6	57.6	...	...	1358.2
1940						
Aug. 10	836.0	...	...	...	...	...
" 17	836.0	...	...	...	...	...
" 24	836.0	...	...	...	...	...
" 31	836.0	1042.6	60.7	...	30.0	1969.3
Sept. 7	836.0	...	...	...	...	...
" 14	836.0	...	...	...	...	...
" 21	836.0	...	...	...	...	...
" 28	836.0	1085.1	91.5	...	124.0	2136.7
Oct. 5	836.0	...	...	...	...	...
" 12	836.0	...	...	...	...	...
" 19	836.0	...	...	...	...	...
" 26	840.0	1145.9	69.0	7.7	199.5	2262.2
Nov. 2	845.0	...	...	...	...	...
" 9	845.0	...	...	...	...	...

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate %	Per Cent. Allotted at Minimum Rate
	Offered	Applied for	Allotted		
1939					
Nov. 10	55.0	95.5	55.0	23 d. 4.66	61
1940					
Aug. 9	65.0	122.5	65.0	20 d. 4.62	41
" 16	65.0	116.5	65.0	20 d. 5.21	48
" 23	65.0	109.7	65.0	20 d. 5.33	56
" 30	65.0	134.9	65.0	20 d. 6.31	27
Sept. 6	65.0	125.8	65.0	20 d. 7.01	38
" 13	65.0	124.7	65.0	20 d. 6.72	35
" 20	65.0	123.5	65.0	20 d. 7.06	37
" 27	65.0	131.9	65.0	20 d. 6.33	81
Oct. 4	65.0	122.0	65.0	20 d. 4.63	42
" 11	65.0	129.8	65.0	20 d. 4.60	37
" 18	65.0	135.3	65.0	20 d. 4.41	30
" 25	65.0	147.3	65.0	20 d. 4.11	25
Nov. 1	65.0	139.6	65.0	20 d. 4.36	31

On November 8th 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 November 15th. For the week ending November 16th the banks will be asked for Treasury deposits to the maximum amount of £20.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Bonds	2½% Bonds
Oct. 8	3,114	2,336	7,808
" 15	2,722	2,633	14,610
" 22	2,723	3,435	25,604
" 29	3,878	2,971	9,539
Nov. 5	3,028	3,086	18,440
" 12	...	...	17,521
Totals to date	171,953*	170,302*	322,360†

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 5th; Switzerland, of June 15th; Java, Egypt, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 5th; Melite Iran, of October 19th; International Settlements, Estonia, Roumania and Portugal, of October 26th; Japan, Lithuania and Canada, of Nov. 2nd; Argentina, and Yugoslavia, of Nov. 9th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Nov. 9, 1939	Oct. 11, 1939	Oct. 11, 1939	Nov. 9, 1939
12 U.S.F.R. BANKS				
Assets				
Gold and coin on hand and due from treas.	14,858	19,167	19,280	19,324
Total reserves	15,191	19,513	19,632	19,643
Total cash reserves	324	336	341	310
Total U.S. Govt. secs.	2,687	2,352	2,333	2,327
Total bills and secs.	2,705	2,364	2,345	2,340
Total resources	18,607	22,755	22,853	22,708
LIABILITIES				
F.R. notes in circn.	4,817	5,520	5,549	5,630
Excess m. bank res.	5,350	6,940	6,930	6,730
Mr. bank reserve dep.	11,749	14,148	14,177	13,979
Govt. deposits	348	383	376	465
Total deposits	12,875	16,131	16,212	16,125
Total liabilities	18,607	22,755	22,853	22,708
Reserve ratio	85.9	90.1	90.2	90.3
BANKS AND TREASURY				
Assets				
Monetary gold stock	17,132	21,428	21,499	21,581
Treas. & bk. currency	2,935	3,055	3,056	3,060
LIABILITIES				
Money in circulation	7,409	8,236	8,265	8,385
Treas. cash and dep.	2,611	2,615	2,563	2,686

AUSTRALIAN COMMONWEALTH BANK—Million £'s

Assets	Oct. 1939	Aug. 1939	Aug. 1939	Sept. 1939
Gold and English stg.	16.03	16.08	16.08	16.08
Other coin, bullion, etc.	4.79	8.26	8.97	8.28
Call money, London	13.85	48.72	44.62	45.68
Securities and Treas. bills	104.38	89.09	91.40	98.41
Discounts and advances	20.02	33.17	32.39	31.26
LIABILITIES				
Notes issued	51.03	61.62	61.62	61.62
Deposits, etc.	91.13	114.46	114.46	114.46

NATIONAL BANK OF BULGARIA

Million levas	July 1939	July 1940	July 1940	July 1940
ASSETS				
Gold holdings	2,006	2,006	2,006	2,006
Balances abroad, etc.	761	1,157	1,124	1,216
Discounts and advances	947	1,741	1,673	1,575
Advances to Treasury	3,417	3,373	3,373	3,373
LIABILITIES				
Notes in circulation	2,222	4,790	4,616	4,620
Sight liab. and deposits	3,254	3,419	3,160	3,169
Cover	13.9	25.9	27.7	28.1

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

Assets	Oct. 1939	Sept. 1939	Oct. 1939	Oct. 1939
Loans, total	19,399	19,400	19,400	19,400
Investments	14,160	15,477	15,544	15,527
Reserve with F.R. bks	9,879	11,616	11,646	11,770
Due from domestic bks	3,037	3,248	3,307	3,244
LIABILITIES				
Deposits: Demand	18,951	21,080	21,152	21,238
Time	5,242	5,352	5,359	5,351
U.S. Govt. Inter-bank	8,602	9,233	9,412	9,410

NATIONAL BANK OF HUNGARY

Million pengos	Sept. 1939	Aug. 1939	Aug. 1939	Sept. 1939
ASSETS				
Metal reserve	1939	1940	1940	1940
Gold coin and bullion	124.1	124.1	124.1	124.1
Foreign exchange	100.0	54.8	52.2	48.9
Int. bills, wts., & secs.	624.2	698.7	710.1	821.2
Advances to Treasury	342.1	346.5	346.5	347.6
LIABILITIES				
Notes in circulation	1063.5	1109.6	1087.4	1171.2
Deposits: Govts.	102.7	141.7	170.0	205.4
Banks	184.9	493.5	513.4	496.8

RESERVE BANK OF INDIA

Million rupees	Nov. 1939	Oct. 1939	Oct. 1939	Nov. 1939
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	710	316	318	308
Balances abroad	114	378	382	411
Sterling securities	825	1,315	1,315	1,315
Indian Gov. rupee secs.	373	496	496	496
Investments	70	79	80	80
LIABILITIES				
Notes in circn.: India	2,104	2,192	2,173	2,202
Butma	102	116	114	113
Deposits: Govts.	107	141	157	158
Banks	184	493	513	496
Reserve ratio	53.9	68.5	68.4	68.7

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	Sept. 1939	Aug. 1939	Sept. 1939	Sept. 1939
ASSETS				
Gold and stg. state	8.48	15.02	13.98	12.56
Advances to Exche.	19.06	26.91	26.81	26.76
Investments	1.82	2.54	2.54	2.53
LIABILITIES				
Bank Notes	16.11	20.07	20.01	20.00
Demand liab.: State	1.22	4.62	4.80	4.78
Banks and others	13.29	17.72	16.64	15.06
Reserves to sight liab.	27.7	35.4	33.7	31.5

SOUTH AFRICAN RESERVE BANK

Million £'s	Oct. 1939	Sept. 1939	Oct. 1939	Oct. 1939
ASSETS				
Gold coin and bullion	29.93	38.08	38.36	38.57
Bills discounted	7.14	0.75	0.75	0.75
Inves. & other assets	19.29	35.30	35.50	35.74
LIABILITIES				
Notes in circulation	18.80	22.77	23.10	21.99
Deposits: Government	4.15	6.07	3.47	3.62
Bankers'	26.32	36.64	39.46	41.69
Others	1.85	3.95	4.07	3.46
Reserve ratio	55.9	54.7	54.5	54.6

BANK OF SWEDEN—Million kronor

Assets	Aug. 1939	Aug. 1939	Aug. 1939	Aug. 1939
Gold reserve	610.6	731.0	668.0	665.2
Secondary cover:				
Swedish assets	242.6	692.3	669.5	699.7
Foreign assets	699.8	577.0	644.2	660.1
LIABILITIES				
Notes in circulation	970.1	1385.8	1390.8	1368.2
Deposits: Government	351.6	161.7	135.8	160.1
Banks & others	594.2	137.7	152.3	186.0

CENTRAL BANK OF TURKEY

Million Turkish pounds	Aug. 1939	Aug. 1939	Aug. 1939	Aug. 1939
ASSETS				
Gold	36.9	107.9	108.0	108.2
Clearing and other exch.	3.7	18.6	18.8	18.7
Treasury bonds	141.5	139.4	139.4	139.4
Commercial bills	136.3	257.3	256.3	261.4
Securities	51.6	56.1	56.1	55.9
Advances	13.9	48.9	51.0	49.8
LIABILITIES				
Notes in circulation	229.5	359.9	359.9	362.9
Deposits	33.2	143.3	147.5	144.1
Clearing & other exch.	39.4	28.1	29.2	27.2

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates were fixed by the Bank of England between November 7th and November 13th. (Figures in brackets are par of exchange.)

U.S. \$ (4-862½) 4-02½-03½; mail transfers, 4-02½-03½. Can. \$ (4-862½) 4-43-47; mail transfers, 4-43-47. Sw. frs. (25-22½) 17-30-40. Sw. kr. (18-15) 16-85-95. Arg. pesos (11-45) 16-90-17-13; mail transfers, 16-90-17-15. Ned. f. Ind. Fl. (12-11) 7-58-62; mail transfers, 7-58-64. Ned. W. Ind. Fl. (11-7) 7-58-62; mail transfers, 7-58-64. Bel. Congo Fr. (176-24) Portuguese Esc. (110), 99-80-100-20. Panama, 84-02-04; mail transfers, 4-02-04½. Philippine (peso), 8-09-12; mail transfers, 8-09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America ½ cent pm-par. Canada, ½ cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Batavia, 1½ cents pm-par.

MARKET RATES

London on	Par of Exchange	Nov. 7, 1940	Nov. 8, 1940	Nov. 9, 1940	Nov. 11, 1940	Nov. 12, 1940	Nov. 13, 1940
Budapest, Pen.	27-82	191½	191½	191½	191½	191½	191½
Belgrade, Din.	276-32	155*	155*	155*	155*	155*	155*
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, Pt.	97½	97½-98	97½-98	97½-98	97½-98	97½-98	97½-98
Madrid, Pt.	25-22½	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Istanbul, Lt.	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Bucharest, Lei	813-8	800*	800*	800*	800*	800*	800*
India, Rup.	118d.	171½-18	171½-18	171½-18	171½-18	171½-18	171½-18
Kobe, Yen.	24-58d.	137½-145	137½-145	137½-145	137½-145	137½-145	137½-145
Hongkong, \$.	15-89d.	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½
Rio, Mil.	40	95*	95*	95*	95*	95*	95*
Yokohama, Pes.	17-38	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol. (c)	51d.	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$.	28d.	28½-29	28½-29	28½-29	28½-29	28½-29	28½-29
Singapore, \$.	+	31-41½	31-41½	31-41½	31-41½	31-41½	31-41½
Shanghai, \$.	+	6*	6*	6*	6*	6*	6*
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. (d) Special account.
(e) 90 days. (f) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

Week ended	Aggregate January 1 to	Week ended	Aggregate January 1 to
Nov. 11, 1939	Nov. 11, 1940	Nov. 11, 1939	Nov. 11, 1940
Working	6 6 266 267	Newcastle..	1,284 953 66,116 56,487
Birmingham	1,863 2,112 101,800 97,851	Nottingham	365 340 21,318 18,915
Bradford...	1,189 1,661 40,388 77,833	Sheffield	511 662 43,378 29,959
Bristol...	1,246 1,853 61,116 81,990	10 Towns..	229,35 248,62 105,166 118,215
Hull...	665 508 34,766 33,056	Dublin	...
Leicester...	630 682 31,720 33,834	South'pt'n†	... 62 ... 2,525
Liverpool	5,708 5,462 221,621 249,481		
Manchester	9,474 10,629 429,443 502,719		

MONEY RATES, LONDON

The following rates remained unchanged between Nov. 7th and Nov. 13th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 1½%. Treasury bills: 2 months, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 1½%. Short loans, 1½%; Bank deposit rates, 1½%; Discount deposits at call, 1½%; at notice, 1½%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 163s. 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
Nov. 7 23½ 6 Nov. 12 23½ 6
" 8 23½ 6 " 13 23½ 6
" 11 23½ 6

NEW YORK EXCHANGE RATES

New York on	Nov. 6, 1940	Nov. 7, 1940	Nov. 8, 1940	Nov. 9, 1940	Nov. 11, 1940	Nov. 12, 1940
London:—						
Cables	404	404½	403½	403½	404	404
Switzerland, Fr.	23-21	23-22	23-21	23-21	23-21	23-21
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.	23-86	23-86	23-86	23-86	23-86	23-86
Montreal, Can. \$.	86-810	86-810	87-000	87-000	Closed	87-000
Japan, Yen	23-45	23-45	23-45	23-45	23-45	23-45
Shanghai, \$.	6-22	6-22	6-22	6-22	6-22	6-22
B. Aires, Pes. (mkt. rate)	23-40†	23-60†	23-70†	23-68†	23-70†	23-70†
Brazil, Milreis	5-05	5-05	5-05	5-05	5-05	5-05

† Official buying rate 29-78. (b) Offered. (c) Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
Breweries													
Bass, Ratcliff & Grettton	Sept. 30	1,503,980	£ 78,346	£ 602,573	£ 1,409,980	£ 68,000	£ 447,128	20†	£ 50,000	+ 37,445	£ 1,545,450	£ 710,983	25†
Mitchells and Butlers	Sept. 30	599,827	...	447,617	1,107,604	34,500	403,475	21 & 7	...	+ 9,642	654,027	551,494	21 & 7
Northampton Brewery	Sept. 30	261,918	...	54,627	126,258	8,250	28,623	15	...	+ 17,754	279,761	50,854	15
Financial Land, etc.													
Leach's Argentine Estates	Mar. 31	230,004	49,940	111,796	111,796	30,000	30,000	6	51,796	...	194,059	101,097	6
Prices' Trust	Sept. 30	93,601	...	93,212	110,849	16,500	75,000	25	...	+ 1,712	120,219	119,496	25
Rio Negro (Arg.) Land	Sept. 30	49,962	...	8,305	13,606	...	6,000	2	1,000	+ 1,305	31,848	Dr. 1,615	Nil
Waihi Investments, etc.	Sept. 30	11,094	...	9,085	10,953	...	8,554	6	...	+ 531	6,134	4,255	3
Iron, Coal and Steel													
Horden Collieries	Sept. 30	413,139	45,000	134,301	211,732	...	112,500	7½	20,000	+ 1,801	353,686	149,931	10
Yarrow and Co.	June 30	69,337	...	67,137	95,171	...	26,250	17½†	35,000	+ 5,887	67,842	65,642	20†
Rubber													
Anglo-Sumatra	May 31	25,271	2,177	5,770	13,734	...	6,000	7½	...	- 230	14,732	7,523	7½
Federated Selangor	June 30	13,456	523	6,319	6,959	...	5,780	10	...	+ 539	3,832	828	2½
Semenyih	Apr. 30	13,772	...	4,529	13,899	...	3,474	12	...	+ 1,055	8,821	4,422	10
Singapore Para	June 30	17,548	...	12,175	18,569	...	13,049	10	...	- 874	7,234	4,806	3
Sittang Valley	June 30	20,995	680	6,486	7,232	...	5,159	8	...	+ 1,327	21,918	3,880	5
Strathlisa (Perak)	June 30	26,458	...	8,716	17,981	...	9,600	12	...	- 884	26,188	3,444	4
Textiles													
North British Rayon	June 30	79,319	20,988	20,518	10,450	...	...	...	...	+ 20,518	25,660	Dr. 10,505	Nil
Salts (Saitaire)	Mar. 31	356,959	30,000	154,311	184,872	42,000	75,000	(a)	35,000	+ 2,311	147,199	47,718	25(b)
Trusts													
Anglo-Scottish Amal.	Sept. 30	19,189	...	12,372	45,678	...	9,712	6	...	+ 2,600	20,518	13,920	7
East of Scotland	Sept. 30	66,904	...	19,911	45,789	10,222	10,110	7	Dr. 422	- 19	70,558	25,430	7
First Re-Investment Tst.	Oct. 15	20,463	...	12,193	16,453	...	11,331	7½	...	+ 862	22,079	15,446	7½
London Maritime Invest.	Sept. 30	29,666	...	22,158	41,172	16,250	7,188	2½	2,733	+ 30,983	26,620	21,612	2½
Railway and General	Sept. 30	87,353	...	30,941	43,987	15,100	4,467	5	...	+ 6,374	78,303	22,372	412
Second Broadmont Tst.	Sept. 14	16,387	...	9,426	12,556	5,512	2,844	9½	500	+ 570	16,350	10,773	9½
Second Industrial	Sept. 30	48,998	...	31,024	50,682	10,687	13,422	5½	...	+ 6,915	54,222	34,812	5½
Second Investors' Trust	Sept. 30	166,037	...	60,387	80,553	21,875	29,917	10	8,000	+ 595	168,198	67,844	10
Second Scottish Mortgage	Sept. 30	85,553	...	30,351	42,012	14,318	9,925	5½	5,000	+ 1,108	77,159	30,492	5½
Securities Trust of Scot.	Sept. 30	65,026	...	21,943	51,967	10,274	9,848	7	1,500	+ 321	65,492	23,090	7
Southern Stockholders Inv.	Sept. 30	77,049	...	34,975	45,809	...	35,000	3½	...	- 25	71,981	35,046	3½
Other Companies													
Atkinson-Oates Motors	June 30	119,162	...	82,086	280,512	24,000	43,759	10	...	+ 14,327	240,925	195,060	20
Birrell, Ltd.	July 31	26,881	...	20,411	23,992	10,938	...	...	...	+ 9,473	15,682	9,087	Nil
Brooks Wharf, etc.	June 30	62,893	...	Dr. 519	16,184	4,632	...	...	...	- 5,151	80,942	11,170	Nil
Burca, Ltd.	Sept. 30	27,265	4,050	11,803	23,309	...	7,547	12½	...	+ 4,256	50,126	16,333	17½
Callender (George M.)	June 30	14,956	393	4,474	7,427	3,375	1,500	30	...	- 401	18,942	6,985	38½
Ketton Portland Cement	June 30	126,435	25,000	36,716	73,504	12,656	18,188	15	...	+ 5,872	96,311	53,731	15
Lighthalls, Ltd.	June 30	37,327	...	33,827	39,176	...	30,000	25	4,000	- 173	42,030	35	...
Liverpool & N. Wales S.S.	Sept. 30	12,665	9,000	2,457	7,085	...	3,663	10	...	+ 1,206	14,733	4,275	10
Minton Hollins, Ltd.	July 31	Dr. 1,013	2,750	Dr. 1,288	Dr. 894	...	...	...	...	+ 1,266	8,314	3,114	Nil
Odeon Theatres	June 22	477,493	...	150,284	218,450	93,789	...	...	50,000	+ 6,495	513,380	246,428	10
Prices, Tailors	June 30	542,216	96,302	44,581	268,579	33,000	93,000	53-14	...	- 81,419	452,864	166,042	68-56†
Rich (E.) and Co.	June 30	4,116	...	2,116	3,174	...	2,736	1½	...	- 620	3,092	2,156	1½
Rigby (John) and Sons.	Aug. 31	84,798	6,852	47,994	68,822	...	29,375	20	15,000	+ 3,619	44,063	28,457	10
Totals (£'000's)													
Week to Nov. 16, 1940	No. of Cos. 41	2,538	175	866	2,060	136	693	...	50	- 13	2,543	1,119	...
Jan. 1 to Nov. 16, 1940	1,899	6,004	372	2,473	4,983	486	1,634	...	279	+ 74	5,776	2,905	...

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks. Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to Nov. 12, 1940		Name of Security	Price, Nov. 12, 1940	Ch'ge since Nov. 5	Yield Nov. 12, 1940	Prices, Jan. 1 to Nov. 12, 1940		Name of Security	Price, Nov. 12, 1940	Ch'ge since Nov. 5	Yield Nov. 12, 1940
High	Low	High	Low					High	Low				
British Funds													
71 1/2	61	76 3/4	68 1/2	Consols 2 1/2%	76	1/2	3 6/8	27 1/2	11 1/3	Iron, Coal, &c.—cont.	12 1/2	1/2	3 6/8
107 1/2	98	111	103 1/2	Do. 4% (alt. 1957) ..	111	1/2	3 1/2	34 1/2	20 1/2	Powell Duffryn £1 ..	12 1/2	1/2	3 6/8
96 1/2	87 1/2	98 1/2	88 1/2	Conv. 2% 1943-45 ..	98 1/2	1/2	3 1/2	34 1/2	20 1/2	S. Durham Ord. £1 ..	28 1/2	1/2	3 6/8
96 1/2	87 1/2	98 1/2	88 1/2	Do. 2 1/2% 1944-49 ..	98 1/2	1/2	3 1/2	34 1/2	20 1/2	Staveley Coal, etc. £1	41 1/2	1/2	3 6/8
96 1/2	87 1/2	98 1/2	88 1/2	Do. 3% 1948-53 ..	98 1/2	1/2	3 1/2	34 1/2	20 1/2	Stewart & Lloyds £1	41 1/2	1/2	3 6/8
96 1/2	87 1/2	98 1/2	88 1/2	Do. 3 1/2% after 1961	98 1/2	1/2	3 1/2	34 1/2	20 1/2	Swan, Hunter £1 ..	27 1/2	1/2	3 6/8
112 1/2	103 1/2	112	107 1/2	Do. 5% 1944-64 ..	107 1/2	1/2	3 1/2	24 1/2	11 1/2	Un. Steel Cos. Ord. £1	21 1/2	1/2	3 6/8
87 1/2	79 1/2	82 1/2	76 1/2	Fund. 2 1/2% 1956-61	82 1/2	1/2	3 1/2	21 1/2	9 1/2	Vickers 10/- ..	14 1/2	1/2	3 6/8
93 1/2	87 1/2	92 1/2	86 1/2	Fund. 2 3/4% 1952-57	92 1/2	1/2	3 1/2	8 1/2	2 1/2	Textiles	3 1/2	1/2	3 6/8
95 1/2	87 1/2	92 1/2	86 1/2	Fund. 3% 1959-69 ..	92 1/2	1/2	3 1/2	38 1/2	21 1/2	Brit. Celanese 10/- ..	3 1/2	1/2	3 6/8
109 1/2	100 1/2	113 1/2	105 1/2	Fund. 4% 1960-70 ..	113 1/2	1/2	3 1/2	39 1/2	20 1/2	Coats, J. & P. £1 ..	30 1/2	1/2	3 6/8
99 1/2	94 1/2	98 1/2	90 1/2	Nat. D. 2 1/2% 1944-48	98 1/2	1/2	3 1/2	35 1/2	21 1/2	Courtauld's £1 ..	29 1/2	1/2	3 6/8
96 1/2	91 1/2	95 1/2	88 1/2	Do. 3% 1954-58 ..	95 1/2	1/2	3 1/2	18 1/2	11 1/2	English Sew. Ctn. £1	25 1/2	1/2	3 6/8
108 1/2	102	111 1/2	105 1/2	War Bds. 2 1/2% 1945-47	111 1/2	1/2	3 1/2	24 1/2	11 1/2	Lanca. Cotton Corp. £1	17 1/2	1/2	3 6/8
98 1/2	86	103	93 1/2	Victory Bonds 4% ..	103	1/2	3 1/2	61 1/2	42 1/2	Patons & Baldwins £1	48 1/2	1/2	3 6/8
83 1/2	73	89 1/2	80 1/2	War L. 3% 1955-59 ..	89 1/2	1/2	3 1/2	10 1/2	2 1/2	Electrical Manufact.	38 1/2	1/2	3 6/8
99 1/2	91 1/2	97 1/2	90 1/2	Local Loans 3% ..	97 1/2	1/2	3 1/2	43 1/2	26 1/2	Associated Elec. £1 ..	38 1/2	1/2	3 6/8
64	55 1/2	68 1/2	60 1/2	Austria 3% 1933-53 ..	68 1/2	1/2	3 1/2	69 1/2	46 1/2	British Insulated £1 ..	78 1/2	1/2	3 6/8
90	78	92 1/2	82 1/2	India 2 1/2% ..	92 1/2	1/2	3 1/2	69 1/2	46 1/2	Callenders £1 ..	58 1/2	1/2	3 6/8
115 1/2	104 1/2	115	105 1/2	Do. 2 1/2% ..	105 1/2	1/2	3 1/2	33 1/2	16 1/2	Crompton Park A 5/-	15 1/2	1/2	3 6/8
106 1/2	95	107 1/2	101	Dom. & Col. Govts.	107 1/2	1/2	3 1/2	83 1/2	52 1/2	English Electric £1 ..	28 1/2	1/2	3 6/8
112 1/2	103	110 1/2	106	Austria 5% 1945-75 ..	110 1/2	1/2	3 1/2	38 1/2	23 1/2	General Electric £1 ..	75 1/2	1/2	3 6/8
103 1/2	92	105 1/2	100	Nigeria 5% 1950-60 ..	105 1/2	1/2	3 1/2	42 1/2	26 1/2	Clyde Valley Elec. £1	32 1/2	1/2	3 6/8
110	102	108 1/2	103	N. Zealand 5% 1946 ..	108 1/2	1/2	3 1/2	27 1/2	18 1/2	County of London £1	28 1/2	1/2	3 6/8
111 1/2	104	110 1/2	104	S. Africa 5% 1945-75 ..	110 1/2	1/2	3 1/2	10 1/2	2 1/2	Edmundsons £1 ..	23 1/2	1/2	3 6/8
Corporation Stocks													
81 1/2	72	85	78	Birmingham 5% 1946-56	85	1/2	3 1/2	8 1/2	2 1/2	Gas Light & C. £1 ..	14 1/2	1/2	3 6/8
93 1/2	86 1/2	94 1/2	87 1/2	L.C.C. 3% ..	94 1/2	1/2	3 1/2	32 1/2	21 1/2	Imp. Cont. Gas Stk. ..	36 1/2	1/2	3 6/8
102 1/2	95	104	97	Liverpool 3% 1954-64 ..	104	1/2	3 1/2	21 1/2	12 1/2	Lancashire Elec. £1	26 1/2	1/2	3 6/8
91 1/2	83 1/2	92 1/2	85	Middx. 3 1/2% 1957-62	92 1/2	1/2	3 1/2	17 1/2	17 1/2	London Ass. Elec. £1	13 1/2	1/2	3 6/8
Foreign Governments													
91 1/2	83 1/2	92 1/2	85	Argen. 4 1/2% Stg. Bds.	86	1/2	3 1/2	42 1/2	22 1/2	North-East Elec. £1	23 1/2	1/2	3 6/8
65 1/2	58	62 1/2	55 1/2	Austria 4 1/2% 1934-59	62 1/2	1/2	3 1/2	38 1/2	24 1/2	Northumb. Power £1 ..	28 1/2	1/2	3 6/8
95	86	92 1/2	88 1/2	Belgian 4% (36) 1970	92 1/2	1/2	3 1/2	39 1/2	24 1/2	Scottish Power £1 ..	31 1/2	1/2	3 6/8
23 1/2	19	25 1/2	20 1/2	Brazil 5% Ed. 1914 ..	25 1/2	1/2	3 1/2	17 1/2	7 1/2	Yorkshire Electric £1	31 1/2	1/2	3 6/8
19 1/2	15	21 1/2	16 1/2	Chile 6% (1929) ..	21 1/2	1/2	3 1/2	16 1/2	7 1/2	Aircraft	13 1/2	1/2	3 6/8
55 1/2	48	52 1/2	45 1/2	China 5% (1913) ..	52 1/2	1/2	3 1/2	16 1/2	7 1/2	Austin 5/- ..	13 1/2	1/2	3 6/8
72 1/2	63	75 1/2	68 1/2	Czechoslovakia 8% ..	75 1/2	1/2	3 1/2	36 1/2	17 1/2	Bristol Aero. 10/- ..	9 1/2	1/2	3 6/8
86 1/2	78	82 1/2	75 1/2	Egypt Unified 4% ..	82 1/2	1/2	3 1/2	16 1/2	7 1/2	Can. Pac. 10/- ..	21 1/2	1/2	3 6/8
42 1/2	34	38 1/2	30 1/2	French 4% (British) ..	38 1/2	1/2	3 1/2	15 1/2	6 1/2	Harland & Wolff 10/-	12 1/2	1/2	3 6/8
33 1/2	25	29 1/2	21 1/2	German Dawes 5% ..	29 1/2	1/2	3 1/2	15 1/2	6 1/2	Fairley Aviation 10/-	12 1/2	1/2	3 6/8
30 1/2	22	26 1/2	19 1/2	Do. Young Ln. 4 1/2%	26 1/2	1/2	3 1/2	15 1/2	6 1/2	Ford Motors £1 ..	10 1/2	1/2	3 6/8
35 1/2	27	31 1/2	24 1/2	Greek 6% Stab. Ln.	31 1/2	1/2	3 1/2	88 1/2	39 1/2	Hawker Siddeley 5/-	10 1/2	1/2	3 6/8
61 1/2	53	57 1/2	50 1/2	Do. 5% Pf. Ord.	57 1/2	1/2	3 1/2	27 1/2	16 1/2	Lucas, J. (L) £1 ..	47 1/2	1/2	3 6/8
				Hungary 7 1/2% ..				42 1/2	21 1/2	Leyland Motors £1 ..	56 1/2	1/2	3 6/8
				Japan 5 1/2% 1930 ..				12 1/2	6 1/2	Morris Motors 5/- Ord.	23 1/2	1/2	3 6/8
								22 1/2	12 1/2	Rolls-Royce £1 ..	33 1/2	1/2	3 6/8
								23 1/2	13 1/2	Standard Motor 5/- ..	12 1/2	1/2	3 6/8
								20 1/2	13 1/2	Shipping	18 1/2	1/2	3 6/8
								10 1/2	4 1/2	Furness, Withy £1 ..	21 1/2	1/2	3 6/8
								Nil	Nil	P. & O. Def. £1 ..	17 1/2	1/2	3 6/8
								16 1/2	5 1/2	Royal Mail Lines £1 ..	8 1/2	1/2	3 6/8
								27 1/2	14 1/2	Union Castle Ord. £1	8 1/2	1/2	3 6/8
								32 1/2	20 1/2	Tea and Rubber	10 1/2	1/2	3 6/8
								31 1/2	23 1/2	Allied Sumatra £1 ..	10 1/2	1/2	3 6/8
								34 1/2	20 1/2	Anglo-Dutch £1 ..	16 1/2	1/2	3 6/8
								3 1/2	1 1/2	Anglo-Indo £1 ..	28 1/2	1/2	3 6/8
								20 1/2	6 1/2	Bokai (Assam) £1 ..	3 1/2	1/2	3 6/8
								17 1/2	9 1/2	London Asiatic 2/- ..	26 1/2	1/2	3 6/8
								20 1/2	6 1/2	Rubber Trust £1 ..	26 1/2	1/2	3 6/8
								20 1/2	6 1/2	United Serdang 2/- ..	26 1/2	1/2	3 6/8
								20 1/2	6 1/2	Oil	26 1/2	1/2	3 6/8
								20 1/2	6 1/2	Anglo-Italian £1 ..	25 1/2	1/2	3 6/8
								17 1/2	9 1/2	Apex (Trinidad) 5/- ..	25 1/2	1/2	3 6/8
								16 1/2	7 1/2	Bethlehem Oil £1 ..	42 1/2	1/2	3 6/8
								81 1/2	28 1/2	Shell Transport £1 ..	35 1/2	1/2	3 6/8
								80 1/2	45 1/2	Trinidad Leasehold £1	68 1/2	1/2	3 6/8
								63 1/2	38 1/2	Miscellaneous	62 1/2	1/2	3 6/8
								44 1/2	27 1/2	Assoc. P. Cement £1	27 1/2	1/2	3 6/8
								56 1/2	27 1/2	Barker (John) £1 ..	27 1/2	1/2	3 6/8
								107 1/2	53 1/2	Banks Pure Drug 5/- ..	38 1/2	1/2	3 6/8
								63 1/2	42 1/2	Brit. Aluminium £1 ..	40 1/2	1/2	3 6/8
								52 1/2	32 1/2	Brit. Amer. Tob. £1 ..	87 1/2	1/2	3 6/8
								65 1/2	27 1/2	Brookhouse £1 ..	62 1/2	1/2	3 6/8
								15 1/2	6 1/2	Cable & Wire £1 ..	51 1/2	1/2	3 6/8
								28 1/2	13 1/2	Carreras 'A' Ord. £1	4 1/2	1/2	3 6/8
								28 1/2	13 1/2	Dunlop £1 ..	31 1/2	1/2	3 6/8
								16 1/2	7 1/2	Ever Ready Co. 5/- ..	25 1/2	1/2	3 6/8
								93 1/2	64 1/2	Gallagher Ltd. Ord. £1	17 1/2	1/2	3 6/8
								40 1/2	25 1/2	Hestert (D.) 5/- ..	87 1/2	1/2	3 6/8
								33 1/2	17 1/2	Harrison & Cross £1 ..	26 1/2	1/2	3 6/8
								13 1/2	6 1/2	Harrods £1 ..	28 1/2	1/2	3 6/8
								15 1/2					

Shorter Comments

This Week's Company Results.—HORDEN COLLIERIES earned a higher gross income at £413,139 against £353,686, but a rise in the allocation to taxation and contingencies from £95,000 to £190,000 is responsible for a fall in net profits from £149,931 to £134,301 and the dividend is reduced from 10 to 7½ per cent. YARROW AND COMPANY have reduced the ordinary payment from 20 per cent. tax free to 17½ per cent. tax free, but have earned a small rise in net income from £65,642 to £67,137. Among a number of rubber companies showing generally satisfactory results, ANGLO-SUMATRA has earned a rise in gross profits from £14,132 to £25,271 and the 7½ per cent. dividend is maintained, although net income, after allocation of £4,000 to tax reserve, amounts to only £5,770 against £7,523. The satisfactory rise in both gross and net income from £147,199 to £356,959 and from £47,718 to £154,311, respectively, realised by SALTS (SALTAIRE) has permitted an increase in the dividend on preferred ordinary shares from 25 to 100 per cent. and the payment of a 25 per cent. dividend on deferred ordinary shares. Results of investment trusts issued this week make an irregular showing, but in no case has the ordinary dividend been reduced. SECOND INVESTORS TRUST has repeated the 10 per cent. dividend despite a moderate setback in gross earnings, which amount to £166,037 against £168,198, and in net profits at £60,387 against £67,844. Gross income of ATKINSON-OATES MOTORS is sharply reduced from £240,925 to £119,162 and the setback is reflected in net earnings which are approximately halved at £82,086. The dividend is 10 against 20 per cent. BROOKS WHARF are again unable to pay an ordinary dividend, and the previous year's net profit has been replaced by a

net loss of £519. KETTON PORTLAND CEMENT has maintained the 15 per cent. dividend. Gross income rose from £96,311 to £126,435, but higher taxation was responsible for a decline in net profits from £53,731 to £36,716. JOHN RIGBY, iron, steel and brass manufacturers, have doubled the previous year's ordinary dividend with a payment of 20 per cent. Gross earnings amounted to £84,793, against £44,063, and net income rose from £28,457 to £47,994.

MISCELLANEOUS

The International Nickel Company of Canada, Ltd.—Net profit, nine months to September 30, 1940, in U.S. currency \$26,425,104 (\$26,584,806). Provision for income and franchise taxes in the first nine months \$15,621,733 (\$7,411,450). The consolidated balance sheet, September 30, 1940, shows current assets \$95,055,604 (\$80,281,340). Net working capital, September 30, 1940, \$69,797,836 (\$64,684,607).

Transvaal Gold Output, October.—(Fine ounces) Witwatersrand, 1,182,639; other districts, 28,638; total, 1,211,277. September total, 1,166,152. Native labour employment at October 31st: Gold mines, 354,285; coal mines, 18,414; total, 372,699.

Celanese Corporation of America.—Income, before taxes, for July–September, 1940, \$2,967,348 (\$1,574,035). Net income after taxes, \$2,262,797 (\$1,234,035). Year to September 30th: gross, \$17,779,061; net, \$8,719,882.

Ketton Portland Cement.—Trading profit, year to June 30th, £108,021 (£78,531). Taxation, £61,157 (£21,008). Depreciation, £25,000 (£20,000). Net profit, £36,716 (£53,731). Ordinary dividend maintained at 15 per cent. Carry forward, £42,661 (£36,788).

Southern Stockholders Investment Trust.—Income, year ended September 30th, £77,049 (£71,981). Net revenue, £57,309 (£51,934). Dividend unchanged at 3½ per cent. Carry forward, £10,809 (£10,834).

Atkinson-Oates Motors.—Net profit, year to June 30th, £102,701 (£224,100). Taxation reserve, £10,566 (£14,039). Building reserve, £10,049 (£15,000), plus £4,951 from a subsidiary, making total £30,000. Dividend 10 per cent. (20 per cent.). Carry forward, £212,755 (£198,426).

Lightalloys, Ltd.—Profit (after tax, E.P.T. and depreciation) for 53 weeks to June 30th, £35,827 against £53,030 previous 52 weeks. Contingencies reserve, £4,000. A.R.P., £1,000. Ordinary dividend, 25 per cent. (35 per cent.). Carry forward, £5,174 (£5,349).

Peruvian Corporation.—Net revenue, year to June 30th, £129,036. Payment of £2 per cent., due on October 1st, on 6 per cent. 1st mortgage debentures requires £78,938, leaving net loss (after debenture service and interest), £200,695 (£266,665). Debit carried forward, £1,710,750.

North British Rayon.—Trading profit, year ended June 30th, £79,319 (£25,660). Net profit, £45,517 (net loss, £10,505). Taxation reserve, £25,000. Carry forward, £10,450 (debit brought in, £10,067).

Leeds Permanent Building Society.—Total advances, year to September 30th, £1,925,934, of which £903,365 is for new loans balance, being exchanges of existing mortgages. Tax assessment increased over £140,000 to £437,729. N.D.C., £26,000. Interest rates reduced from October 1, 1940, to maximum 3 per cent. on shares and 2½ per cent. on deposits, both tax free. Total reserves, £2,406,375.

THE ECONOMIST

Vol. CXXXIX

NOVEMBER 23, 1940

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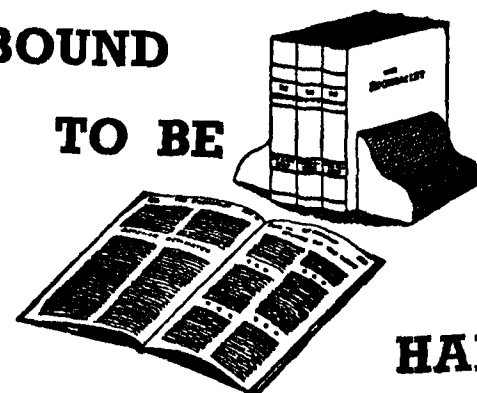
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THE ECONOMIST

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Men and Manpower

AT the week-end, a new plan was announced to bring a million additional workers into the war industries by next August. It was pointed out that the growth of the Army made the recruitment of fresh labour necessary for two reasons: on the one hand, men will be withdrawn from industry to be trained for fighting—including even skilled artisans, because the modern mechanised Army must have industrial craftsmen; on the other, the bigger Army will need equipment in vast quantities. The recruits to industry (half are to be men, half women) will thus be needed, first, to fill gaps and, secondly, to increase output. Accordingly, it was announced, the Ministry of Labour has agreed with the representatives of employers and workers in the engineering industry to facilitate training "on the job" in the war factories.

On examination, however, the new plan proved to be hardly new and scarcely a plan. For the most part, the announcement merely restated the obvious requirements of the war industries, which have been pointed out by the Minister of Labour himself at intervals for six months and by unofficial observers (including *The Economist*) for fifteen. There is, first, the need for skilled men to occupy key positions—the scarcity of these makes a bottleneck which is hard to widen because real skill is the product of lengthy and varied experience; and there is, secondly, the need for semi-skilled and unskilled workers, who can readily be trained in large numbers to form the base of the enlarged industrial pyramid. The first need can only be satisfied by industry itself under guidance and pressure from the Ministry, which has now had inspectors for this purpose for some time. It is a problem of distribution. All the available skilled men must be employed full time on essential work, and every able and experienced artisan must be raised to the most responsible position he can cope with. The ratio of skilled to unskilled workers in the processes of production must be diminished by dilution to

eke out the supply of craftsmen, and thereby make it possible to broaden the base of the pyramid appreciably.

This is common sense and, by now, common knowledge. The only new item in the latest official statement on these points is the admission that, after more than a year of war, these objectives still represent aspiration rather than achievement. Their constant reiteration has seemingly not enabled the Ministry's inspectors to secure their fulfilment, and the apparent shortage of skilled men is still much greater than the real shortage would be if they were properly distributed. While it is impossible to tell what the obstacles have been, it is hard to avoid the conclusion that all parties have been to blame; the Ministry by failing to give a sufficiently positive lead and apply sanctions; the trade unions by hedging round the process of dilution with ultra-cautious safeguards; the employers by regarding the distribution of skilled workers, not as a national concern, but as the concern of individual firms anxious to cling on to their own craftsmen, and even to seduce them away from other firms. It is certainly an advance to have it stated officially, and quite specifically, that key workers—tool-room workers and machine setters—are to be regarded as a national pool—the possession of industry as a whole and not of particular employers. What is lacking is any sign of a proposal to make this declaration more effective in the day-to-day hiring and employment of these industrial craftsmen.

The same point applies to the second requirement of the war industries—the training of the rank and file of fresh workers to do the less skilled jobs. It has at last been agreed, apparently, that, although these men and women must necessarily be trained in factories actually engaged in war work, they are not to be regarded as being trained for employment in the particular factories where they receive instruction. Obviously, they are being trained to enter war industry at whatever point their services may be

needed, and the particular employer of any trainee is no more than the agent of the Government, upon whose production programme the scale and incidence of these extra labour requirements directly depend. In effect, this is now officially admitted, but at this point Mr Bevin's logic appears to break down. He is disappointed with the results of the appeals he has been making for the past six months for employers to increase the number of men and women in training. He admits that the present facilities for training in Government centres, technical colleges and industry are, severally and collectively, inadequate to turn out the tens of thousands of semi-skilled and the hundreds of thousands of unskilled recruits who will be urgently needed in the next few months. But he is still unwilling, it seems, to admit that, simply because individual employers are no more than the agents of war industry as a whole—and of the community—in this matter, it is the Government's responsibility, and not theirs, to provide the additional labour for training, to insist upon the instruction of these trainees according to a set programme of labour supply and to take steps to see that its decisions are carried out in detail.

Admittedly, the Ministry of Labour has agreed to pay the direct cost of training, to maintain factory trainees and to make grants to craftsmen told off as instructors. This was done some time ago and includes women. But over the number of trainees and their distribution there is apparently to be no control at all beyond pleas and admonitions; the Government's economic measures often seem consciously contrived to avoid releasing men and women from non-essential work; and the nation is thus given no guarantee at all that the workers needed to ensure its safety and eventual victory will be forthcoming. Employers will still take on trainees, as a general rule, only when they consider that their own work in hand is actually being held up for lack of labour. The future requirements of the arms programme are not, and cannot be, their individual concern. And, in any case, no flow of labour set free from other duties is made available to them. The Ministry of Labour itself admits that a million of these industrial recruits will be wanted in the next twelve months; the total requirements of the war industries will not fall far short of three times that number; and yet the policy of "advice, appeal and exhortation" which has produced only a derisory number of retrained workers, when set beside these targets, is to be continued.

What is the explanation of this extraordinary lack of drive and foresight? It is not lack of understanding on Mr Bevin's part. Since he became Minister, every speech he has made and every statement of his department has shown a progressive understanding of the goal that should be sought and of the technical means needed to reach it—the economy of skill and the transfer of labour. Yet this latest "plan," so far from being a positive programme, is at bottom a confession of administrative failure on both counts; the country's craftsmen are still too wastefully insufficient. "Try again"—that is the only solution offered: "I am taking steps immediately to bring to the notice of all engineer employers the need . . ." is the formula.

In the days of Mr Brown, shortcomings were easily explained. Those were the days when "it isn't necessary" was the slogan throughout all the departments of the war effort. But times changed, because of the "awful hazard" in which the nation instantly found itself six months ago. There was a frenzied effort to undo in a few weeks the failures of several years. In a sense, this "Dunkirk mentality" may partly explain Mr Bevin's failure to make good his professions. When defeat seemed near, there was no time for planning ahead; it was aircraft and tanks to-day that were wanted then, not twice as many tomorrow. Now, when the imminent danger has been warded off, this frenzy perhaps lingers, and there may be Ministers who still refuse to slow down production in a single factory by a single fraction of time to permit the training of fresh workers. But no one could claim that the present rate of output in any branch of war supplies is within range of what may be needed in the end. Our chances of victory depend, not upon production being maintained at the present level, but on its being dramatically speeded up within the next twelve months.

There is no doubt that this attitude of "there is no time" is a factor in impeding wise planning. It is not easy to pass from the stage of maximum output by limited equipment to the stage of full production, and the disinclination to slow down the wheels of industry, whether to introduce new models or to provide for the training of new workers is understandable. What is more disturbing is the suspicion that, despite the shocks of last spring and early summer, the slogan "it isn't necessary" is not dead. Now that the first peril is past, the need for extraordinary policies is not so readily granted. It is not unknown for people even inside the Ministry of Labour to argue still that any really considerable transfer of labour from industry to industry or from region to region, with all the expense and administrative friction that such a turnover must entail, is not needed; and that every reasonable requirement could be met simply by making the distribution of experienced workpeople—admittedly, an essential task with first priority—more efficient. Those who argue in this way rank with the critics who have opposed the resumption of registration for military service with the contention that we cannot equip a large Army and that the mobilisation of more men for production precludes the mobilisation of more men for the Services. Both ignore the huge reservoir of manpower—and womanpower—which is mobilised neither for work (for the war effort, that is) nor for fighting. Until that reservoir is reduced to nothing, we shall be waging the war below our capacity to wage it. Until every man and woman that can be spared from the essential core of civilian work is engaged on war production or in the export trades, all our measures must be half measures.

The cartoonist, Low, has a twin for "Taint Necessary" whom he calls "Sno Use." This is the most sinister figure of all among the impediments to positive planning. It opposes a large Army on the unspoken ground that the Nazi land forces are invulnerable. It discredits the mass mobilisation of labour power on the ground, also seldom spoken, that the disturbance caused by the wholesale closing down of non-essential trades and the change-over of the nation's entire resources to war work cannot justify the results achieved in greater striking power. It is afraid of drastic action, which it dubs, in private at least, revolutionary; and in public it is immensely impressed by the difficulties of every proposal for bold and positive action. It is, at bottom, a defeatist figure: unable to see the precise end of the fight, it does not really believe in victory for either side; and, with its kind, it canvasses the prospects of an early peace. It had its counterpart, in multiplicate, in falling France last June—not traitors but men of little faith.

These are the views, and these the men, who may perhaps be standing in the way of the energy that is expected of the Minister of Labour. They are honest, and even patriotic. They may be experts in many cases, and by their own profession they are often "downright practical men." They have little courage or imagination, though, and they are obstacles. Mr Bevin is "disinclined" to tell employers how many men they must train, by when or how, because he "believes in the voluntary principle," even though the "voluntary principle," as he miscalls it, is keeping down the supply of new labour to a thin stream. The "voluntary principle" becomes more important than winning the war, or even than warding off defeat. It is the old, old error, the heresy that trips up the doctrinaires among democrats time and again: the belief that orders and instructions to organised interests, to employers, that is, and to trade unions, are incompatible with democratic freedom—with its corollary that democratic governments are incapable of positive action in an insistent world that will brook nothing weaker. Mr Bevin does not wish to "coerce" employers; he certainly does not wish to "compel" workers; and so he leaves to employers and workers the impossible task of marshalling and deploying themselves for victory. While this is so, the Minister has no plan. Only when he can bring himself to put his schemes boldly into practice, enforcing the economy of skill and the transfer and training of labour upon employers and workers, will the "new plan" be a plan at all.

Italy in Trouble

THE speech with which, on November 18th, Mussolini broke the silence of some months was not the speech of a confident or comfortable man. A defensive note ran through it, as though the Duce were battling with an invisible audience of hostile critics to whom he felt obliged to justify his policy, yet without much hope of convincing them. The speech was full of assertions but empty of argument; and not all the assertions on earth can disguise the fact that the war is not going according to plan. Hence the unusual note of uneasiness, the singular lack of bombast, the defensive tone of the Duce's latest bout of oratory.

The original miscalculation was in June. Then, with the French armies melting away "as if by the heat of the sun" and the whole of the Continent passing under Axis control, it seemed, on any normal calculation, impossible that Britain should continue the struggle, outnumbered as she was in the air, without an army and thrown by the French defection into naval inferiority in the Mediterranean. Accordingly the Italian intervention of June 10th was planned for a time when the actual fighting would be virtually over and Italy, in reward for her "moral solidarity," could take without a struggle her share of the spoils.

But the British people, in their unenviable stupidity, decided to continue the war. "Can it be," asked the Italian press incredulously, "that 47 million Englishmen are in fact 47 million Churchills?" In Egypt we were left with small land forces and a strategy planned on the basis of the large French armies in Syria and Tunis. Now both our flanks were exposed. On sea, the defection of the French fleet and its possible surrender to the Axis made it look for a few black weeks as though the position of our Mediterranean Fleet might prove untenable. Then was the time for Mussolini to strike hard at Egypt and at the Fleet.

Italy did not seize the opportunity for the simple reason that her war preparations had been made not for fighting but for victory. Neither in Italy nor in Libya were the armed forces on a real war footing. There had been no full mobilisation, for which one of the reasons was a severe shortage of equipment, even of such essentials as coats and boots. Coastal defences and anti-aircraft batteries were not fully organised, war output was down and ten months' inactivity had reduced the comparative standard of skill of Italy's pilots. Nor were all her 2,000 front-line aircraft of first-class quality—as the disastrous excursion against Britain proved. War reserves were low. The assertion that our lenient blockade allowed Italy to bring up her stores to a war basis was true only in certain materials. In general, Italy's function had been, not to prepare for a long war herself, but to feed the German war machine. Even in petrol, stocks were estimated to be sufficient for not more than six months' heavy fighting, and coal supplies, now entirely dependent upon the German railway system, were soon to be at the mercy of the British bomber. Drastic restrictions on the use of coal for domestic purposes were quickly introduced and the Italians are facing a cold and a hungry winter.

There is no threat of actual starvation. Italy's own wheat harvest can probably cover a basic minimum. But there is no surplus to replace the formerly imported food-stuffs whose inflow is at an end. Butter, eggs and olive oil, the Italian staples, are very scarce and there are four meatless days a week. Prices have risen, for food and clothing between 50 and 60 per cent. But wages are stabilised and in some industries have even been reduced.

The psychological preparation for a prolonged war was even more unsatisfactory. Little fighting and much boory, *Blitzkrieg* and victory were the common themes of politicians and the press. It was not until August that warnings began to appear that the war might be long and hard, and the reaction from the early facile optimism was damaging.

Thus in July and August, when Italy may have had it in her power, with German help, to crush our resistance in the Mediterranean, she held her hand. Neither militarily nor psychologically were the Italian people braced for a real struggle, and with the air attacks on England beginning and German troops massing behind the invasion ports Mussolini could still hope to be spared a war by a British defeat at the hands of Germany. The July and August campaigns in Africa accordingly followed a military line of least resistance. Neither Kassala, Gallabat, Moyale, nor even British Somaliland made any very great contribution to the general problem of driving the British out of the Near East. And the attack on Egypt hung fire.

Hitler's decisive failure in the air battle for Britain put an end to this period of military stalemate. The weakening of Britain's air and naval forces was an essential preliminary to successful invasion, and since it could not be achieved by direct assault, a diversion to other fronts was clearly necessary. It is likely that, at about the end of August, Hitler began to press his ally for more active intervention in the Mediterranean. But the Italians' reply, the advance to Sidi Barrani, was obviously unsatisfactory, since the territory occupied had already been evacuated by the British. Once again, Italy chose the line of least resistance.

Whether as a consequence of Italy's inactivity or merely as a manifestation of his new position as master of Europe, Hitler's tone to his ally changed after the defeat of France. Much of the old effusiveness disappeared and the diplomatic manoeuvres of the summer and autumn were carried on with only the most casual reference to Rome. Italy's "sphere of influence" in the Balkans, which had traditionally included Hungary, was brutally invaded, and Italy was not invited to do more than put a rubber stamp on the dismemberment of Roumania. Nor did the Italians fare much better in the West. In his desire to win the French over to active intervention against Britain, Hitler was not above seeking a bargain with Laval—naturally at his ally's expense. Italy was not consulted over the negotiations between Vichy and Berlin, and while the expulsions from Lorraine showed that Germany had not diminished her own claims on France, Italy was not permitted to occupy even a town in Savoy, Corsica or the Riviera. Hitler's fear of stirring up trouble in North Africa and weakening Laval's position led to a conspiracy of silence over the fate of Tunis and Algeria.

It is, therefore, possible to discern a dual purpose in the Italian attack on Greece. On the one hand, it is an attempt to rehabilitate Italy's reputation with her impatient and contemptuous ally by creating that diversion in the Near East for which Hitler has been pressing. An Italian occupation of the Greek mainland and of Crete would, it was argued, increase the jeopardy of the British fleet in the Eastern Mediterranean and at the same time provide Italy with convenient bases for the attack on Alexandria. At the same time, the attack on Greece was aimed against Hitler in that it was an Italian attempt to seize the only remaining part of the Balkans allotted to Italy before the Fuehrer again changed his mind. To this extent, it was an independent line, designed to strengthen Italy's bargaining position when the French Empire came up for redistribution.

Unfortunately for the Italians, the war on Greece, like the war on the West, was launched under a misconception. It was firmly believed that the Greeks would offer no resistance. Italy was asking only for what other Balkan States had conceded without protest to Hitler—the right to transfer troops to occupy certain strategic points "without prejudice to Greek sovereignty." Accordingly, Italy's preparations, whether in Albania or in Italy, were sketchy and insufficient, and the attack was launched into high mountains on the threshold of winter—with the result that the outcome of the campaign is likely to be the

exact opposite of the two aims for which it was launched. Far from weakening Britain's position in the Near East, Italy has directly strengthened it. However much or little of the Greek mainland it is possible for us to hold, Crete has been secured for the Allied cause, and the island serves the dual purpose of providing offensive bases against the cities of Italy and a defensive base for Alexandria.

On the other hand, it is likely that Hitler, far from reinstating Italy in his good favour, is watching with a certain sardonic pleasure the troubles of his fellow-Dictator and is waiting to intervene on Italy's side at the moment which will humiliate her most. The Duce, begging for help,

will be reduced to a new depth of dependence and servitude and with him sink the unhappy Italians. In Mussolini's own words, "the union" between Germany and Italy "becomes every day more intimate and extends to all fields and all activities from the military to the economic, from the political to the spiritual." If for "the union of the two countries" we were to substitute "German domination of Italy," the statement would be all too true. Small wonder, therefore, that the Duce is forced to protest against pacifism and defeatism among his Italians. How can they fight with zest in a war after which, if they are successful, they will become a German puppet state? Italy's only hope lies in a British victory.

The Supply of Brains

THE latest slogan to attain some currency in public discussion is that this is a "battle of brains." The phrase has been mainly applied to the propaganda struggle; but there is an obvious sense in which it is true of every department of the war, and truest of all of its supreme direction. To be stronger than the enemy, we must organise our industry better than he does, we must plan more successfully on the psychological front, we must show a better ability to see round the next bend in the road. In a word, we must be cleverer than he is.

In this "battle of brains" we have several immense advantages. Brains thrive on freedom; they wither in an atmosphere of tyranny. We need not, perhaps, be unduly afraid of the brain-power of a State whose dominant party is recruited from the sweepings of the streets or of a country which has expelled or imprisoned much of its science and learning. But we need to ask ourselves whether we too make the best use we might of the native abilities of the people. One of the weaknesses uncovered by the war which cannot fail to strike the observer in this country is the serious shortage of talent in every walk of life. It is not merely the usual phenomenon that genius is rare and that "there is plenty of room at the top"; there are many fewer men of real ability at the top of every profession and vocation than there were, say, twenty-five years ago. Is there any set of men in politics to-day who can be compared with the two front benches of 1914 in personal ability? In the Civil Service, there are a few excellent—but over-worked—men at the head, but there seem to be very few brilliant young men emerging like the Beveridges, the Stamps and the Salters of the last war. In literature or in the theatre, the big names are those that were big before 1914, with very few candidates to replace them. In industry, as has frequently been bemoaned, there are very few men who can be relied upon for a difficult job of production. Familiarity certainly makes the picture more contemptuous than is strictly accurate; but it is hardly possible to deny that the field of selection for posts of real leadership is uncommonly narrow.

Few foreigners—few observers from our own Dominions—would have any hesitation in identifying what it is in our national structure that imposes this arbitrary decimation of the candidates for leadership; it is our peculiar educational system. Pedagogically, we need have no cause for shame; British education is weak on the technical side, but on the whole it is as successful a trainer of minds as other national systems. It has shown itself readier than most to experiment with progressive ideas, and it has always recognised the fundamental truth that education comes from the pupil's learning, not from the teacher's teaching. The peculiar defect of British education is that it perpetuates a caste distinction such as few other countries have. This is the only country in the world where differences in accent (as distinct, of course, from differences in literacy) have a paramount social and economic importance. This is the only country in the world where the importance of being obviously different, in speech and bearing, from the mass of the people is so great that middle-class families will stint themselves of all but necessities in order to pay the heavy cost of educating their

sons in schools whose merit is not educational but purely social. There is, it is true, an educational ladder broad enough to enable statesmen (themselves the products of Eton) to proclaim with pride—and, indeed, with truth—that a clever boy from the poorest family can find his way to the proudest of the ancient Universities. But the ladder by-passes the establishments where the indefinable stamp of correctness is applied. There are no scholarships (or so few as to be negligible) that take the poor boy to the Public Schools, and when he arrives at the University it is too late for him, save in the most exceptional cases, to cross the dividing line.

The results of this system are, from the point of view of public policy and of the efficiency of the State, most unfortunate. It is not that there is much deliberate exclusion of the under-privileged but fully-educated boy from the posts that lead to the top—though there is unquestionably a great deal of unconscious bias through the inevitable tendency of the dispensers of jobs to reproduce their own kind. But any poor boy who has climbed up the educational ladder has been made very aware by the time he reaches the top that, though he may be able to write examination papers as well as anyone, there are many other equally important things—accent, turns of speech, habits of dress—in which he has not been educated. The result, in some, is to generate shyness and lack of self-confidence; in others to breed the aggressiveness of the inferiority complex; in both to give a twist to the character that is a real handicap throughout life. The public schools turn out perhaps 10,000 boys a year; from this tiny fraction—about 2 per cent.—of each year's graduates to life we select the great majority of those who are to be given an easy road to the top. The selection is clearly not one of merit.

But, it might be objected, if this is the result of having two separate educational systems, why have its defects only become apparent in the last twenty-five years? The reason is to be found precisely in the great growth of the public school habit that has gone with the growing prosperity of the middle and professional classes in the present century. In the nineteenth century, only a handful of the more ornamental professions—politics, diplomacy, the Army, the Church and the Bar—were affected by this educational exclusivity. In all the other professions—in medicine, for example—and pre-eminently in industry and commerce, it was no advantage, but often a positive handicap, to carry the stigmata of a public school boy. A middle-class parent could do his duty by his sons by sending them to the local grammar school. All that is changed now, and there is hardly a single one of the avenues to a high income or a position of honour in the community where it is not a signal advantage to possess the badges of correctness. Even the Labour Party cannot be entirely excepted from this generalisation.

It has become a matter of grave urgency to break down the barrier that divides the British people into two nations. Hitherto, the very great educational progress of the past seventy years has been directed towards providing intellectual and pedagogical opportunities for the children of the poor. But admirable though the growth of the state-supported secondary school system is, it has not prevented a hardening of the social cleavage, and further progress

along the same lines will have the same failure. The multiplication of scholarships will not cure the social evil. Even the creation of scholarships to the public schools themselves will merely create a new social distinction between scholars and non-scholars. It is not the extension to a few selected poor boys of the right of entry to the privileged circle itself, or rather—since there is a great deal to be said for having special schools to inculcate the qualities of leadership—the dissociation of privilege from financial means. What is pernicious is not the existence of officers to lead the troops of society, but that commissions should be obtainable by purchase and—almost—by purchase only. The remedy—to continue the military metaphor—is not merely to give commissions to men chosen from the ranks, but also to insist that everybody shall prove his merit in the ranks before being commissioned. We have learned this lesson now in the Army; but not in our educational system. So long as there are schools which confer on their graduates special privileges in the State, it is to the State's interest to see that entry to them is not only secured to merit, but to merit only. The social barriers will be broken down, not

when a few poor boys go to the rich boys' schools, but when a lot of rich boys go to the poor boys' schools—as they do in France, in Germany, in Scandinavia, in America, in the Dominions, in Scotland (until very recently), in fact everywhere but in England.

There are few tasks of reconstruction more necessary than to find ways and means of moving in this direction. At the same time, the remedy must be related to the proved defect. Nothing would be more foolish than to attack the public school system out of sheer envy or in a doctrinaire levelling spirit. We must not, in this as in other matters, assume ourselves to be at fault on no better evidence than that foreigners do it differently. But, if it is true, as has been here suggested, that we are suffering from a bottleneck in the process of selecting, training and encouraging men of ability, and if the bottleneck is to be found in the peculiar nature of our educational system, then no attachment to traditional ways can weigh very much in the balance against the necessity, in an increasingly troubled and predatory world, of ensuring that our democracy is as efficient and effective as human brains can make it.

Economic Life in Captive France

THE economic disaster which followed the military and political collapse of France was unprecedented. In the sudden transition from war to armistice there were no plans for warding off economic catastrophe by providing for the gradual demobilisation of men and factories and for the creation of peacetime work; and the policy of the invader is to aim deliberately at the reduction of France to the status of a dependency. For five months the Vichy Government has been virtually helpless.

In unoccupied France most industries are paralysed. Immediately after the armistice, all the war factories were closed down, and the manufacture, import and export of war materials was forbidden. The metal industries were heavily hit, and no chemical factory can restart production without a licence. The position of industries not directly connected with the war is hardly less grave. Raw materials are scarce because of the cessation of overseas imports and because of German requirements; transport and finance are in disorder. In textiles, only 30 per cent. of the quantity of raw materials used in 1938 can be used by the mills now; new works cannot be set up and old ones cannot be extended; the manufacture of carpets, lace and shawls is forbidden. Until September, the silk industry of Lyons and the glove industry of Grenoble carried on on a limited scale; but since then most of the factories have been closed; they are cut off from the foreign markets for which they used to work. The production of shoes has been standardised and only eight styles may now be manufactured. The special quality of the manufactures of fashionable France is being swept away.

In the occupied zone, under the Germans, the position is not much better. The coal mines in the North are working, but the textile factories of Roubaix, Tourcoing, Elbeuf, Mulhouse and Epinal are standing idle. The plant of many motor-car and metal works was dismantled and removed behind the Loire line during the retreat of the French Army in June, and there it remains owing to the lack of transport facilities. Nor, curiously enough, are the Germans very anxious to have this plant reinstalled. The fact is that the policy of "de-industrialising" France seems quite often to the Germans more important than the immediate advantages they might derive from putting French industry back to work.

The consequence of all this in both halves of France has been mass unemployment. The Vichy Press estimated the number of unemployed in October in all France to be between two and three millions; and the return of nearly 2,000,000 war prisoners from Germany would certainly make the situation still worse. The Vichy Government has shown little initiative in dealing with this problem. Recently, however, a five-year plan of public works has

been announced, the expenses amounting to 25 milliard francs. At the end of October 8,000 million francs were placed at the disposal of M. Berthelot, the Minister of Transport, to provide work for the unemployed.

Transport is the sorest spot in France's economic distress. Traffic between the two zones depends on the wishes of the invaders; in fact, it is practically suspended. The occupied zone itself is divided into five sub-zones, with difficult intercommunication; and nearly three-quarters of the rolling stock of the French railways in this region have been requisitioned. Very great numbers of motor cars, left on the roads during the retreat, have also been confiscated, while those which remain in French possession are of little or no use, owing to the lack of petrol. Passenger traffic in the unoccupied zone has fallen away so much that it can be compared with what is known of the days of the civil war in Russia during the last war. From time to time the Germans "magnanimously" permit the use by the French of a few of the requisitioned trains or supply a meagre dole of petrol. These gestures are praised in the controlled Press, but on the whole the invader is steadily drawing the rope tighter and tighter and is using transport as a powerful weapon in the economic war which has been waged against France ever since the military conflict was ended by the armistice. France, renowned for the best motor transport in Europe, has gone back to the horse and the mule; at Auvergne markets horses were sold in September for 30,000 francs and mules for 15,000 francs. Postal communication between the two zones has also been largely cut off. In September, sixty million letters were returned to their senders, and in October the German authorities fixed the number of letters to be posted from unoccupied to occupied France at 100 daily—including Government correspondence.

The picture presented by agriculture is not less gloomy. War damage, uncompleted harvesting and—most important—German looting have combined to bring about the ruin of the French countryside. The main food-producing centres are occupied by the Germans; and, according to German figures, the wheat harvest there amounts to some 60-70 per cent. of the normal crop. Potato and sugar-beet crops in the occupied zone are also about 40 per cent. below normal, and the entire sugar-beet crop has been requisitioned and sent to Germany. These northern agricultural districts suffered severely from war damage and especially from the mass slaughtering of cattle. In the South, where wine is the chief product, the situation is not, on the face of it, so bad; this year's vintage was particularly abundant. But here the destruction of transport facilities and the loss of foreign markets mean poverty just the same.

It is against this background that M. Caziot, Minister of Agriculture, and M. Marcel Déat are staging their pseudo-physiocratic tragi-comedy, in which they are posturing in imitation of the rôles of Quesnay and Mirabeau père. "Back to the land," they say—when agriculture is prostrate. The northern peasant, who had to do his harvesting this year under German bayonets and then saw the product of his labour carried away by the invader, can find singularly little consolation in M. Caziot's high-sounding pronouncement that "the peasant must be restored to his proper place, the highest of all." "France wants less engineers and more farmers"—this and a host of similar parodies of the old physiocratic notions are meant to camouflage, by appealing to the peasant tradition of France, Vichy's complete capitulation in the field of economics and the surrender to the "new European order," in which de-industrialised France is to be reduced to an agricultural hinterland of the Reich.

The French peasant is unmoved by the flatteries and cajolings of the official Press. He knows how ill he is faring and how black the prospect is. Mass requisitioning of foodstuffs has now started. The Vichy Press was compelled to give some vent to the discontent aroused by these measures throughout the countryside, and complaints about the excessive severity of the requisitioning procedure were frequent enough in the Press of the last weeks.

The plain fact behind all this talk of the regeneration of France is that the country is down and very nearly out. Defeat has meant short commons in everything. A comprehensive system of food rationing was completed in October, and the following comparison of French and German rations provides the most eloquent commentary

on the real position in France:—

	WEEKLY RATIONS IN OUNCES				
	Bread	Meat	Sugar	Fats	Coffee.
Greater Germany	80	17.5	8	9.5	3.5
France	87	12.75	4.5	3.5	3

The *Herrenvolk* eat much more meat than the French, double the quantity of sugar and thrice as much fats. Only in bread has the Frenchman an advantage—a reflection of the fact that there are fewer foods to choose from in Vichy France even than in Nazi Germany. The French sugar ration is even less than the Polish—5.25 ounces a week. Macaroni, rice, cheese and milk have also been rationed, and the monthly potato ration was recently fixed at 1 kilogram in many departments, and the soap ration (containing about 30 per cent. of fatty acid instead of the usual 62 to 64 per cent.) was fixed at 100 grams a month.

The chance of finding relief from these material sufferings in the near future is very slight. The apparatus of recovery is lacking: French production has no markets apart from the usurious invader; the bulk of French consumers have no work; transport has broken down; the cost of the German occupation is crippling heavy; and the Vichy Government has no authority. Nor is it the Germans' wish that France should recover. There is no honour in their armistice. Their plan is to create just one more economic vassal, and in sponsoring the movement for "de-industrialisation" the Vichy Government have stupidly and short-sightedly given their backing to that plan. More and more Frenchmen, through their own bitter experiences, must be coming to realise how true it is that only freedom through the victory of Britain can save the community of France from economic assassination.

NOTES OF THE WEEK

Moscow and London

While Hitler was staging Molotov's visit to Berlin on sensational lines, British diplomacy approached the Kremlin with less pomp and circumstance. A memorandum on British policy has, it appears, been handed in to the Russian Government, in which a three-point basis for the restoration of normal relations is tentatively outlined. Britain would give *de facto* recognition to the Baltic States, would guarantee Russia a place at the eventual peace conference where, among other things, the final status of the Baltic States would be discussed—and finally, would undertake to join no combination hostile to the U.S.S.R. In return, Britain suggested an undertaking from Russia to remain neutral in this war and not to engage in anti-British propaganda. So far there has been no official reaction to the document, although it was handed in on October 22nd. And it is difficult to see exactly at what the proposals aim. *De facto* recognition would presumably permit the transference of Baltic assets to Russia. But as for the other two points, the Russians may argue that the war is still far from its close, and that in any case Britain is not likely to join a *bloc* against Russia while engaged in a mortal struggle with Germany. As for pledging neutrality, Russia has done little else since war began. The truth is, of course, that so long as Germany is undefeated and the issue of the war undecided, there is no very solid basis upon which Anglo-Russian relations can be rebuilt.

* * *

The War in Greece

There cannot be words warm enough to praise the courage and persistence of the Greeks. After a week's heavy fighting in which the Italians have brought up strong reinforcements and repeatedly attacked the Greek lines with dive-bombers—which the Greeks do not possess, Greek soil is virtually cleansed of the Fascist invasion. The Italians have been driven back across the Kalamas River, the Pindus line is strongly held by the Greeks, and in the north the battle for Koritza sways backwards and forwards. The heights above the town have changed hands many times during the past five days, and on November 17th it looked as though the victorious Greek advance had been brought to a halt by Italy's swarms of dive-bombers. The Greeks claim

that 400 of these planes were used against them in the Koritza sector. But the Greeks are adapting themselves to the new conditions, and the advance has been resumed. Nevertheless, the magnitude of their efforts and the superb quality of their courage must not blind their well-wishers to the danger in which they stand. They have little protection from air attack and their own air force is hopelessly outnumbered. Their first need is therefore aircraft, aircraft and then more aircraft. It is naturally to us as her ally that Greece, in spite of her appeal to the United States of America, chiefly looks. There are, of course, technical difficulties, of which the greatest is the setting up and equipping of airfields which in Greece are scattered and few. We have also to consider the general strategy of the war and establish our priorities on the basis of a general plan. Nevertheless, we cannot afford to allow any strategical niceness to stand in the way of the greatest measure of help we can achieve. As M. Nikoloudis put it in his moving appeal to the foreign press, "it should not be forgotten that if other strategic fronts have their importance, the moral front of the war is the Greek front and must at all costs be victorious." There are sound military reasons for engaging Italy where she has proved her weakness. Even if a greater supply of aircraft were to weaken our position in Egypt, Italy's is also growing weaker with every plane lost on the Greek frontier. But it is finally the moral argument that appears decisive. The Greeks are lighting a candle of courage in a naughty world. It is first of all our interests to see that it is not snuffed out.

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Help for Italy

Mussolini is in obvious need of help in Greece, and ultimately Hitler cannot probably afford to see him pushed into the Adriatic. But for the time being the Germans are in no hurry to go to the assistance of their junior partner, and are even taking some pleasure in the Duce's difficulties. The rapacity of a Government which avoids the fighting and demands a large share in the booty must have been irksome to the Nazis, who, however rapacious themselves, have at least fought. The prospect of Italy fighting and fighting with so little success has a certain spice. Nevertheless, Hitler cannot afford to see a real Balkan front established. There will be no "new order" in Europe—Hitler's obsession for the time being—so long as one small State is left to hold

high the banner of freedom. But in order to help Italy, the German army must cross neutral territory, and it is probable that the political implications of military help have been worked out in the various conferences which have gone on almost without interruption since M. Molotov returned to Moscow. Hungary, already a complaisant corridor, has become a military ally by joining the Three-Power Pact between Germany, Italy and Japan, and has recognised Axis "leadership" in Europe. But, from the meaningless communiqué of Berlin and the customary silence of Moscow, little can be inferred concerning the result of the recent consultations farther East, and it now appears likely that the Russians have given little away. Hitler has almost certainly failed to persuade them to bring pressure to bear on Turkey, and it is this factor as much as any that may determine the nature and direction of Hitler's assistance to Italy. A descent into Thrace via Bulgaria would run grave risks of compromising the restored relations between Moscow and Berlin, and it would almost certainly bring Turkey into the struggle. King Boris may thus have been summoned to Berchtesgaden not, like so many fellow Balkan leaders, to receive his marching orders and deliver up his country, but to discuss with Hitler his country's reactions if Hitler were to demand the free passage of troops through Yugoslavia, and the Yugoslav Government were to refuse. At the same time, there is little sign of military preparations among Germany's troops in either Austria or Roumania, and Hitler may prefer to allow Mussolini to learn his humiliating lesson a little more by heart before interfering in the struggle.

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Coventry and After

A new stage in the air war over Britain has started. The raid on Coventry, the first occasion on which any place but London had been subjected to intensive night-long bombing—though Merseyside and other districts had had severe attacks—ushered it in; and, although no other town has had the same tragic experience as Coventry, there have since been prolonged night attacks on a South Coast town and on towns in the Midlands. In the Battle of London, the enemy did a great deal of damage, but achieved no significant results, military or economic. There is no reason to suppose that, in the Battle of the Cities (still including London which suffered one of its severest attacks on the night after Coventry had been raided), he will do anything more decisive. The attack on Coventry, which was concentrated on the civilian heart of the city, achieved nothing in the nature of a knock-out blow, though casualties were high and damage to property and services severe; in a short time the life of the city will be quite normal again. It is only by bombing specific targets, and not whole towns, again and again, that it can be hoped to score successes that last for any time. This is the pattern of British raids over Germany, but the German raids have been directed far more against entire regions with the intention, presumably, not only of dismaying the population, but also of dislocating the services and communications upon which economic activities depend. The intensification of German night raiding, which was not unexpected, has not been prevented by the onset of winter weather, though the bombing has been hampered by bad conditions, as well as by developments in methods of defence. As Air Marshal Sir Philip Joubert told an audience this week, the problem of the night raider "is very far from being solved"; and still heavier and more concentrated attacks are to be expected.

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Health in Shelters

As soon as people began to crowd into the public shelters at night, the danger to health, not only for the shelterers themselves but for the whole community, was realised. As early as September 14th the Government appointed a Committee under Lord Horder to inquire into conditions in the shelters. The Committee's recommendations have now been published as a White Paper (Cmd. 6234, price 2d.), together with the action already taken by the Government. It cannot be said that alarm is in any way dispelled by it, and Lord Horder has said that the Committee is still profoundly disturbed. Obviously, the principle of dispersal should be upheld at much as possible; but, even when dispersal has been carried to its practicable limits, there will still be overcrowding in some shelters—and in the meantime overcrowding is acute. The

Committee urges that adequate sanitation should be provided within the shelters—it surely hardly needed a Committee to point that out—and that a regular inspection should be made by the Medical Officer of Health. The Government replies that instructions have been given to this effect. But in one Underground station there are still only 6 chemical lavatories among 3,000 shelterers, and the consequent appalling sanitary conditions there are typical of other shelters. Moreover, the medical arrangements are chaotic. In theory, it should be simple to arrange that nurses should be in constant attendance with a doctor at hand and that persons with infectious diseases should be sent to hospital. But in practice it is not so simple. A doctor has no power to send a person to hospital except for certain notifiable diseases. Chicken pox is a highly infectious illness, but it is not notifiable and patients suffering from it can refuse to go. People with tuberculosis, too, cannot be compulsorily sent away, even though it is a notifiable disease, and there are many tubercular people sleeping in the congested public shelters. What, moreover, is a doctor to do with a person obviously ill but whose complaint cannot immediately be diagnosed? The Committee recommends beds and bunks for each Medical Aid Post, but it is going to be difficult, if not impossible, to keep people in sick bays during the day in the Tubes which are then used at Tubes. The recommendations of the Committee are based on the belief that the medical service should be needed for cases of emergency only. What is happening is that people already sick are going into the shelter and expecting normal treatment—free. It is not unusual, for instance, for a doctor to find he is expected to treat a case of varicose veins.

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If the health problems of air raids were confined to the public shelters, they would not be serious, for the total number of people frequenting them—and they are not all equally uninhabitable—is only about 15 per cent. of London's population. But there is a danger to the rest, not only from contact with shelterers and the general use of the Tubes by

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day, but also from burst water mains and sewers. It is probably true, as Mr Macdonald has said, that the typhoid risk is exaggerated. That is no reason for putting a blind eye to preventive measures. On the advice of Lord Horder's Committee free diphtheria toxoid for protective inoculation is to be supplied to the local authorities. Is there any reason, other than expense, why the same preventive measures should not be taken against typhoid? There need, of course, be no question of compulsory inoculation. The Government is certainly aware of the health problem, but it does not appear to visualise it as a long-term one. The measures taken so far savour too much of the peacetime improvisations for a single day's public gathering.

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Wages Policy

The refusal of the employers in the engineering industry to concede a further increase in wages to their employees has led to a somewhat belated discussion of the need for a national wages policy. The view that the general upward movement of wages is a danger to the balance of the war economy and to the management of the national finances has won wide support—in interested and disinterested quarters alike; so much so that it has been justly observed, on the other side, that the very people who patriotically protest that workers have no right to claim an increased price for their services to meet the rising cost of living are equally convinced that industrialists have every title to demand increased prices for their goods to cover higher costs of production. The validity of this *tu quoque* is not affected by the fact that a chief obstacle to the efficient allocation of national resources is the passing of the considerably increased earnings of the mass of workpeople into current consumption—as Mr Keynes used so convincingly to forecast before he became a semi-official spokesman. As *The Economist* has consistently maintained ever since wartime tremors began to run through the country's economic structure, this is not simply a question of wages. It is rather a question of prices, of which wages represent only one category, though a very large and influential one; and, although many prices have been fixed and profits broadly restricted, it is vastly unfair to argue that wages are the only prices not controlled in the national interest. Wages, it is true, are in general uncontrolled, except by the push-and-pull of collective bargaining. But a wide variety of prices which are fixed cannot in any sense be said to be "held down," or indeed to be controlled in anybody's interest but the producer's. The matter is urgent, for the gap between revenue from taxes and savings, on the one hand, and expenditure, on the other, is already large enough to cause misgivings, without the steadily swelling disturbance of an inflationary chase between prices (including wages) and costs. But if the problem is to be debated on sectional grounds with claims for special privileges or special penalties for special sections of the body economic, the result will only be to add social and political troubles to economic friction.

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Ends and Means

The curtailed quotas of materials for manufacturers under the Limitation of Supplies (Miscellaneous) Order are discussed in a Note on page 648. There it is pointed out that, if the intention is to secure an equitable distribution of the limited supply of those goods covered by the Order which may be regarded as necessities, at least in the conventional sense, it may be necessary to consider adding rationing at the retail stage to the process of fixing prices. On more counts than this, it is important to examine, not only the immediate provisions of the Order, but also its wider economic consequences. The purpose, presumably, is not simply to husband limited supplies of specified materials—and, more generally, to eke out shipping space and foreign exchange. It is to facilitate the transfer of economic resources of all kinds from non-essential to essential work, to limit civilian purchases and to divert civilian purchasing power into savings or the public purse. No measure of this kind can be regarded in isolation. Directly, it is intended to curtail manufactures for civilian use; but its usefulness in the context of war economy must depend upon the use made of the resources released by its restrictions. To cut down industries and to cause unemployment of plant and labour is a negative procedure, and by itself not desirable without its proper complement, their re-employment. This is where the policy represented by the Order tends to run to waste in the sand. Ideally, it should be accompanied by measures to maximise

the technical efficiency of the restricted industries by concentrating their activities in the most efficient factories and on their most efficient plant. Indeed, if the last ounce is to be got out of the nation's capital and labour for the war, the need to raise productivity to the highest possible point is no less imperative in the permitted civilian industries than in the war industries themselves.

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As it is, the Order is, economically, a half measure. Not only is there a disposition in official policy to maintain firms and factories in operation, however needless, simply because the principle of open financial compensation has never been admitted. There is also no channel yet broad enough to absorb the labour that might be released if restriction were done with thorough efficiency. The number of men and women who will in fact be released as a result of this Order is, compared with the number who might be set free and whose services would be more than welcome in the war effort, very small. The lessons of wartime restriction are being learned, with riders from events at sea, but the lessons of economic mobilisation are still in large part only on the syllabus. Nor is this true merely of manpower. There is a contradiction within a policy which sets out, with some vigour, to restrict purchases by restricting the supply of goods, while at the same time allowing the extra purchasing power of wartime earnings to swell the demand for goods appreciably. Just as the programme cannot be complete without measures to compensate firms put out of business and to re-employ displaced labour and plant, so it must be insufficient without much more drastic steps than have yet been admitted to divert purchasing power, with certainty, into the national Exchequer. The hesitancy and awkwardness of the Purchase Tax, which involves a mountain of inconvenience in return for a molehill of economic and financial effectiveness, is a good example of this tentative approach. The most straightforward ways of restricting civilian consumption are the best: by restricting supplies and rationing purchases; and by mopping up purchasing power by stiffer direct taxes or compulsory saving.

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Vichy Protests

The brutal expulsion of French-speaking citizens from Lorraine at the rate of five trainloads a day, which Hitler, apparently without any consultation with the French Government, has suddenly launched upon a dumbfounded Vichy, is likely to precipitate a crisis which has been latent in the French Cabinet for some time past. The tragedy in France, or rather one of the many tragedies of France, is that her fate is in the hands of a venerable old man who has no conception whatsoever of the nature of the adversary he has to meet and only very indefinite and erroneous views on the crisis through which he is attempting to steer his country. The recent meeting between Hitler and Pétain was staged in every way to flatter and reassure the old man. Laval's hopes were high of securing the Marshal's agreement to co-operate, not only in principle, but in detail, in such matters as the French Fleet or the North African colonies. Now comes the bombshell of the expulsions, and, in spite of the mists of old age and prejudice, Pétain cannot help peering below the mask which has suddenly been lifted from the smiling face of the courteous victor. Vichy has protested, and we can imagine that Laval's protest came from his heart, for Hitler's gesture has undone weeks of intrigue and negotiation. If in the face of this last injustice Laval can still lick the jackboot that is kicking out his fellow-countrymen from the land of their birth, then the measure of abasement will have run over. But there are others who are perturbed by the expulsions. Spain and Italy have seen their claims laid on one side of late. Hitler has realised that the stiffening in Vichy is provided by the colonial Generals alone, and if they are forced into revolt by the imposition of Italian claims on Algeria and Tunis and Spanish claims on Morocco, then the whole Vichy fiction will collapse, and with it the hope of "fighting England to the last Frenchman." Hitler is engaged in a hazardous balancing act. Suñer has been summoned to Germany, ostensibly to be reassured about the Russian visit, in fact to push with Ciano the necessity of sharing the French colonies "equitably." On the other side, Laval is in Paris pleading for moderation so that he can pursue his anti-British line. And behind both claimants is Hitler's own appetite, which hesitates to divide between non-belligerent allies the spoils won entirely by German arms. It will take more than his usual diplomatic skill to keep all his horses in harness, a difficulty which will only increase the more he seeks to integrate his "new order."

Siamese Provocation?

The publication by the Japanese press of the terms of a secret military agreement to which the United States, Great Britain and Thailand are alleged to be parties is not in itself a development worthy of serious consideration. The truth of the report has already been denied in Washington by Mr Sumner Welles, and it is not likely to awaken wide credulity even in Axis circles. The publication of such a document by the press of an Axis country does, however, indicate that it must be regarded as a *ballon d'essai*. If the Japanese are taking a leaf from the German book, invasion of Thailand by Japanese troops must be expected to follow rapidly on fraudulent misrepresentation. And in this connection, it is highly significant that the German-inspired press in Japan has already reported the incursion of Indo-Chinese troops to Thailand. Interest in Thailand does, moreover, find a place in the general strategy of the Sino-Japanese war. Since the air attacks on the Burma Road at the end of October, Japanese military activity has turned south. Where it will find its next important objective is not clear, but if the publication of a bogus military treaty in which Thailand is shown to be involved with the western democracies is the prelude to Japanese "intervention," it can safely be assumed that possession of Thailand would not constitute a goal in itself, but a vital step on the route to the west—Malaya and Singapore. No doubt the strategic implications of this latest development in Japanese policy will have the full consideration of Air Chief Marshal Sir R. Brooke-Popham, who will shortly be arriving in Singapore to take up his duties as Commander-in-Chief, Far East.

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"Pacifism" in India

The Viceroy's offer to Indians to participate in his Executive Council and in a new War Advisory Council has failed because none of the more influential political groups will participate. This was announced on Wednesday without any indication of the steps it is proposed to take, if any, to help moderate Indian opinion to resist the distractions of extremist leadership. Mr Gandhi has chosen to campaign against the Government of India on the issue of freedom for Indian pacifists; and since the heavy penalty imposed on Mr Nehru, the campaign has broadened, and the Government has taken action against an India-wide movement to spread anti-war views. Congress dances to the Mahatma's tune, but its lyrics are different from his. Mr Gandhi opposes the war because he objects to all forms of violence on moral and conscientious grounds. Congress, on the other hand, although it accepts Mr Gandhi as its leader, opposes the war simply because it objects to the present constitutional status of India—or, indeed, to any status but that which Congress itself would dictate. Its position is purely political, and it is not long since the working committee of Congress was willing to offer material aid in the conduct of the war in exchange for constitutional concessions. The majority of Congress wants an independent Congress-controlled India, and has little or no objection to war, as such. On Tuesday, the abstention of the representatives of the Moslem League enabled the Congress members of the Indian Legislative Assembly to defeat a bill providing extra revenue for defence, and Congress speakers made it plain that they would readily fight with Britain against Hitler—on terms of complete equality. Mr Gandhi is sowing a storm, but the whirlwind which may be reaped may not be of his making. Astute politician that he is, he should realise that all his talk of "non-violent civil disobedience" simply serves as a cloak for the unscrupulous manoeuvres of party sectaries who, in the present difficult circumstances, may well go to considerable lengths to secure their ends by achieving precisely that embarrassment of Britain at war which Mr Gandhi denies is his purpose. The question for India now is whether the pacifist leader can control his far from pacific followers.

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Parliamentary Privilege

The decision of the Committee of Privileges that the detention of Captain Ramsay, M.P., under Regulation 18B was not a breach of privilege adds another landmark in the long history of privilege of freedom from arrest. This privilege was for a long time as important in the eyes of the Commons as the privilege of freedom of speech, yet it is a

privilege which throughout the centuries, with the exception of the seventeenth, they themselves have always limited and latterly narrowed down. As is brought out in the interesting memorandum produced for the Committee by Sir Gilbert Campion, Clerk of the House, the distinction was drawn as early as the fifteenth century, when the privilege was first specifically claimed, between arrest for civil actions and arrest for criminal acts. In the former case, imprisonment would prevent the member arrested from carrying out the King's business which has precedence over claims of private persons; in the latter, an offence would have been committed against the King himself and could not, therefore, be protected by privilege. Later, when Parliament no longer saw itself as the King's servant, the principle was broadened, but the distinction between private and public rights was still there. But between civil and criminal cases there is a large debatable ground into which Captain Ramsay's case—preventive detention—fell. There was no conclusive precedent in similar or analogous cases on which it could be decided, and the Committee had, therefore, to consider it on more general grounds. It was careful to ensure that the detention order had not been made for anything said by Captain Ramsay in Parliament, in which case there would have been a clear breach of privilege; and it pointed out, in reply to his argument that in the seventeenth century the privilege was held to be a safeguard against an executive authority not responsible to Parliament, that now the Executive is responsible and Parliament itself conferred the powers of detention. The Committee, therefore, came to the conclusion that, though there is a big difference between arrest and imprisonment on a criminal charge and detention without trial under a Regulation, they have at least a common purpose—the protection of the community as a whole—whereas arrest in civil proceedings is merely to enforce a private right. This is in full accord with the principle laid down by the Commons in 1641 that "Privilege of Parliament is granted in regard to the Service of the Commonwealth and is not to be used to the danger of the Commonwealth."

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Army Air Arm

Hard on the news of the success of the Fleet Air Arm at Taranto comes the announcement that a new Command, the Army Co-operation Command, is to be established within the Royal Air Force. The argument for a separate air force devoted solely to work with the Army has been rejected here, just as it was in Germany, where the co-operation of the *Luftwaffe* with the German Army has set the example for other countries. The new Command is to be welcomed, not because it puts an end to an interminable strategical debate, but because it is presumably an assurance that the dive-bombers, scouts and specialised fighters needed for land attack are to be produced, and a promise that the land offensive is being prepared. The appointment of Air Marshal Sir Arthur Sheridan Barratt, who directed air co-operation with the B.E.F. in France, to command the new unit comes at the end of a wholesale reshuffle of the R.A.F. commands which has been somewhat puzzling to lay observers, impressed by the remarkable skill

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

and success of the air forces. The changes probably mark the change from desperate defence to the period of confidence and growing counter-offensive. The new commanders are very youthful, as Service appointments go, and in their broader operations they have the high standard of their predecessors, hampered as they were almost to the point of frustration by the long-standing inadequacy of the industrial war effort and by the collapse of the effort on land, to live up to. And in the warnings and appeals now coming from Greece there is just one indication of the hard and wide-flung duties that face them—and the producers of their planes and equipment on both sides of the Atlantic.

* * *

Rations for Livestock

Some form of rations for imported animal feeding stuffs became a necessity as soon as the supply had to be reduced in order to conserve shipping space. During the first year of war, the price of imported concentrates was raised to cover the increased cost of freight and insurance, and they were roughly rationed by allocating to all merchants, and through them to all consumers, a uniform percentage of their pre-war supplies. This system led to anomalies; it took no account of changes in types or numbers of livestock, and its success was dependent on the goodwill and impartiality of the merchants. As an interim measure, it worked reasonably well. The Ministry of Agriculture has now announced a new scheme, which will probably come into force in January. The details have not yet been published, but farmers will apparently receive a fixed amount of imported concentrates for each animal on their farms; and, in addition, dairy cows will receive a further fixed amount for each gallon of milk produced. Dairy herds are to receive 90 per cent. of their pre-war requirements, while rations for other stock will be scaled down in proportion to the supplies available. The rations will be obtained by the surrender of coupons, which will be allotted to farmers by the County War Agricultural Committees on the basis of livestock numbers and milk output. The scheme will throw a great burden on these committees, who will not only have the work of assessment, but will also hear appeals from farmers. The seasonal migration of livestock—the import of Irish cattle for fattening in Scotland or East Anglia, the wintering of mountain ewes in lowland pastures—is only one factor out of many which will complicate the count of livestock. A more serious difficulty in the new proposals lies in the uniformity of the rations allocated to dairy cows. The diversity of British farming is immense, and the consumption of imported cake or cereals per gallon of milk produced varies greatly from one district to another and from one farm to another. A dairy

farm in East Lothian, with a grazing season from May to September, who supplies a regular quantity of milk for retail to the local market, necessarily uses, over the year, a higher amount of concentrates, per cow or per gallon produced, than a Devon farm selling milk wholesale to a cheese factory, and able to keep its cows at grass from April till December. To ignore local variations of this type may in fact only encourage that milk famine which it is the object of rationing to avoid. Such a danger is the more acute since the autumn drought has already much reduced the output of milk at a time when supplies are seasonally at a minimum. Rations of concentrates for dairy cows should, if the national milk supply is to be maintained, be specifically based on the pre-war consumption of the individual herd, suitably qualified to allow for changes in numbers or in seasonality of production.

* * *

Shorter Notes

The number of British troops at present held as prisoners of war by Germany and Italy is about 44,000.

*

The new Egyptian Prime Minister, in succession to Hassan Pasha Sabry, who died suddenly on Thursday of last week, is Hussein Pasha Sirry, formerly Minister of Commerce and Public Works. He belongs to no political party, and has said that he will continue his predecessor's policy of loyal co-operation with Great Britain.

*

In the first year of war 3,327 lives were lost in the sinking of British and other merchant ships by enemy action.

*

On November 9th and 16th, 381,643 men registered for military service. They were those who reached the age of 34 in 1939 and those who reached the age of 20 between July 28, 1940, and November 9, 1940.

*

General de Gaulle continues to consolidate his position in French Equatorial Africa and Port Gentil, in Gabon, has now surrendered to him without fighting. It is now clear that the decision of the Colony to declare itself for de Gaulle last summer was not so wholehearted as appeared at the time, and he has had to follow it up with a show of force. The lesson of Dakar has been learnt.

*

For the quarter beginning December 3rd, the premium payable under the Commodity Insurance Scheme will be increased by 2s. 6d. to 7s. 6d. per month.

sengers. The Condor line, operating from Chile to the Argentine, possesses about 25 of these planes, and has access to 50 air fields, most of them on the coast.

Another important branch of this German organisation is the Sindicato Condor Limitada, operating from Rio de Janeiro southwards to Montevideo and Buenos Aires, and northwards to the frontier of Guiana. The Condor Luft-hansa, under the name of Condor Lloyd Aereo Boliviano, also connects Peru and Bolivia. In Peru, again, there is the Compania de Aviacion Condor S.A. Moreover, other companies which pretend to be privately owned have proved on investigation to be German-controlled, such as the Varig (Empresa de Viação Aerea Rio Grandense), operating in Brazil.

Another line, the Scadta (Sociedad Colombiana de Transportes Aereos), being an entirely German concern, was taken over by the Colombian Government last June; the Republic is too near the Panama Canal for them to take risks. Compensation of half a million pesos (about £77,000) was paid to the company. The 80 German employees were not expelled, but later a number of them were recalled to Germany by Hitler. A new company, Avianca (Aerovias Nacionales de Colombia), is now operating under Government control. On the other hand, another important German-controlled company in Ecuador, the Sedta (Sociedad Ecuatoriana de Transportes Aereos), is still operating. Representations have been made by the United States Government to Ecuador about it, but it appears that the company have granted so many favours and free flights that it has been found difficult to displace them.

From the Argentine it is reported that, near almost every air field, the Nazis have set up a *Stuckpunkt*, which is not only able to watch all that goes on, but could easily seize the field if their plans demanded.

The Technique of Penetration

When the Nazis came into power they found that the groups of German farmers, business firms and their connections offered an excellent foundation for building up their organisations. Thus, it was reported from the Argentine that the Nazi Labour Front had enlisted the German and even the native employees of the German firms. They were all compelled to pay a monthly subscription to the Nazi propaganda funds. The farmers were similarly brought into the Nazi Party organisation.

The Nazis were particularly active in Patagonia, where they contrived to get into good positions in the wool trade and the oil fields. Last spring, they gained control of the local autonomist party with the idea of creating an extreme separatist movement and uniting Patagonia with the southern part of Chile, where German immigrants have been settled for a long time. Thus, they talked of setting up a free Patagonia, part of a United States of the South.

In Mexico, the Nazi organisation seems to have been particularly comprehensive. German firms have been established there for a long time, dealing particularly with drugs and chemicals, hardware, machinery and mining equipment. Since Hitler came into power the Nazis have obtained control of all these firms, welding them into a solid *bloc*. Sometimes they were refractory, but the requisite amount of pressure, going to any length short of bloodshed, was enough. These firms were used in different ways, one being to spread propaganda by means of their employees' conversation. It is known all that some of them distributed Nazi propaganda literature all over the country through their salesmen. Between them, they collected a great amount of economic, political and military information, which found its way to the Nazi Intelligence Department. At the beginning of the war, a special collection was made among all these firms, and \$200,000 were raised for propaganda purposes. Since then, a monthly tax for the local German funds has been levied on every German individual and firm.

All the organising has been done by the Commercial Attaché at the German Legation. In fact, it was done so openly that the Mexican Government, last June, had to ask one of the officials, Herr Dietrich, to leave the country. Although there are about 25 full-time employees at the Legation, German firms often lent a number of their staff to help in the work, in spite of the fact that trade relations between Mexico and Germany are almost non-existent. The German Chamber of Commerce there has been particularly active in the propaganda field, and in obtaining entry permits for German travellers and "tourists." In the summer before the war, a representative of the German Ministry of Economics arrived in Mexico, and last July it was reported that he had been able to arrange for the shipment of some

copper and lead to Germany via Vladivostok in Russian vessels.

German agents and mail from Germany often reach Mexico via Japan, and Japan supplies German firms with goods, or transports German merchandise from Siberia to Mexico in Japanese ships.

Nazi Propaganda

It is interesting to see the main features of the propaganda in matters of trade and economics. One argument used a great deal in Mexico is to exploit the disagreement between Britain, America and Mexico over the oil fields, emphasising that, while Great Britain was breaking off diplomatic relations with Mexico and boycotting Mexican oil, the Germans and Italians were helping as much as they could by bartering their goods for oil. Much was made of this propaganda during the recent presidential election campaign, although (it must be said) with little success. Another effort in the same line was a poster campaign urging a boycott of British goods, and British colonial policy has also come in for some hard knocks.

A favourite line of propaganda, of course, is to shriek about "Yankee imperialism," and to play off South America against the North. The Spanish Falangists in South America are particularly helpful in this field, never missing an opportunity to remind South America of her old connections with Spain, and exaggerating the dangers of United States ambitions. The recent talks between the Uruguayan and American Governments, regarding the cession of a base at Punta del Este to the United States of America, have this week called forth a blast of propaganda from the Madrid broadcasting stations, in an attempt to stir up the feelings of the National Party in Uruguay—a member of which, the Minister of Education, had already resigned from the Cabinet in protest.

The Germans are never tired of boasting in Latin America that the war is already practically won. Since Germany is already organising the new order in Europe, and the Old World has been the main market for South American exports, economic circles in South America are warned not to antagonise Germany too much, nor to become too dependent economically upon the United States of America. This, of course, is linked up with the very serious problem of the export surpluses of the South American Republics—a problem which the United States is trying its best to solve by buying as much as it can, in spite of the continued denials of Nazi propaganda.

Last June the Nazi propagandists were offering to South American firms German goods to be delivered in September, when the war, they said, would be over. It seems that some small quantities of German merchandise trickled through Russia and Siberia and in Japanese ships to Mexico and other Republics. But when facts belied their hopes in no uncertain way, they had to content themselves with offering their clients goods bought in the United States of America and paying them compensation for their broken contracts.

The German propaganda does not stop there. A pamphlet of German inspiration, widely distributed in the Argentine last June, laid down plans for a world confederation. The world of the future would be organised as a "federation of autonomous but not sovereign states, with the Nazi system as its foundation." "We shall build the United States of Europe," they said, "and then of the world; beginning in Europe, Germany will rule the world and will organise it for the Nazi regime." It is not, however, likely that the South Americans will rise to a bait like this—they prefer facts to promises.

November 20th.

THE WORLD OVERSEAS

Nazism over Latin America

(By a Spanish Correspondent)

GERMAN economic penetration in South America had been going on for years before the war. In addition to the barter trade, by which the Germans took quantities of raw materials in exchange for machinery, railway equipment and chemicals, there were many German settlers in Chile, Brazil and the Argentine, who were engaged in farming as well as in industry. There were breweries in Brazil run by German capital and labour, and certain large German enterprises had interests in the process of the industrialisation of Latin America. It was reported that some plants in Chile were connected with Krupps and others in Brazil with the Thyssen concern.

Distances in South America being so great and the network of roads and railways being still far from complete, the air lines are more important than in most other parts of the world. Although some are controlled by the different Govern-

ments, the most important belong to private corporations, in which foreign capital is invested. Among these, the biggest now are Pan-American Airways, and, for communication with Europe, Air France, and the Linee Aeree Transcontinentale Italiane—which was inaugurated on December 22, 1939, in a flight by Bruno Mussolini—from Rome to Seville, Lisbon, the Spanish colony of Rio de Oro, Recife, and Rio de Janeiro.

For a long time the Germans have been patiently extending the net of their air lines over South America. They belong mostly to the Condor group, which is a subsidiary of the Deutsche Lufthansa. It seems that in all there are about 100 German planes operating in South America. Five or six belonging to the transatlantic Lufthansa line were left there when the war broke out. The rest seem to be mostly large planes—three-engined Junkers—able to carry 17 pas-

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The Irish Ports

[FROM OUR DUBLIN CORRESPONDENT]

A STUDY of the English Press suggests that there is a good deal of misunderstanding about the Irish ports. Until 1938, three ports, namely, Queenstown, Berehaven and Lough Swilly, were reserved for the British Navy by the Treaty of 1921. If it had not been for the Agreement of 1938, the Navy would have had the use of these ports without Irish neutrality being violated in the slightest degree. Now that the ports belong to Eire, their use by the British Navy would seriously compromise that neutrality which is the professed and determined policy of the Irish Government and people. The refusal to render the ports available does not prove any lack of sympathy with Great Britain. The position of Eire is very similar to that of Portugal which, though allied with Great Britain, could not fairly be asked to extend the use of its harbours to the Navy. The present difficulties should have been foreseen by both parties to the Agreement of 1938.

The census of 1936 reveals the great improvement that took place in housing in the ten years from 1926. The average number of persons per room fell from 1.19 to 1.08, and the number of occupied rooms increased by 8.9 per cent. The improvement was greatest in the western counties, where it was helped by the declining population. In Dublin, on the other hand, the number of persons in private families increased by over 77,000. The number of rooms occupied increased from 357,000 to 449,000, and the number of persons per room fell from 1.26 to 1.18. The number of one-room tenements in Dublin fell by 7.8 per cent. and the number of persons living in them by 10.9 per cent. Although the population slightly declined, the number of families rose from 622,678 to 647,372, and the average size of families fell from 4.48 to 4.31. In spite of the improvement shown by these figures, much remains to be done, as housing conditions in Eire, though better than in Scotland, are stated in the census to be "much worse" than in England and Wales.

Professional Unemployment

One consequence of the war in Eire has been a great increase in unemployment among the educated classes. In peacetime large numbers of Irish doctors, engineers and other professional men emigrated to Great Britain and overseas. The war has stopped this outlet; indeed, a slight reflux has taken place. Although the Irish market is admittedly unable to absorb the output of the universities, that output continues to grow. The number of students in the universities in Eire increased from 3,159 in 1925-26 to 5,370 in 1938-39. While the extension of higher education must in itself be welcomed, the problem of finding employment for so many graduates is very grave. Many graduates are working for inadequate remuneration, and there is a danger of producing an intellectual proletariat which might cause much social discontent and unrest.

The policy of indiscriminate industrial protection has recently been the subject of a good deal of critical discussion. Even some of the Government's supporters now admit that the policy was rushed forward with too little thought, with the result that many errors of investment were permitted, if not actively encouraged. It is being generally realised that costs of production in Eire are unduly high and that labour, in particular, is too dear. Evidence was given recently at a court of inquiry into the Dublin bakery trade that, in spite of much higher wages, the output of bread per man is only one-third of what it is in England. If the output could be raised to the English level, the price of the fourpenny loaf could be reduced by one penny. The whole question of labour and other costs is clamouring for investigation. If costs cannot be reduced, the experiment in industrialisation may be doomed to failure.

November 11th.

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Production and Prices in the U.S.A.

[FROM OUR NEW YORK CORRESPONDENT]

THE new production index in September, seasonally adjusted, was, at 125, only one point below the figure of last December, which was the highest ever recorded. It was some five points above the best figure of 1937 and 11 points above the highest month in 1929. Looking at this figure, one could naturally infer that we were having a boom; and there is no doubt that some industries and some areas are booming. But when one looks for the usual accompanying indications of a boom, they seem to be absent. At least, the conventional indices fail to register a corresponding economic temperature.

From the present altitude (and there is every reason to suppose we have not yet reached the summit) we can survey the three great cycles covered by this index in the past 20 years, starting as the index does from a top in 1919-20.

BUSINESS CYCLES

(Federal Reserve Board) 1935-39 = 100. Adjusted for Seasonal

	Top 1920	Bottom 1921	Top 1929	Bottom 1932	Sept., 1940
Index of industrial production	82	55	114	53	125
Manufactures	82	53	115	51	127
Durable	100	45	141	34	144
Non-durable	69	44	95	63	113
Minerals	88	53	110	60	115

Unfortunately, this index does not provide a base from which to measure the World War boom, but, from the bottom of the post-war depression to the 1929 top, the index of manufactures doubled in the space of about eight years. In the current cycle, the index has rather more than doubled in about eight years. If one could run this index back eight years from 1920 to, say, 1912, very likely an analogous movement of approximately similar magnitude would be recorded. So far as the increase in industrial production from a base is concerned, there is a remarkable similarity in the three movements—always with the reservation that the present movement may substantially surpass the others.

But, with that statement, comparison ceases. The hypothetical doubling of industrial production up to 1920 was accompanied by a doubling of commodity prices—a phenomenon conspicuously absent in the 1921-29 cycle, and thus far in the current cycle. This rise in the price level was capitalised in agricultural land values, which also approximately doubled in the period. To a degree also, it was capitalised in the stock market, although in 1920 the stock market was a relatively small affair. While the subsequent collapse in commodity prices and in production in 1921 caused stock, and stock market, losses, its greatest economic and social impact probably occurred in the devaluation of farm land—a devaluation from which there was little recovery either in the cycle of the twenties or in the current cycle.

Booms Then and Now

The boom of the twenties was an urban and industrial boom. Neither commodities nor farm land shared in it. The increase in production was capitalised in the stock market and in urban real estate. When production declined in 1929, and after, the greatest social and economic impact occurred in the devaluation of the two areas that had most heavily capitalised the boom—the stock market and urban real estate—a devaluation from which they have experienced little recovery in the current cycle.

That is, both previous up-cycles were capitalised in organised capital markets—farm land, urban land, industrial shares, where both the capitalisation and the subsequent devaluation were conspicuous and measurable.

The current up-cycle in production seems comparable in magnitude and not incomparable in duration to its two predecessors. But it is hard to find any form in which it has been capitalised. Of course, there has been an upturn in various expressions of capitalisation from some low in the early thirties; but there has been no boom in farm land, in urban real estate or in share quotations. There is not a recognised index to which one can refer as a collateral expression of the production boom.

Whereas, in the past, setbacks in production have always brought hardship, their greatest damage has not been direct. It has rather come from the fall in some capital values that sprang indirectly from the fall in production. This was conspicuously true both after 1920 and after 1929.

October 25th.

Germany at War

Mobilising Manpower.—Direct mobilisation of German labour started in June, 1938, when Goering, as Commissioner for the Four-Year Plan, issued a decree empowering the Central Labour Exchange to "mobilise all German citizens, both men and women, to do work allotted to them in the interest of the Reich for a limited period." At the outbreak of the war, this obligatory work was parallel to military mobilisation. By it, workers and employees can be put to any new job, and they can be ordered to attend special schools or classes to be trained for war work. Immediately after the decree came into force, some hundreds of thousands of men were called up. The first batches of the obligatory workers (*Dienstverpflichtete*) were employed on the construction of the West-wall (Siegfried Line).

After the outbreak of war, however, the scope of the obligatory work system was considerably widened. It has taken a substantial share in the increase of war production. Its main object is simply to transfer workers from producing consumable and non-essential goods to armament production. German armament policy has always been confronted with a shortage of labour, and the aim has been to overcome this deficiency by shutting down factories which produce non-essential consumption goods. The workers thus set free are put without delay into war work, selecting the most suitable posts for men available, according to their skill and experience. But this does not meet the demand for labour. Many thousands of other workers have to be specially trained for war work.

Training for new jobs usually takes place in the factory itself. There are Government centres which hold rapid courses of 4-6 weeks, but these are regarded merely as theoretical supplements to the skill and experience gained at the bench. The German Labour Front supplies this training scheme with 16,000 instructors. Commissioners examine the factories to secure the fullest possible use of skilled labour, and they order changes wherever it seems appropriate. Changes of employment can only be carried out with the consent of the labour exchange, unless both employer and employee agree, or unless the business is shut down.

Obligatory workers are also employed for war work outside the factory. Fit men form workers' shock groups which differ very little from the Army Pioneer Corps. The "Workers' Army" is organised in 14 labour divisions, and is managed by a special General Staff.

In order to speed up and help the war effort labour welfare is severely reduced in the purely civil sector of production. The principle of the eight-hour working day remains, but only on paper. Working time can be increased without permission—and without more pay—up to ten hours a day for men over 18; there is a ten-hour day throughout the whole armament industry. Even coal-miners have to work 8½ hours. The maximum working time for women and juveniles is 56 hours a week. The suspension of holidays, ordered after the outbreak of war, had to be withdrawn because of the openly expressed discontent of the workers. Compulsory labour service for people under military age has been extended to women, and even a special order for employment of school-children in agriculture has been issued.

The authority of the Trustee of Labour over the mobilisation of manpower includes wages. Maximum wages were fixed and increases forbidden. The prohibition of wage increases is strictly applied, not only in order to avoid an increase of purchasing power—German rationing is most efficient in cutting consumption—but also to prevent employers from competing for labour by offering higher wages. Nevertheless, these practices went on even after the original wage stop had come into force. The employers promoted workers to higher and better paid wage scales, they classified untrained workers as skilled, they granted special contributions under various pretexts. But the War Wage Order early in the war put an end to this practice.

Retail Trade.—In August and September, 1939, sudden purchases, in view of the war danger and the shortage of goods, brought about a sharp jump of 21 and 32 per cent. in the turnover of retail traders. This was followed by a noticeable setback in the last months of the year. Christmas sales in 1939 were, even according to the official statistics, 8 per cent. below the level of a year before. Retail turnover in the month of December showed falls in linen sales of 38 per

cent., in men's outfitting of 35 per cent., and in textiles in general of 23 per cent. On the other hand, sales of books advanced by nearly 50 per cent., of china and porcelain by 43 per cent., and of household articles by 18 per cent. The public would have preferred to buy suits, shoes and stockings instead of cups and plates, but it had to buy the articles which were available. This shifting of consumption has become more significant since. Supplies are scanty, and often quite different from what the public demands. Rationing of virtually all food and most other consumption articles causes great obstacles to business. The priority of armaments and exports before civil consumption is strictly observed; furs, for instance, are not obtainable as markets abroad have been found. The enlistment of about 10 million men—at the end of last year—caused an enormous alteration in the trend of consumption. Most important of all is the shift from controlled articles to the few goods which can still be bought without restriction.

★

Reichsbahn Preferred Stock.—The 7 per cent. preference shares of the *Deutsche Reichsbahn*, which rank among the favourite investments of German private capitalists and are also well known abroad, have been recalled. By the disappearance of the preference stock from private hands, the *Reichsbahn* becomes entirely State property; not only is it managed as a public work like the post office, but the whole capital—both ordinary and preferred stock—will from now be owned by the State. Thus a development comes to an end which started, as is well known, with the stipulation that revenue and capital expenditure should guarantee the regular payments of reparations.

★

Industrial Expansion.—A new company with a capital of Rm. 400,000, under the name of *Deutsche Bergenwerke und Hüttenbau* (G.m.b.H.), was recently founded in Berlin. The company is planning and executing all the works in connection with the development of the Hermann Goering mining and steel undertakings. The *Grossdeutsche Umsiedlungs-Gesellschaft*, which is an associated company of the Hermann Goering concern, will deal with all matters concerning the expropriated farmers whose land was acquired for the expansion of the Goering works. The expropriated farmers will receive allotments as compensation.

★

Shipping and the Blockade.—The profits and business done by shipping agents and brokers have dropped considerably. The *Hugo Stinnes Reederei A.G.* (shipping agents and brokers) which is associated with Stinnes Limited, reports that during 1939-40 income amounted to Rm. 390,000 compared with 460,000 in the previous year, and profits fell to Rm. 6,600 compared with Rm. 19,100.

★

French Textiles.—According to French reports, the German administration in occupied France is negotiating with French textile factory owners in order to restart work. Owing to the war and the blockade, the French textile industry has suffered badly, and about 500,000 workers are unemployed. A report published in *L'Oeuvre* states that an agreement will be shortly signed allowing German engineers to re-equip certain French textile factories for producing artificial silk from raw materials delivered by Germany.

★

Forced Loans.—The Governor of the Protectorate has issued a secret order according to which Czech banks are compelled to subscribe to a war loan of Rm. 600 millions. The savings banks are included, and the Ministry of Finance has told every institution how much it must pay, without reference to its present financial position. The *Zionostenská Banka* had to pay Rm. 50 millions.

★

Resources from the Protectorate.—The Czechs have been urged to export malt to Switzerland in order to obtain foreign currency for the Reichsbank. The barley crop has proved as indifferent, however, as the wheat harvest, and grass roots are now being used for manufacturing malt. In future, 50 per cent. of alcohol in the Protectorate will be produced from turnips and the alcohol stocked in the country is expected to be taken to the Reich to be blended with petrol.

THE BUSINESS WORLD

Merchant Ships

HAVING failed to smash Britain's resistance by a knock-out blow after the collapse of France, the Nazis have now set their hopes on a fresh onslaught upon our sea-borne trade. During the first nine months of the war 41,000 gross tons of British, Allied and neutral merchant shipping were lost, on the average, each week; since the beginning of June the average weekly rate of loss has been 90,000 gross tons, equivalent to 4,680,000 gross tons per annum, against an actual loss of 2,856,000 gross tons during the first year of the war. And, in addition to ships, we have lost some of the highly-skilled personnel manning them, together with many valuable cargoes.

The new threat to our communications is serious, for the Nazis can now operate from a coastline of 2,000 miles, while we have lost the valuable support of the French Navy. Our import requirements, moreover, are scarcely likely to diminish, and the need for ships by the Services may tend to grow.

Thanks largely to the ships put at our disposal by our allies and to the vessels captured from enemy countries, our present supply of ships is satisfactory. Since the beginning of the war our new supplies from all sources—the ships of our new allies, Norway, Holland, Greece and Belgium, vessels temporarily taken over from France and Denmark, tonnage captured from Germany and Italy, ships purchased abroad and chartered from neutral countries, together with the output of our shipyards—aggregated some 10 million gross tons; if allowance is made for losses, the net addition to the total tonnage at our disposal still amounts to some 7 million gross tons.

But our importing capacity has not been increased in proportion to the gain in shipping tonnage. A good deal of shipping has been diverted to the Services, the average length of voyage has increased very considerably, and the average speed per vessel has been materially reduced by the introduction of the convoy system. Yet, while it is impossible to estimate our present importing capacity with any degree of accuracy, the fact that part of the fleets of our allies has not yet been chartered by the Ministry of Shipping suggests that the position is not unfavourable.

But since our gains from allies and captures are non-recurring, we shall in future have to rely almost exclusively on the shipyards of Great Britain and the Empire and on the old and new vessels we can secure from America. Our own shipyards are scarcely in a position to replace merchant shipping at the weekly rate of loss sustained during the past five months. The potential domestic shipbuilding capacity (excluding that of the Royal Dockyards) was estimated before the war at some 2 million gross tons of merchant ships and 500,000 tons of naval vessels per annum. During a debate in the House of Commons last February Captain A. Hudson, the Civil Lord of the Admiralty, suggested that the Government aimed at exceeding the peak output of the last war, which was reached in 1918, when 1,350,000 gross tons of merchant ships were launched. But it is doubtful whether that figure can be attained, let alone surpassed, for, apart from the growing volume of repair work, British shipyards will have to meet the increasing requirements of the Navy, which can be met more advantageously at home than abroad.

We shall therefore have to look abroad for making good a large part of our losses of merchant ships. In the previous emergency the Empire as a whole raised its output of merchant ships (excluding the tonnage launched at Canada's lake ports) from 26,700 gross tons in 1913 to 66,500 tons in 1917, 230,500 tons in 1918 and 298,500 tons in 1919. Australia should be able to build a greater number of merchant ships than during the last war, besides carrying out her limited naval programme. Her output of steel, though

still small, has increased appreciably since 1918, but her supply of skilled labour remains limited, and opportunities for training are few. Moreover, like the other Dominions, Australia still lacks auxiliary industries, such as marine engineering, which are essential to shipbuilding. The Canadian shipyards have concentrated on building small naval vessels, such as corvettes and minesweepers, and it is hoped to construct some hundred ships of these types in 1941; but opportunities for an early and substantial expansion in the output of merchant ships are small. Thus, while the Empire will be able to make some contribution to our supply of merchant ships, that contribution is likely to be comparatively small.

We shall therefore have to rely chiefly on the United States. What that country can accomplish was shown during and after the last war, when the output of merchant ships (excluding lake tonnage) rose from 157,200 gross tons in 1915 to 384,000 tons in 1916, 821,100 tons in 1917, 2,602,200 tons in 1918 and 3,579,800 tons in 1919, the highest level ever reached by any country. True, the American shipbuilding industry shrank to a small size after the last war, partly due to its relatively high costs of construction and to the accumulation of surplus tonnage. Its average total output of merchant tonnage (excluding lake vessels) during 1929-38 was only 118,800 gross tons per annum, while even in 1939 only 300,000 gross tons of ocean-going shipping was launched. Moreover, America's merchant and naval shipbuilding capacity is at present fully occupied with the ambitious programmes of the United States Maritime Commission and of the Navy. The Commission aims at producing some 350,000 gross tons of merchant ships per annum, while the Navy has budgeted for a substantial addition to its fleet to enable it to defend itself successfully in the Atlantic as well as in the Pacific Ocean. The fulfilment of America's own merchant and naval programmes will therefore require a substantial expansion in building capacity.

If, in addition to completing her own programmes, America is called upon to build large numbers of merchant ships for Great Britain, it is absolutely vital for her to speed up the expansion of her shipbuilding capacity and the training of the necessary labour. America has plenty of steel, and her engineering industries are capable of a vast expansion in the output of machinery and other equipment. But even in that great manufacturing country, so adept at mass-production, any large-scale expansion of shipbuilding facilities will take a year and probably more. It may therefore be at least eighteen months before we can expect a substantial and regular supply of new American ships, unless the United States Maritime Commission is prepared temporarily to curtail its own construction programme. The Ingalls Shipbuilding Corporation, which constructed a new shipyard on the Gulf Coast, was able to launch a high-class cargo liner 15½ months after the inception of work in the yard, with the assistance of pre-fabrication; but this is considered as a feat.

The Ministry of Shipping has already begun negotiations for a large-scale British shipbuilding programme in America, but even on the most favourable assumptions we cannot hope to secure large-scale deliveries of new ships from that source before 1942. Fortunately, however, the American Government still has about fifty cargo vessels laid up which it may be willing to release to this country. In addition, the United States Maritime Commission might conceivably encourage American shipowners to sell us obsolete but serviceable tonnage equal to the tonnage of the new vessels it will receive from the shipyards, whose output may reach 500,000 gross tons this year and considerably more in 1941. By this means the Commission will be able to solve the problem of the disposal of obsolete tonnage—in 1942 some

eight million gross tons of American shipping will be twenty years old or over—while assisting us in the replacement of our losses, pending the expansion of shipbuilding facilities in America.

Serious though the menace is to our communications, there is thus no justification for despondency. Our present supply of ships is still satisfactory, while assistance from

abroad, chiefly from America, should enable us largely to bridge the gap between losses and the output of our own shipyards. But we cannot afford indefinitely to lose ships and cargoes at the present rate. As in 1917, the final answer to the attempt to starve us out and to prevent raw materials and munitions from reaching our shores must be found by the Navy in conjunction with the Air Force.

Finance and Banking

Easy Money Continues

There is no change whatever to report in money market conditions during the past week. Supplies of credit have been abundant, with outside money available at $\frac{3}{4}$ per cent. on most afternoons. The total amount of credit borrowed at this figure is, however, small, both absolutely and in relation to what was formerly borrowed on relatively cheap terms from non-clearing banks. This is because most of the non-clearing bank money in the market is as "good," i.e. as permanent, as that coming from the clearing banks. In the present inactive state of the exchange and bullion markets the fluctuations in the short-loan resources of foreign, colonial and merchant banks have been considerably reduced. Hence these "outside" banks can far more easily obtain the clearing bank rate for the funds they lend to the discount market. The clearing banks, for their part, have been keen buyers of bills, while the discount market is finding it increasingly difficult to satisfy their requirements. The Bank return faithfully reflects the easy position of the money market. Although bankers' deposits have fallen by £2,266,000, they are still at the comparatively high figure of £112,406,000.

No "Ceiling" for Treasury Deposits

Questioned in the House this week about the rapid expansion in the total of Treasury deposits, the Chancellor of the Exchequer stated that he could not consider fixing a limit to the amount that could be borrowed from this source. A figure of £500 millions had been tentatively suggested by his questioner, but it was brushed aside with as much finality as the accompanying suggestion that the rate on these Treasury deposits be reduced. It is evident that unless a material narrowing occurs in the gap between current revenue and expenditure or a considerable increase in the yield of the Government's current issues of bonds and savings certificates, the proposed ceiling of £500 millions will be passed within a few months. Already £285 millions has been subscribed by banks in Treasury deposits, while repayments are still probably below £10 millions (the exact figure outstanding will be revealed at the end of the month). The tender issue of Treasury bills is now running evenly at £845 millions, and so far as can be seen the weekly issues are likely to be maintained at £65 millions, the level of current maturities, for some time to come. That part of the floating debt will no longer sway to the seasonal rhythm of former years. The size of the current deficit must in any case swamp the normal seasonal factors which made for a contraction of the floating debt during the last quarter of the financial year. There are other influences pulling in the same direction. One of them is the deduction of income tax at source which is both spreading and anticipating the incidence of tax payments which in former years would have been made throughout the March quarter. Another is the extent to which firms and individuals in this country have been making advance payments to the Treasury in anticipation of income tax. The Chancellor of the Exchequer announced last week that £32 millions had been so advanced. The Treasury apparently regards these payments not as loans but as current payments, and sweeps them into the common pool of tax receipts. This procedure is justified by the comparatively short period which such "loans" would in fact cover. But the net effect of this treatment of anticipatory tax payments will be further to weaken the tendency towards a reduction of the floating debt which should become apparent in the final quarter of the financial year. For these reasons we must therefore be prepared to see the two dynamic elements in that debt—the Treasury deposits and the Treasury bills issued through the "tap"—expand well beyond

their present levels even when by all precedents the tendency should be towards contraction. The "tap" bills will expand as further gold and exchange are lost by the Exchange Equalisation Account and should be heading for the £1,500 millions mark by the close of the financial year. Treasury deposits should, according to present indications, have passed the suggested ceiling of £500 millions by the same time.

The Problem of our Dollar Reserves

The appearance of a new vesting order covering a large number of dollar securities registered with the Bank of England since last April must focus attention once more on the state of our gold and dollar reserves. The securities covered by the latest acquisition order have already figured in the earlier lists issued in February and April last. The net is being cast a second time to catch the stocks and bonds which for one reason or another had not been registered with the Bank of England on those dates. It may be assumed that the big holdings of the securities in question, and in particular those held by investment trust and insurance companies, were duly registered on the outbreak of the war and were netted by the earlier vesting orders. The latest order is not, therefore, expected to yield anything approaching the totals already secured by the compulsory sales of United States dollar securities. Since we have now begun to scrape this particular dish, it is fairly clear that our available reserves of really marketable United States securities have been very considerably encroached upon. It may also be inferred that the rate at which we have been liquidating our revenue-producing assets suggests approximately corresponding drafts upon our barren reserves of gold. What may be left in both forms must remain a matter for conjecture and speculation on which it would be impolitic to enter in too much detail. But there is perhaps too great a tendency to arrive at somewhat gloomy conclusions on this score by arguing on the basis of certain known facts in the position. We have the fairly reliable estimate that we began the war with a gold reserve of some £600 millions—taking the price of gold at 168s. an ounce. There has been evidence of late—for example, in the expansion of the "tap" issue of Treasury bills—that the Exchange Equalisation Account has been losing exchange at the rate of around £10 millions a week. The juxtaposition of these two figures leads to far too sombre a conclusion on the state of our reserves.

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"Tap" Bills and Gold Losses

In the first place, the current rate of our net expenditure of gold or dollars has been gradually worked up. Taking the evidence of the expansion in "tap" Treasury bills, it may be noted that the movement averaged only £1,260,000 a week for the first six months of the war and as much as £14,100,000 a week for the subsequent eight months. These figures reflect factors other than the operations of the Exchange Equalisation Account, and for this reason it would be wrong to use them as an exact guide to our gold losses. Nevertheless, the operations of the E.E.A. dominate them sufficiently to make their trend a significant pointer to the changing distribution in the assets of the Account. The exchange resources of the E.E.A. have been fortified by sales of dollar securities and by the extent to which countries in the sterling area have allowed their own creditor balances or payments *vis-à-vis* the United States to be converted into sterling and to accumulate in the form of short-term assets in London. It is quite evident, for example, that the sales of South African gold and diamonds to the United States have been the means of providing a considerable accretion to the resources of the E.E.A. The readiness of the South African authorities to maintain their creditor balance mainly in the form of sterling means that the dollar resources in question have been acquired by the E.E.A. in exchange for Treasury bills previously held by the Account and now held by the South African Reserve Bank. The change of emphasis in the distribution of our exports which has recently been announced will tend to hasten this process. By diverting more of our exports to the dollar area and curtailing those to the sterling area, we shall in fact be strengthening the exchange resources of the E.E.A., but at the cost of seeing our short-term debt to the Dominions and Colonies expand well beyond its already considerable size.

Borrowed Gold

The gold resources of the E.E.A. have also received appreciable reinforcement from the sales of private gold formerly held in London. A good deal of that gold admittedly left London in the early months of the war, the bulk of it being converted into dollars. But a surprisingly large amount remained and can now only make its way out of the country through the device for delayed transfers recently announced by the Bank of England. This provides that the gold in question must be lent to the E.E.A. for the duration of the war, the owner then having the right to take possession in Canada of 95 per cent. of the metal so lent. A modest amount of business is reported to have been done on this

basis. The book-keeping of the E.E.A. in respect of these loan operations may be somewhat more complicated than in the case of outright sales or purchases of the metal. But for practical purposes their immediate effect is the same: they place the said amount of gold at the unfettered disposal of the E.E.A. for the duration of the war—and that is about as long a period as we are concerned with at the moment.

Thanks, therefore, to the growing production of gold in the sterling area, to the requisitioning of dollar securities, to the loan to us (in terms of sterling) of the dollar credits of Dominions and Colonies, and to the outright purchases or borrowing of gold previously held for safe keeping in London, our net loss of gold since the outbreak of the war is decidedly smaller than the extent of our disbursements in the United States might suggest. If we started the war with about £600 millions of gold and requisitioned dollar securities and other foreign exchange assets to the tune of a further £200 millions, it is quite probable that at least half of this total remains intact. And this leaves out of account the substantial reserves of our Allies—the Dutch and Belgians in particular—and those of our ex-Allies which must in part be in our possession. Our gold and dollar resources will keep us going for several months yet.

Royal Bank of Scotland

The accounts of the Royal Bank of Scotland, whose financial year ends on October 12th, provide the first pointer to the trend of banking profits in a full year of war. The net profit, struck after provision for taxation and bad or doubtful debts, amounts to £557,359, compared with £605,719 for the previous twelve months; it may be safely assumed that this contraction was fully accounted for by increased taxation. Despite the slightly lower net profit, the Royal Bank of Scotland is maintaining the dividend at 17 per cent., which is now payable for a full year on the capital as increased in the previous financial year, when the capital of Glyn, Mills and Company was acquired. The allocation to premises account has been increased from £30,000 to £50,000, but the balance of available profits is down from £89,532 to £43,859. The latest balance sheet comparison reveals all the traits that have become familiar in the trend of monthly clearing bank figures: a general expansionist tendency, with Treasury bills, Treasury deposits and British Government securities taking the lead in this movement and with loans and advances running counter to the prevailing trend.

Investment

A New Phase

The recovery in industrial equities, which was still in full swing a week ago, received its first definite check as a repercussion to the bombing of Coventry and has now given place to a moderate recession. There can be little doubt that, after so sustained a rise, the technical position was ripe for some profit-taking, and it is also the case that a change in the technique of the air attack from continuous bombing of London to concentration on smaller objectives in the Midlands might prove to be a bear point for certain sections of industry. Information so far to hand from Coventry does not, however, suggest that industry there suffered as heavily as might be supposed. But it is the industrial areas, rather than London, that have been making profits, and have money to invest, and a closer acquaintance with the effect of bombing may cause selling from these quarters, either in order to raise funds urgently required, or from general nervousness. Nothing which has happened so far suggests that more than a minor reverse in share values is to be looked for, or that its effects will be lasting. It may be that Germany has definitely new plans, and that they will prove more destructive than the old, but neither of these suppositions is yet established. A more potent and lasting factor in determining the future levels of individual shares is the gradual realisation of the real meaning of the oft-repeated doctrine that this country can only win the war by putting out its fullest effort. We need at the same time many more men in the fighting services and many more hands at work in all the war industries. This will necessitate a large increase in the national wage bill, and a sharp reduction in the goods and services available for private requirements. Except in so far as Government or export orders can be substituted for private demand, all concerns manufacturing for the home market

must face a lower turnover. So far as new demand arises from official sources, there is growing evidence that profit margins are likely to be less satisfactory. In some cases, the effect, so far as shareholders are concerned, will be cushioned by E.P.T., but many of these concerns are already doing none too well, and the cushion, if existent, is thin. The fortunes of companies distributing the products in question will depend in part on the degree to which the large joint stock concern is able to triumph over its more humble competitor. In theory, the retailer is allowed to increase his charges so as to cover the same overheads on a reduced turnover. But there is evidently a limit to such increases and, while the local shop may, owing to bombing, black-out and transport delays, gain at the expense of the central store, the chain store companies may benefit from the fact that their ventures are more widely spread. So far as export markets are concerned, the new development of Marks and Spencer will be watched with interest. Success in obtaining a share in the American market for low-priced British textile goods, comparable to that for luxury products of the United Kingdom, would make a substantial contribution to securing much-needed dollars. Marks and Spencer may in time achieve such a success, if the impediments of the Purchase Tax and the imposition of import duties by the United States on the increased price can be overcome in whole or in part. The company is peculiarly well equipped to undertake the task, for its achievements in the textile branch of its activities at home have been based, in no small degree, on a system of detailed research by the company, which has made possible valuable assistance to their manufacturers in securing the goods required. Not many distributors are doing equally well in this respect, but some may be prepared to follow if this company succeeds in its new enterprise. From the

standpoint of the investor, however, these are long, rather than short, term factors. The immediate prospect is for a further shift in turnover from the satisfaction of private demands to those of the Services, with a resultant swing of earnings, if not of distributable profits.

Commonwealth Mining Delays

The Great Boulder-Commonwealth Mining affair moves forward very slowly. The shareholders' committee has applied to the Court to intervene in the liquidation of the Great Boulder Proprietary Company under Section 252 of the Companies Act, 1929, and the powers conferred under Section 202 of that Act. The effect of these sections is, broadly, to permit the Court to assume all or any of the powers which it would have were the liquidation proceeding under its supervision. The sections appear, however, to be purely permissive. The second development—a question to the President of the Board of Trade in the House by Mr. Bellenger—is of interest from the character of the reply given by Major Lloyd George, who said that he was not prepared to make any further statement; that the shareholders had had the reports for only a week and until they had had opportunity to consider them in detail he could not say what action might be taken. This is, in certain circumstances, an intelligible attitude to adopt, but he went on, in reply to a supplementary question, to state—if correctly reported—that the Board of Trade itself had not had an opportunity to study the report. The exact date on which Sir William McLintock delivered his reports on the Commonwealth Mining group of companies to the Board of Trade is not clear, but it is now two months since their receipt was announced. It will seem to the investor that the efficacy of the protection afforded by the machinery of the Board of Trade inspection is likely to be considerably impaired if so long a period is insufficient for the authorities to reach conclusions as to the bearing of their inspector's report on the conduct of a company. Admittedly, in this case, a great deal of material is involved, but it is surely a misuse of words to say that there had been no opportunity of studying the report. The general impression created by the replies can only be unfortunate, as they suggest that the Board of Trade is unwilling to take any initiative in the matter and is waiting to see what the shareholders will do. If there is, in fact, nothing in the reports on which it is possible for the Board of Trade to intervene—and that seems a possible conclusion from the reply to the main question—it would be only fair to all parties to say so. It seems, however, from the supplementary answer that this is yet another case of procrastination in high places.

The Cost of Delay

Under the date of last Saturday, the Treasury has issued yet another vesting order affecting no new security, but designed to collect those holdings of stock, included in the orders of February 17th and March 13th, which had not been registered on those dates, and could not be tendered for purchase. The detailed instructions as to methods of delivery and conditions of payment are identical with those attaching to the third vesting order of October 27th, with the exception that the basic date of payment is December 16th, once again one month after the date of the order. There is again provision for payment to be effected, in whole or in part, in 2½ per cent. National War Bonds, to the nearest penny, or in Defence Bonds in multiples of £5, subject to a maximum holding of £1,000. The one point in which this order differs from the others is that the holder has the worst of both worlds as regards the price he is to receive. He is in fact to be paid, either the original price, adjusted for the extra 14 days' interest involved in deferring payment for a month, or the current market price, similarly adjusted, whichever is less. This contingency was provided for in the original Defence (Finance) Regulations and it is difficult to see how any other course could have been adopted. The people who are being paid under this order are, however, those who have been able to establish that some innocent cause accounts for the delay in registering. Ignorance that they were required to do so was probably the most usual reason, and, while this might have been excused in certain cases where the effect of the definitions given was not clear, the obligation to register was evident in all these cases of straightforward dollar stocks. In other instances, it has been necessary, in the absence of any actual list of the securities covered, to apply to the authorities for a ruling, and that should still be done if any doubt arises. There were cases, however, where the present holder was under no obligation to register at the time of

the original vesting order, as, for instance, when a present British holder has inherited from an American. It is to cover such contingencies that the new order provides that, "in cases where the present price is the higher, and it appears from the information given to the Bank of England that, at the date of the original acquisition order, no person was under obligation to register these securities, the owner is given the benefit of the present market price." The loss to the holder is in many cases very considerable and, although they may make up some of it, the Treasury will also be the loser by the delay. Assuming that an investor held one unit of each security, the average decline in value as against the prices offered in February is some 14½ per cent.; that on share capital taken over in April a little under 6½ per cent., and that offered on bonds at that time almost 9 per cent. In the case of some well-known stocks, such as Radio Corporation, Chrysler, General Electric and International Harvester, the fall since April is of the order of 10 per cent., but Bethlehem and United States Steel have, of course, improved substantially.

Further Defaults

The failure of the Soviet Government to meet the November 1st payment on the maturing notes of Lena Goldfields has been followed by default on the November 14th coupon of the 4 per cent. City of Riga Loan of 1913, interest on which was reduced from 4½ per cent. by an agreement of 1934. Since the conclusion of the 1934 agreement, half-yearly interest was regularly met up to May last. In view of the occupation of Latvia last summer by the Soviet Union, responsibility for payment has presumably passed to the Government of the U.S.S.R., and there seems little doubt that the failure to give instructions for payment to Lazard Bros. is an act of policy designed to draw attention to the blocking of the Baltic balances in this country. The directors of Lena Goldfields have now made formal representation to the Foreign Office, and it is probable that the case of the City of Riga Loan, of which £758,628 is outstanding in endorsed bonds and £17,460 in unendorsed bonds, will receive simultaneous consideration. The decision of the Bulgarian Government not to transfer sterling payment on the 7½ per cent. Sterling Bonds of 1928, interest on which is due on May 15th and November 15th, on the outstanding amount of approximately £1,779,100, falls into a different category. In 1939, the May instalment was met as to 36½ per cent. of face value and the November instalment as to 40 per cent. of face value. Since the outbreak of war, restriction of Bulgarian exports to free currency countries has reduced reserves of foreign exchange to a level which does not permit service on sterling bonds. One need not in this case assume a lack of willingness to pay, and it is somewhat encouraging to learn that the Bulgarian Government has continued to pay the Leva equivalent of the interest due into the National Bank with the intention eventually to effect a transfer. Following her formal attachment to the Axis, Hungary announces suspension of interest payments on all foreign loans, except one small dollar issue.

Company Notes

B.S.A. Expansion

In the year to the end of July, the Birmingham Small Arms Company and its subsidiaries increased their profit, after providing for contingencies and E.P.T., from £921,769 to £1,289,144. The rise, to a figure which appears to constitute a record in the recent history of the group, is in part accounted for by an increase in fixed assets, but is in all probability due mainly to working to capacity in nearly all branches. The shareholders reap little immediate benefit from the rise, for depreciation takes £474,521, compared with recent appropriations of some £200,000. After providing £475,000 against £430,000 for taxes, other than E.P.T., and covering the preference dividends, earnings on the ordinary capital amount to 16.2 per cent. and the dividend declared

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

the general movement in recent months. So long as money wages are allowed steadily to rise, there is every prospect that brewery earnings will be maintained at a profitable level, despite the certainty of higher taxation and insurance liabilities and the probability of bomb damage to property.

By order of the Board. J. R. BRADFELD,
Toronto, October 24th, 1940. Secretary.

Industry and Trade

Limitation of Supplies

The Limitation of Supplies Order, which came into force last June, is to apply much more drastically in the six months beginning December 1st. Additions to the schedule are not numerous and there have been a few exclusions, but whereas the quota allowed during the period June 6th to November 30th was 66½ per cent. of sales during the six months December 1, 1939-May 31, 1940, it has now, with one exception, been reduced very much further. Moreover, as the quota is based on value, not on quantity, the rise in prices will make the effective restriction greater than the percentage suggests. The purchase tax, however, is not to be included in the price for the purpose of calculating the quota. The full details of the amendments are given in the table below:—

AMENDMENTS TO SCHEDULE			
Class of Good	Goods Added to Schedule	Goods Removed from Schedule	Home Trade Quota*
1. Corsets, etc.	Garters, surgical goods.	...	50%
2. Gloves, etc.	...	...	33½%
3. Apparel, knitted, netted, or crocheted.	Surgical goods ..	Infants' wear ..	Silk, nil; other, 50%
4. Lace, etc.	Household goods	Braids, gimps and tringes.	25%
5. Apparel, etc., of fur skin.	Fur-lined apparel	...	25%
6. Mattresses, etc.	Down quilts, sleeping bags, and other stuffed articles.	...	Spring mattresses 25%; others, 60%
7. Cork carpets, linoleum, carpets, etc.	...	...	Wholly or partly of wool, 33½%; other, 50%
8. Pottery, glass, etc.	Hand blown and paste mould machine blown tumblers.	Stoneware bottles, glass jugs, vacuum flasks and jars.	Pottery, etc., 50%; glass, etc., 33½%
9. Metal office furniture, lighting fittings, cutlery, domestic hollow ware of metal.	...	Restrictions on cutlery confined to that suitable for domestic and personal use, and spoons and forks (other than goods covered by Class 15).	Aluminium hollowware, nil; other articles, 25%
10. Trunks, bags, etc.	Haversacks and hold-alls.	...	33½%
11. Furniture of willow, cane, etc.	...	...	33½%
12. Cameras and accessories, film, photographic papers	Standard cinematograph films in lengths of 100 ft. and less.	Document copying, film papers; sensitised tracing cloth; ferro-prussiate, etc., cloth.	25%
13. Musical instruments, sports goods, toys.	...	...	25%
14. Fancy goods, household goods and toilet requisites, etc., fountain pens, umbrellas, and mechanical lighters.	...	...	25%
15. Goldsmiths' and silversmiths' wares, etc.	...	...	25%
16. Perfumery and toilet preparations.	...	Shaving creams	25%
17. Machinery, plant and appliances, etc. (e.g. lawnmowers, domestic electrical appliances, cash registers).	Washboilers	...	25%

* Per cent. of sales during period December 1, 1939, to May 31, 1940.

The list might have been more comprehensive, but it is a considerable step in the right direction. Certain criticisms do, however, suggest themselves. Knitted apparel, which includes that almost indispensable category of goods known to the trade as "woven underwear," is, during a winter in which many people will face an unusual amount of exposure and everybody will have less well-heated houses, practically a necessity. It may be that rigid economy would enable the population as a whole to manage with only half its usual aggregate consumption of such garments, but only if that half is fairly distributed. At present, warm underwear will go to those who have time to hunt and means to snap up the quarry when they find it. The system of rationing retailers may be enough for luxuries, but when necessities are severely curtailed the consumer himself might be rationed in order to ensure to each his share. It is a pity, too, that the tendency of children rapidly to outgrow their clothes, recognised by the Chancellor of the Exchequer, should be

believed by the Board of Trade to be confined to infants under three. The need for warm clothes is even greater among schoolchildren, who live a more exposed life and for whom it is much less easy to improvise garments. A more generous quota for these might have been balanced by the complete prohibition of some of the classes of fancy goods, such as ornamental glassware, all the numerous kinds of "cases" for the accommodation of objects which most people prefer to keep in a drawer, and a very long list of goods whose only use seems to be to furnish shop counters behind a label "attractive Christmas gifts."

Coal Output and Distribution

Consumers' complaints concerning the difficulty of securing coal appear to be well founded, especially in Southern England. There is no shortage of coal at the pit-head. But the maintenance of normal deliveries, especially to the South, presents a difficult problem, for, before the war, something like 60 per cent. of the coal consumed by London and the Southern Counties was taken there by ships. London alone normally consumes some 20 million tons of coal per annum. While coastwise shipping has been seriously reduced by the war, it has been impossible for the railways to carry all the coal hitherto brought to the South in ships. Temporary and local shortages were therefore unavoidable. This does not mean, however, that we have made the best use of our opportunities. In the first place, it should have been possible to build up heavier stocks in consuming centres during the summer. Secondly, even now it appears that we are not using our railway facilities to the best advantage, for thousands of coal wagons appear to be standing idle on railway sidings. True, road transport over long distances is uneconomic, for while a representative coal train carries some 500 tons of fuel, a road vehicle carries only 2½ tons and, besides using up imported petrol, requires the services of at least two men. The solution will therefore have to be found in a more efficient utilisation of our railway facilities, in which the first step should be to empty the wagons which are simply being used as stores.

Rise in Engineers' Wages

Early this month the Engineering and Allied Employers' National Federation rejected the demand for a further advance in wages made by the engineering unions—the Amalgamated Engineering Union, the National Union of Foundry Workers, and the Engineering Joint Trades Movement. In the view of the Federation, a further advance in wages was not in the national interest and, in any case, was not justified by reference to the earnings in the engineering trades. The following table, published by the Federation, shows the course of average weekly earnings and working hours of representative categories of adult male workers since 1934:—

AVERAGE WEEKLY EARNINGS AND WORKING HOURS						
	Skilled Workers		Semi-skilled Workers		Unskilled Workers	
	Average Hours	Average Earnings	Average Hours	Average Earnings	Average Hours	Average Earnings
October, 1934	43.5	s. d. 72 11¼	47.6	s. d. 61 9¼	50.6	s. d. 50 2½
October, 1935	49.1	77 13¼	48.0	65 3¼	50.9	52 3¼
October, 1936	49.5	81 8	49.0	70 10	51.9	56 10
October, 1937	49.4	86 3	48.8	74 0¾	51.9	60 5½
July, 1938	49.2	88 3½	48.0	74 6¼	51.1	61 1
October, 1939	52.7	104 1	52.4	87 6½	54.4	69 8¼
July, 1940	58.3	132 2½	58.0	111 6¼	58.9	86 0¼

With the exception of 1938, when business activity tended to decline, the wage rates of engineering workers have been raised every year since 1935. Advances were granted of 2s. per week in 1935 (1s. in May and 1s. in July), 3s. per week in 1936 (1s. in June, 1s. in September and 1s. in December), 3s. per week in 1937 (1s. 6d. in August and 1s. 6d. in November), 2s. per week in June, 1939, and 5s. per week in February, 1940. Moreover, since August 23, 1937, workers have been credited with a weekly allowance in respect of holidays; at present these allowances average 1s. 4d. per week and are additional to the earnings given in the table. Earnings have been further raised by the increase of about 20 per cent. in weekly working hours. Altogether, the increase in

average weekly earnings between October, 1934, and July, 1940, amounted to some 80 per cent. in the case of representative skilled and semi-skilled workers and about 70 per cent. in the unskilled grades.

Trade Union Growth

The analysis of trade union membership figures published in the *Ministry of Labour Gazette* for October shows an increase of 3 per cent. in membership during 1939. The figures for the last eleven years are shown below:—

	No. of Trade Unions at end of year	Membership at end of year		
		Males	Females	Total
		Thousands	Thousands	Thousands
1929	1,133	4,056	802	4,858
1930	1,121	4,049	793	4,842
1931	1,108	3,859	765	4,624
1932	1,081	3,698	746	4,444
1933	1,081	3,661	731	4,392
1934	1,063	3,854	736	4,590
1935	1,049	4,106	761	4,867
1936	1,035	4,495	800	5,295
1937	1,031	4,947	895	5,842
1938	1,023	5,127	925	6,052
1939	1,007	5,258	976	6,234

The reduction in the number of unions during the year is the net result of 21 dissolutions, 6 amalgamations and the formation of 11 new unions. Of the total membership of 6,234,000 at the end of 1939, over 45 per cent. represented three groups: transport and general labour with a membership of 1,200,000; metals, machines, conveyances, etc., with 900,000; and coal mining with 700,000. The largest proportionate increases were in tailoring and other clothing, of which the male membership increased by 8 per cent., and the female membership by 20 per cent., and in metals, machines, conveyances, etc., where the female members increased by 9.8 per cent. and the males by 11.4 per cent. There were fairly substantial increases, ranging from 6.7 per cent. to 5.2 per cent., in the following groups: agriculture and horticulture, national and local government, and entertainments and sport. Smaller increases took place in the membership of the paper and printing, building, woodworking and furniture manufacture, transport, commerce, textiles and other than cotton and boot and shoe groups. Decreases of between 3 and 4 per cent. occurred in the cotton, railway service, and banking and insurance groups, and there were smaller decreases in pottery and glass, water transport and teaching.

Anglo-American Spelter Supplies

As in the last war spelter has become the scarcest of the four main base metals. In the United States the price of the metal has risen from 5.50 to 7.25 cents per lb. since February last, and it is quite likely that prices will continue to advance, although the American Government is anxious to prevent speculation. Stocks in the hands of American producers, which totalled 122,814 short tons at the outbreak of war, were down to 22,600 short tons at the end of last month. Although consumers appear to be better stocked than for a number of years past, deliveries continue to be in excess of new supplies and the market position on the other side of the Atlantic is distinctly tight. In fact, the United States Defence Advisory Commission would like to see producers of the British Empire supply spelter to America against British armament orders. Substantial quantities of Canadian zinc ore have been shipped to the United States in the course of the last few months. Even larger supplies have arrived at American smelters from Mexico and South America. While the supply of zinc ore in America, therefore, does not seem to provide any reason for concern, the refinery capacity is proving too small to cope with the increasing requirements. According to the latest survey the zinc smelters in the United States have an annual capacity of 810,000 short tons, of which 210,000 short tons can be dealt with by electrolytic refining plant. This total tonnage in itself would prove adequate even for the largest domestic requirements, but as the majority of refining plants have worked far below capacity in the past ten years, part of the capacity appears obsolete, while some requires time to be brought into production. Steps have therefore been taken by the United States Defence Advisory Commission to extend the capacity of the country's zinc smelters, especially as large tonnages of British Empire zinc are likely to be sent to America for treatment.

The latter development is largely due to changes in Europe. Poland, which has zinc smelters with an annual capacity of about 125,000 metric tons, and Belgium, the largest zinc smelting country outside America, with an annual capacity of almost 300,000 tons, are now under German control. To this must be added a further capacity of 150,000 tons in Scandinavia, Holland and France, now lost for the treatment of extra-European ore. Fortunately, British Empire territories, with Canada, Australia and Burma ranking first, which supply to-day the whole of our war requirements, have set up large zinc smelting plants since the last war, so that we are no longer as dependent on Continental smelters as we were before the last war. But despite further additions to the works now in hand, especially in Canada, the Empire smelters will not be able to cope with the expanding ore supplies, so that substantial tonnages of Empire concentrates will have to be sent to the United States for treatment. In these conditions there is a closer relation between the spelter market position in the United States and in the rest of the world than before the war. Nevertheless, it is unlikely that British munition factories will have to suffer from any shortage of supplies, although supplies to civilian trades should be limited until America has adjusted its smelting capacity to the enlarged requirements.

Cocoa Market Regulation

For the second year in succession the British Government has taken decisive steps for the regulation of the West African cocoa supply. Last year the regulation was carried out by the Ministry of Food and covered the total crops of the Gold Coast, Nigeria and Sierra Leone. This year the Colonial Office has taken charge of the situation and a special "West African Cocoa Control Board," under the chairmanship of Mr George Hall, M.P., the Parliamentary Under-Secretary for the Colonies, has been formed. The Board also has as members leading officials of the Economics Section of the Colonial Office, Mr J. Cadbury, the British Cocoa Controller, and Mr E. C. Tansley, formerly Cocoa Manager of United Africa Company, who will act as Director of Marketing. The Board will supervise the purchase and marketing of the 1940-41 cocoa crops in the Gold Coast, Nigeria and the French Cameroons, the purchase of which by the British Government has already been announced. It is possible that the Board may buy the Belgian Congo crop of about 10,000 tons if sales cannot be effected elsewhere. The Board will employ firms and individuals normally engaged in the West African cocoa trade and will sell to the Ministry of Food the quantities required for United Kingdom consumption.

Although no reliable data are yet available of the sizes of the new crops, the Board will probably have to buy about 400,000 tons. This is not very much more than the quantity acquired last year, but it is considerably greater than possible sales. Last year Germany and its subjected Eastern neighbours were the only countries excluded from the market, for the German push in the North and West did not begin until the main West African selling season was ended. This season, Western and Northern Europe, which normally absorbs about 125,000 tons of cocoa, is blockaded, and the only large remaining markets are the United States and the United Kingdom, whose combined consumption is unlikely to exceed 200,000 tons until the end of the season on September 30th. Something like half the quantity acquired by the new Board may thus remain unsold, and the destruction of cocoa, which was necessary after the fall of Holland and France, will almost certainly reach much wider dimensions than in the last season. In order to counterbalance some of the financial losses of the scheme, the price paid to West African farmers will be 20 per cent. lower than the 9s. per load of 60 lb. paid in 1939-40, while the United Kingdom price has been fixed at 35s. per cwt. ex warehouse since August 12, 1940, or about 8s. more than the current price in the United States. Despite the lower price received by the farmers, the new scheme has been accepted with gratification by the Colonies concerned, as Government intervention is the only means of saving the West African cocoa trade.

Feeding Dairy Cows

Fine weather in early summer, coupled with an unusually mild autumn, has been favourable to the condition of autumn pasture, so that farmers have been able to conserve their stocks of winter fodder. "Notes for Farmers," issued by the Department of Agriculture for Scotland,

contains, in its issue of November 13th, some valuable hints on the best use of home-grown fodders and suggests methods of substituting them in part for purchased concentrates. It is pointed out that such succulent foods as turnips, kale and silage have virtues apart from their nutritive value. The number of lb. of the various home-grown fodders that are required to make up a given unit of nutrition are shown below:—

	Lb.
Turnips	54
Swedes	40
Mangolds	36
Cabbages	36
Marrow-stem kale	33
Thousand-headed kale	31
Potatoes	20
Silage (oats and tares)	14

Kale and cabbages contain about double the amount of protein in swedes and about three times that in turnips and

mangolds, a fact which has to be allowed for in making up a balanced ration. Four alternative rations are suggested as being suitable for an Ayrshire cow weighing about 9 cwt. and giving a gallon of milk. These all contain hay, with either straw or silage. Where straw and not silage is used, a pound of crushed oats is also recommended, and the bulk of the ration is made up of swedes, kale or turnips. Turnips have to be supplemented by a pound of bean meal. Details are also given of six supplementary rations for milk in excess of one gallon. They are composed of varying combinations of some of the following: palm kernel cake, bean meal, crushed oats, flaked maize, bran, soya bean meal, linseed cake, white fish meal and dried grains. There are also suggestions for substituting barley, other kinds of oil cake, and sugar-beet pulp. In view of the threatened shortage of milk and the necessity of making the best possible use of all forms of home-grown foods, it is satisfactory to see that so large a part of a milk-cow's ration can be made up of foods which the farmer can either grow himself or obtain locally.

COMMODITY AND INDUSTRY NEWS

AFTER consultation with the Government of India, the total quantity of jute goods to be imported into this country has been fixed. Import licences will be necessary and will generally be granted in proportion to imports in the nine months October, 1939, to June, 1940. The quantity will be reviewed periodically. The executive committees of the three railway trade unions met on Wednesday to consider joint action for a claim for an all-round increase in wages, but reached no decision. Another meeting is to be held later.

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Cotton (Manchester).— Ordinary commercial business in the market has been smaller than in recent weeks, but spinners and manufacturers have derived considerable benefit from the large orders placed by the Government. Some makers of cloth have sold their production for six months ahead, and the buying has covered a wide range of fabrics. The raw cotton situation remains uncertain and the market is awaiting the effect upon prices of the introduction of the new futures contracts in Liverpool. Spinners have welcomed the freer offering of barter cotton. Substantial orders for American yarns in both coarse and medium counts have been booked, and after a distinctly quiet period for several months rather more transactions have taken place in Egyptian yarns. There has been further news of purchases of Egyptian cotton by the British Government. Cloth sales for export have been rather smaller than earlier in the month and more makers for the home trade are feeling the effects of the restrictions upon consumption. There are indications of some looms being in want of work.

RAW COTTON delivered to Spinners				
Variety ('000 bales)	Week ended		From Aug. 1 to	
	Nov. 8, 1940	Nov. 15, 1940	Nov. 17, 1939	Nov. 15, 1940
American	20.2	14.6	353	339
Brazilian	9.5	10.7	121	103
Peruvian, etc.	2.7	2.6	71	45
Egyptian	3.5	6.5	101	71
Sudan Sakel	0.1	0.3	8	8
East Indian	4.1	2.7	63	92
Other countries	9.5	8.4	66	87
Total	49.0	45.8	859	745

Source: Liverpool Cotton Association's Weekly Circular.

★

Metals.—The tin market has been quiet during the past week and prices have shown a declining tendency. One reason for the dullness of the market has been lack of buying interest in America, where there is little incentive to buy forward as the price is virtually pegged. There have also been heavy sales in the Straits. Some steadiness has been imparted to the market by more encouraging reports

from the South Wales tinplate industry. The price of quicksilver has declined during the week.

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Grain.— Canadian wheat prices moved upwards at the end of last week, due to the firmness of the option markets in North America. The weather has been severe in the United States, and there were reports that negotiations are in progress for the supply of a considerable quantity of American wheat to Spain. Prices reacted later, however, and closed unchanged from a week ago. A conference of State Ministers in Australia has agreed to raise the guaranteed price of wheat. The stabilisation plan will begin to operate with the 1941-42 harvest.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Nov. 9, 1940	Nov. 11, 1940	Nov. 9, 1939	Nov. 9, 1940
N. America	342	528	6,506	5,002
Argentina, Uruguay	190	287	6,267	3,241
Australia	...	...	612†	...
Russia	...	...	114	...
Danube and district	...	...	1,968	182
Other countries	...	...	273	...
Total	532	815	15,741	8,425

* Unobtainable. † Incomplete.
Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Nov. 2, 1940	Nov. 9, 1940	Nov. 11, 1939	Nov. 9, 1940
Argentina	100	11	11,399	5,639
Atlantic America	218	158	979	2,323
Danube Region	...	...	1,104	678
S. & E. Africa	...	...	2,526	1,112
Indo-China, etc.	...	...	1,086	91
Total	318	169	17,094	9,843

* Not received. † Incomplete since September 21st.
Source: The Corn Trade News.

Oils and Oilseeds.—The market for oilseeds is fairly active, the Control calling for offers of Indian linseed and groundnuts, besides being a buyer of Straits copra. A sharp rise in freight rates from India has caused a corresponding rise in the delivered terms of linseed. The Argentine new crop will soon be ready for shipment, and meanwhile exports from the River Plate are very small. The latest Government report of the United States crop puts the estimated gross yield at 765,750 tons compared with 508,000 tons actually harvested last season.

COMPANY MEETINGS

IMPERIAL SMELTING CORPORATION

RESUMPTION OF ORDINARY DIVIDEND

SIR CLIVE BAILLIEU'S REVIEW

The eleventh annual ordinary general meeting of Imperial Smelting Corporation, Limited, was held, on the 21st instant, at 95 Gresham Street, London, E.C.

Sir Clive Baillieu, K.B.E., C.M.G., chairman of the Corporation, presided.

TRIBUTE TO THE LATE LORD HORNE

The chairman, after referring to the loss sustained by the death of the late chairman, Viscount Horne of Slamannan and to the absence through injury caused by enemy action of Mr Richard Guinness, said:—

PROFIT AND DIVIDENDS

The net profit of the Corporation for the year amounted to £268,465, compared with £100,930 in the previous year. With a sum of £57,547 brought forward, the amount available for distribution was £326,012, against £181,736.

The full dividend on the 6½ per cent. cumulative preference shares has been paid, absorbing £134,538, together with the arrears of 2½ per cent., requiring £51,744, making the total payment on the preference shares out of the year's profits £186,282, or 9 per cent. You will note that the arrears of preference dividend paid in the year were equivalent to approximately 2 per cent. on the ordinary share capital of the Corporation.

After payment of the above dividends on the preference shares the balance available was £139,730, and we have recommended for your approval—a resolution will be submitted later in this meeting to carry our recommendation into effect—that a dividend of 3½ per cent. on the ordinary share capital should be declared. This will require £88,811, leaving £50,919.

CONSOLIDATED REVENUE ACCOUNT

The consolidated revenue account shows the financial results of the corporation and the subsidiary companies. The net profit on this account shows at £270,432, which compares with £94,985 in the preceding year, and after adding the amount brought in, £74,532, and deducting the dividends on the preference shares, as well as the proposed ordinary dividend, the amount to be carried forward by the group is £69,871, against £74,532.

The consolidated statement of assets and liabilities shows a substantially stronger position than in the previous period.

Summarising the changes in the statement:

Land, buildings and plant show an increase of £50,000; sundry debtors an increase of £236,000, creditors an increase of £55,000, and stocks a reduction of £137,000, a net improvement of £44,000; loans show a total improvement of £252,400.

Cash and investments show a net increase of £26,000.

These items in total show an improvement of £377,000. This is mainly represented by:—

An increase in reserves of £153,000, of which the amount set aside for depreciation represents approximately £133,000.

An increase in the operating reserves, making allowance for increased cost of stores and materials.

Provisions for taxation, which show an increase of £143,000.

A balance of £40,000 accounted for by the increase in the provision for dividends, etc., and in the minority interest in the net assets of partly owned subsidiaries.

THE THREE MAIN FACTORS

The improvement in the trading results shown is, in the main, accounted for by the following factors:—

An improvement in the world market price of zinc in the two months of the financial year prior to the outbreak of war compared with the average for the previous year and also an improvement in the sales price of the metal in the United Kingdom market following on the increase in the duty from 12s. 6d. to 30s. on May 26, 1939. At the outbreak of war dealings in zinc on the L.M.E. were suspended, but our agreement with the Ministry of Supply was based on these pre-war prices.

An increased output of metal following on the reorganisation and partial re-equipment of our zinc smelting plants commenced in 1938.

The operation of the Empire Zinc Scheme. This scheme came also into force on May 26, 1939, and shareholders will be aware

from the details given in the address at the annual general meeting last year that since that date the corporation has received on behalf of the National Smelting Company a subvention of 10s. per ton of Empire zinc imported and sold in the United Kingdom.

You will observe that these factors are unrelated to the present war and it is reasonable to assume that the corporation would have enjoyed the benefits therefrom had we remained at peace.

REASONABLE TERMS OF GOVERNMENT AGREEMENT

Since the outbreak of war the whole of the metal production of the National Smelting Company, Limited, and Improved Metallurgy, Limited, has been supplied direct to H.M. Minister of Supply. I think I may be permitted to say that experience has proved the terms offered by us to the Government, and on which the agreement is based, are reasonable to the industry and shareholders, and have provided the Government with a vital raw material upon conditions satisfactory to them.

The trade in all other products of our subsidiary and associated companies was satisfactorily maintained in the period under review, and in the case of some products further expansion has since taken place. In the export market we have maintained the highest possible level of sales consistent with essential demands in the United Kingdom.

I am sure shareholders would wish to associate themselves with the board in offering their congratulations to Captain Oliver Lyttelton on his appointment as President of the Board of Trade. As we have already advised you, this appointment has necessitated his resignation from the board, and, while his services will be greatly missed, his exceptional abilities will find ample scope in the high Cabinet office he now holds.

MANAGING DIRECTOR'S VISIT TO AUSTRALIA

Our managing director, Mr W. S. Robinson, at present in Australia, will shortly be proceeding to the United States and Canada on matters closely affecting the interests of the corporation. Viscount Horne often emphasised the special contribution which Mr Robinson has made to the progressive development of the corporation's activities. Since the outbreak of war the responsibilities devolving upon Mr Robinson have been particularly exacting, and I am sure that the shareholders will desire to express again their high regard for his outstanding services to the corporation.

As to the prospects for the current financial year, I feel justified in saying that, subject to our ability to maintain production, the results should again prove satisfactory.

The report and accounts were unanimously adopted, the proposed ordinary dividend of 3½ per cent. approved, the retiring directors re-elected, and the auditors reappointed.

LEACH'S ARGENTINE ESTATES, LIMITED

RECORD SUGAR CROP

The twenty-eighth ordinary general meeting of Leach's Argentine Estates, Limited, was held, on the 15th instant, in London.

Baron F. A. d'Erlanger (vice-chairman), in the course of his speech said that the profit on trading at £229,961 was up on last year's figure by £35,961. The directors recommended the payment of a dividend of 6 per cent. on the ordinary stock.

In the absence of a law regulating the sugar industry, a revision of the present Convenio, which might be termed "Cartel," was of the utmost importance. This Convenio was to remain in force until the promulgation of the National Sugar Law, or, failing that, until June 30, 1943. It was, therefore, still in force, but negotiations were in progress for its renewal on a somewhat revised basis.

Their total output of sugar amounted to 32,054 tons, against 29,018 tons for the previous year, thus establishing a record in the history of the company. This result was obtained by the milling of 324,607 tons of cane, which gave an average yield of 9.77 per cent., against 9.66 per cent. Though they had had a very heavy crop, their market sales could not be materially increased owing to the quota fixed by the Convenio.

With regard to the 1940 crop, they had surpassed their 1939 figure, having produced 35,244 tons of sugar from 334,215 tons of cane milled. In other words, the average yield of cane had been 10.435 per cent., which was also a record. Climatic conditions, however, had been equally favourable for the whole sugar industry in Argentina, and there would be a considerable surplus of sugar. It was, therefore, likely that they would be compelled to export at unremunerative prices a larger proportion of their production.

The report was unanimously adopted.

THE ECONOMIST SENSITIVE PRICE INDEX

(1935 = 100)

	Nov. 14, 1940	Nov. 15, 1940	Nov. 18, 1940	Nov. 19, 1940	Nov. 20, 1940
Crops	100.2	100.7	100.8	100.9	100.9
Raw materials	166.2	166.2	165.9	165.6	165.5
Complete Index	129.0	129.4	129.3	129.3	129.2

	Mar. 31, 1937*	Aug. 31, 1939	Nov. 20, 1939	Oct. 21, 1940	Nov. 13, 1940
Crops	147.9	92.2	111.7	102.6	100.1
Raw materials	207.3	122.9	131.4	165.5	166.2
Complete Index	175.1	106.4	121.2	130.3	129.0

* Highest level reached during the 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

(1927 = 100)

	Mar. 31, 1937*	Aug. 31, 1939	Oct. 31, 1939	Nov. 5, 1940	Nov. 19, 1940
The Economist Index (U.K.):—					
Cereals and meat	93.0	66.9	80.9	96.0	95.9
Other foods	70.4	61.1	78.2	84.8	84.4
Textiles	74.2	54.3	68.1	86.5	86.3
Minerals	113.2	95.4	99.9	127.5	127.6
Miscellaneous	87.0	77.6	90.5	105.5	106.3
Complete Index	87.2	70.3	83.3	99.7	99.6
1913 = 100	119.9	96.8	114.6	137.2	137.5

* Highest level reached during the 1932-7 recovery.

PRICES TAILORS, LIMITED

INCREASED TRADING PROFIT

The twelfth annual general meeting of Prices Tailors, Limited, was held, on the 20th instant, at Leeds.

Sir Henry Price (chairman and managing director) said that the trading profit for the year was £342,216, compared with £452,864 for the previous year. The preference and preferred ordinary dividends had already been paid, and £93,000 after deduction of tax, had been transferred to Prices Trust Company by way of dividend upon the ordinary share capital.

In these uncertain times it was the policy of the directors to conserve the liquid resources of the company, and although the trading profit this year was appreciably larger, the directors had recommended that the dividend payable to Prices Trust Company should be sufficient only to enable that company to pay the same dividend as was paid last year.

Many months before the war broke out, the company offered its services to the War Office for the supply of clothing to the Armed Forces. By the time war was declared, their plans had reached an advanced stage and they were already producing very large quantities of battledress, greatcoats and other uniforms. Production increased rapidly, so that for the greater part of the year their factories had attained a combined output of civilian and Government clothing which had never previously been reached. As a result of this war effort, the company had not been able to maintain the increase in their civilian trade which had been such a feature in recent years. Until March this year they had adhered to their standard prices in spite of rising costs, and the increase of approximately 10 per cent. which they were eventually compelled to add to prices was appreciably less than circumstances warranted.

Since July 1st their trading had been quite satisfactory, and he was confident that the company, broad based as it was, would continue to get its fair share of trade and obtain results which would be acceptable to shareholders.

The report was unanimously adopted.

At the sixth annual meeting of Prices Trust Company, Limited, held subsequently, a final dividend of 12½ per cent. actual, making 25 per cent., less tax, for the year, was declared.

NORTH BRITISH RAYON, LIMITED

WORKING UNDER WAR CONDITIONS

The ordinary general meeting of North British Rayon, Limited, was held, on the 15th instant, at the Incorporated Accountants' Hall, London.

Mr Ernest Walls, the chairman, who presided, said that during most of the financial year the company had been working under war conditions. Previously they had reached completion of the price stabilisation plans in the industry and faced the new year under the most favourable conditions experienced since they had commenced production. The loss of trained labour and other war difficulties had, however, reduced the basic rate of profit then anticipated.

On the other hand, demand was greater than expectation, no doubt also due to war conditions. After September, 1939, stocks were quickly cleared, and from that date till about the end of the financial year demands from customers considerably exceeded capacity to supply.

The improvement in earning capacity had enabled the liquid structure of the company to be strengthened, the total of floating assets standing higher than in any previous balance sheet. They were, however, unable to recommence payment of preference dividends owing to the heavy demands of E.P.T. The incidence of E.P.T. was very unequal. When applied to the rayon industry, which had gone through an exceptional period of difficulty, it became a heavy burden. They had to set aside for E.P.T. more than 50 per cent. of the net profit after interest payments.

Demand had slackened off considerably since the end of the financial year and output had been reduced accordingly. This was attributable mainly to the effects of the Limitation of Goods Orders. Under these Orders sales of goods made from rayon were limited

to 66½ per cent. of previous sales. The object of the Limitation of Goods Orders was, amongst other things, to enable as large a capacity as possible to be available for the great export effort which was an essential part of the battle-front. The close co-operation now existing in the rayon industry had enabled a Rayon Export Group to be formed. That was already functioning and could be expected to produce valuable results.

The report was unanimously adopted.

PERAK RIVER HYDRO-ELECTRIC POWER COMPANY, LIMITED

SUBSTANTIALLY IMPROVED REVENUE

DIVIDEND AND BONUS 6 PER CENT.

The annual general meeting of Perak River Hydro-Electric Power Company, Limited, was held, on the 20th instant, in London.

Mr George Balfour, J.P., M.P. (the chairman), who presided, said that he was sure the report and accounts for the year would be regarded by members of the company as highly satisfactory. In the previous year they had had to record a very bad trading year, and he had told them at the meeting that the company had only been justified in paying the dividend of 2½ per cent. on the ordinary shares because the returns for the first two months of the new financial year had been so satisfactory, and they had made such liberal depreciation allowances in previous years.

The policy the directors were endeavouring to pursue was to clear the company of unfunded debt, to make reasonable distributions of dividends in good years, and to preserve cash available for moderate dividend payments in bad years. The fact that they were nearing that goal was evidenced by the fact that in 1938 the board had created an additional £500,000 of new capital, and at that time had anticipated they would require to issue about £250,000 to cover outstanding capital liabilities. Last year he had said that he was hopeful they might avoid any new capital issue, and he was now able to say that they had liquidated their temporary borrowings without recourse to an issue of capital; furthermore, in the absence of any dramatic change in the outlook, they should be able to end the year with a comfortable cash balance. In that connection he might say that the first three months of the current year showed a comfortable increase, and short of any misfortune, and also having regard to world conditions, they might reasonably look forward to a satisfactory account when they met next year.

EFFICIENCY OF NEW STEAM PLANT

Dealing with the operations of the year, the chairman said that the whole of the hydro-electric and steam generating plant had operated efficiently throughout the year. The higher efficiency of the new steam plant had proved of great value under most difficult operating conditions. As a result of unusual drought the total output of the hydro-electric plant had been for a time only 22 per cent. of its capacity, coincidentally with which they had encountered a heavy shortage of Malayan coal. Fortunately, the board had provided for the use of oil on a certain number of boilers which had enabled them to surmount those difficulties without restricting their services.

Last year the company generated approximately 270 million units, compared with a little over 113 million units the year before, and the maximum load on the power station had been 48,000 kw., compared with 22,800 kw. in the previous year. During the year, also, improvements had been effected in handling the services in the mines of certain of the company's customers.

There was available, with the balance of £4,889 from last year, the sum of £81,296. The directors proposed to deal with that by a payment of a dividend of 5 per cent. and a bonus of one per cent. on the ordinary shares, leaving £20,921 to be carried forward.

The chairman concluded by paying a tribute of thanks to Captain Dane, the general manager, all his staff, and the employees of the company. To that tribute he would like to add the names of Mr Begg, the assistant general manager, and Mr Brook, their secretary, and the London staff.

The report was unanimously adopted.

have realised an improvement in gross earnings of some £50,000 to £131,445, and with net income at £25,337 against £23,459, the dividend is raised from 6 to 8 per cent. Despite higher gross receipts, this week's investment trust results show generally lower net profits. SECOND SCOTTISH INVESTMENT is main-

taining the 7 per cent. dividend, although net earnings have fallen from £92,135 to £91,713. With a fall in net profits from £404,807 to £368,038, ARDATH TOBACCO is paying a dividend of 9 against 10 per cent. tax free. CENTRAL NEWS AGENCY, with higher net profits

CURRENT STATISTICS

Finance

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to November 16, 1940, are:—

Ordinary Exp.		Ord. Revenue	
2,156,864	608,936	608,936	608,936
Misc. Iss. (net)	7,726	Gross, bor.	1,562,661
Inc. in balances	410	Less—	
		Sinking fds.	6,597
		Net borrowing	1,556,064
	2,165,000		2,165,000

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England		
1939						
Nov. 18	630.0	687.5	57.5	...	...	745.0
Aug. 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	"	"	"	"	"
" 30	836.0	1085.1	91.5	"	124.0	2136.7
Oct. 5	836.0	"	"	Not available	"	"
" 12	836.0	"	"	"	"	"
" 19	836.0	"	"	"	"	"
" 26	840.0	1145.9	69.0	7.7	199.5	2262.2
Nov. 2	845.0	"	"	Not available	"	"
" 9	845.0	"	"	"	"	"
" 16	845.0	"	"	"	"	"

TREASURY BILLS

Amount		Average Rate		Per Cent. Allotted at Minimum Rate
Date of Tender	Offered	Applied for	Allotted	
1939				
Nov. 17	65.0	105.8	65.0	23 8.01 49
1940				
Aug. 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
" 27	65.0	131.9	65.0	20 6.33 81
Oct. 4	65.0	122.5	65.0	20 4.63 42
" 11	65.0	127.0	65.0	20 4.60 37
" 18	65.0	129.8	65.0	20 4.61 36
" 25	65.0	135.3	65.0	20 4.41 30
Nov. 1	65.0	147.3	65.0	20 4.11 25
" 8	65.0	126.6	65.0	20 4.36 31
" 15	65.0	140.8	65.0	20 4.56 32

On November 15th 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 32 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 November 22nd. For the week ending November 23rd the banks will be asked for Treasury deposits to the maximum amount of £20.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended		N.S.C.		3% Bonds		2½% Bonds	
Oct. 8	3,114	2,336	7,808				
" 15	2,722	2,633	14,610				
" 22	2,723	3,435	25,604				
" 29	3,878	2,971	9,539				
Nov. 5	3,028	3,086	18,440				
" 12	3,071	3,475	17,521				
" 19	...	...	14,913				
Totals to date	175,023*	173,777*	337,273†				

* 51 weeks. † 22 weeks.
Interest free loans received by the Treasury up to November 19th amounted to 10,262, of a total value of £22,735,891. From the beginning of the campaign up to October 26th, principal of Savings Certificates to the amount of £23,622,000 has been repaid.

BANK OF ENGLAND RETURNS

NOVEMBER 20, 1940

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt.	
In Circul.	592,652,402	Other Govt.	11,015,100
In Bkng. Department	37,589,173	Securities	615,573,063
		Other Secs.	3,402,152
		Silver Coin	9,685
		Amt. of Fid.	
		Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			630,241,575

BANKING DEPARTMENT

Props. Capital		Govt. Secs.	
14,553,000		Other Secs.	140,847,838
Rest	3,199,196	Discs., etc.	3,940,088
Public Depts.	22,386,514	Securities	20,819,741
Other Depts.	112,406,565	Notes	24,759,829
Bankers	51,399,874	Gold & Silver	37,589,173
Other Accts.	61,006,691	Coin	748,309
	203,945,149		203,945,149

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

THE WEEK'S CHANGES

Both Departments		Compared with	
		Nov. 20, 1940	Last Week
COMBINED LIABILITIES			
Note circulation	592,652	1,396	+ 65,648
Deposits: Public	22,387	+ 2,803	— 14,005
Bankers	112,407	+ 2,265	+ 19,462
Others	51,400	+ 1,409	+ 12,051
Total outside liabilities	778,845	+ 550	+ 83,154
Capital and rest	17,752	+ 17	— 67
COMBINED ASSETS			
Govt. debt and securities	767,436	+ 921	+ 86,992
Discounts and advances	3,940	+ 289	+ 1,346
Other securities	24,222	— 130	— 1,701
Silver coin in issue dept.	10	+ 3	— 500
Coin and gold bullion	990	+ 64	— 358
Res. of notes and coin in banking department	38,337	+ 1,459	— 16,006
"Proportion" (reserve to outside liabilities in Bkng. dept.)	20.5%	+ 0.5%	— 11.7%

COMPARATIVE ANALYSIS*

	1939		1940		
	Nov. 22	Oct. 30	Nov. 6	Nov. 13	Nov. 20
Issue Dept. :					
Notes in circ.	527-0	591-6	593-5	594-0	592-7
Notes in bank- ing dept. ..	53-2	38-7	36-8	36-2	37-6
Govt. debt and securities....	576-5	626-8	626-8	626-7	626-6
Other sec's ..	3-3	3-2	3-2	3-3	3-4
Silver coin ..	0-5	0-0	0-0	0-0	0-0
Gold, valued at s. per f. os.	0-2	0-2	0-2	0-2	0-2
	168-0	168-0	168-0	168-0	168-0
Deposits :					
Public	36-4	18-2	12-9	19-6	22-4
Bankers	92-9	108-0	118-2	114-7	112-4
Others	39-3	51-5	49-4	50-0	51-4
Total	168-6	177-7	180-5	184-3	186-2
Bkg. Dept. Secs.					
Government...	103-9	130-0	136-4	139-8	140-8
Discounts, etc.	5-3	3-0	3-1	4-2	3-9
Other	22-9	23-3	21-5	21-1	20-8
Total	132-1	156-3	161-0	165-1	165-5
Banking dept. reserve	54-3	39-1	37-3	36-9	38-3
	0/0	0/0	0/0	0/0	0/0
" Proportion "	32-2	22-0	20-6	20-0	20-5

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

SHORTER COMMENTS

(Continued from page 647)

dividend at 6 per cent. TEBRAU has raised the ordinary dividend from 5½ to 10 per cent. in view of an increase in net revenue from £5,655 to £10,060. Among rayon manufacturers, KIRKLEES, LTD.,

have realised an improvement in gross earnings of some £50,000 to £131,445, and with net income at £25,337 against £23,459, the dividend is raised from 6 to 8 per cent. Despite higher gross receipts, this week's investment trust results show generally lower net profits. SECOND SCOTTISH INVESTMENT is main-

taining the 7 per cent. dividend, although net earnings have fallen from £92,135 to £91,713. With a fall in net profits from £404,807 to £368,038, ARDATH TOBACCO is paying a dividend of 9 against 10 per cent. tax free. CENTRAL NEWS AGENCY, with higher net profits

(Continued on page 657)

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, of June 15th; Java, Egypt, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 5th; International Settlements, Estonia, Roumania and Portugal, of October 26th; Lithuania of Nov. 2nd; Argentina of Nov. 9th; Australia, Bulgaria, India, New Zealand, and South Africa, of Nov. 16th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Nov. 1939	Oct. 1940	Nov. 1940	Nov. 1940
Resources	18,311	19,280	19,324	19,394
Gold certificates on hand and due from Treas.	14,867	15,231	15,632	15,712
Total reserves	15,231	15,632	15,943	16,142
Total cash reserves	354	341	310	308
Total U.S. Govt. sec.	2,649	2,393	2,327	2,254
Total bills and sec.	2,649	2,345	2,340	2,267
Total resources	18,999	22,853	22,798	23,042
LIABILITIES				
F.R. notes in circ.	4,805	5,540	5,630	5,643
Excess m. bank res.	5,170	6,930	6,730	6,800
Mr. bank reserve dep.	11,587	14,777	13,979	14,052
Govt. deposits	564	376	465	404
Total deposits	12,923	16,212	16,125	16,144
Total liabilities	18,999	22,853	22,798	23,042
Reserve ratio	85.9%	90.2%	90.3%	90.5%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	17,235	21,499	21,581	21,637
Treas. and bk. currency	2,939	3,056	3,060	3,062
LIABILITIES				
Money in circulation	7,384	8,265	8,385	8,395
Treas. cash and dep.	2,905	2,363	2,636	2,615

BANK OF CANADA—Million Can. \$

ASSETS	Nov. 1939	Oct. 1940	Oct. 1940	Oct. 1940
Reserve: Gold	225.7	23.0	36.2	45.1
Other	246.0	564.2	579.9	579.5
LIABILITIES				
Note circulation	225.3	336.7	334.3	332.6
Deposits: Dom. Govt.	39.0	25.7	39.3	61.1
Chartered banks	230.2	217.8	233.0	218.2

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

BANK OF JAPAN—Million yen

ASSETS	Oct. 1939	Sept. 1940	Sept. 1940	Oct. 1940
Coin & bullion: Gold	501.3	501.3	501.3	501.3
Other	45.1	24.4	23.4	24.2
Foreign exch. fund.	300.0	300.0	300.0	300.0
Discounts and advances	515.5	806.9	838.1	808.0
Government bonds	1851.9	2523.3	2409.2	2268.0
Agencies' accounts	202.4	293.6	304.6	264.1
LIABILITIES				
Notes issued	2503.7	3170.7	3219.2	3498.1
Deposits: Government	629.8	960.1	939.7	757.5
Other	85.4	87.9	83.6	95.5

NATIONAL BANK OF JUGOSLAVIA

ASSETS	Sept. 1939	Aug. 1940	Sept. 1940	Sept. 1940
Gold	1,987	2,330	2,368	2,371
Other foreign exchange	510	556	516	538
Discounts and advances	2,428	1,651	1,616	1,622
Govt. adv. and credits	2,230	3,073	3,073	3,073
Det. bonds discounted	—	4,598	5,025	5,024
LIABILITIES				
Notes in circulation	8,754	12,241	12,158	12,118
Sight liabilities	1,450	2,181	2,597	2,648

BANQUE MELLIE IRAN

ASSETS	July 1939	June 1940	June 1940	July 1940
Gold	310.7	310.8	310.9	310.9
Silver	406.8	408.8	408.8	408.8
Balances, home & abroad	99.6	238.0	310.2	312.5
Discounts	358.8	452.7	434.1	439.3
Public departments	784.7	1291.1	1306.6	1349.0
Other debit accounts	934.1	571.8	584.0	637.8
LIABILITIES				
Notes in circulation	922.9	988.0	990.5	1038.9
Public departments	568.1	691.7	752.1	717.4

Market value: 398.4 million rials.
† 344.5 million rials (based on London price and rate).

BANK OF SWEDEN—Million kronor

ASSETS	Sept. 1939	Aug. 1940	Sept. 1940	Sept. 1940
Gold reserve	634.1	665.2	644.3	648.1
Secondary cover	36.9	108.2	108.4	108.5
Swedish assets	278.8	699.7	735.9	704.5
Foreign assets	627.9	660.1	696.7	701.7
LIABILITIES				
Notes in circulation	1148.2	1368.2	1405.6	1370.0
Deposits: Government	347.0	160.1	184.0	174.8
Banks & others	409.5	185.0	174.0	205.2

† Including "gold abroad not included in gold reserve."

CENTRAL BANK OF TURKEY

ASSETS	Aug. 1939	Aug. 1940	Sept. 1940	Sept. 1940
Gold	19.3	19.3	19.3	19.3
Other foreign exchange	3.7	18.7	19.1	20.5
Treasury bills	141.5	139.4	139.4	139.4
Commercial bills	136.3	261.4	258.1	258.5
Securities	51.6	55.9	55.9	55.8
Advances	13.9	49.8	55.8	56.7
LIABILITIES				
Notes in circulation	229.5	362.9	362.9	364.9
Deposits	33.2	144.1	145.6	147.0
Clearing & other exch.	39.4	27.2	27.5	28.4

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between November 14th and November 20th. (Figures in brackets are par of exchange).

U.S. \$ (4-862½) 4-02½-03½; mail transfers, 4-02½-03½. Can. \$ (4-862½) 4-43-47; mail transfers, 4-43-47½. Sw. frs. (25-22½) 17-30-40. 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. 176½-2. Portuguese Esc. (110) 99-80-100-20. Panama, \$4-02-04; mail transfers, 4-02-04½. Philippine (peso), 8-09-12; mail transfers, 8-09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 4 cent. pm.-par. Canada, 2 cent. pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia, 1½ cents pm.-par.

MARKET RATES

London on	Par of Exchange per £	Nov. 14, 1940	Nov. 15, 1940	Nov. 16, 1940	Nov. 18, 1940	Nov. 19, 1940	Nov. 20, 1940
Budapest, Pen.	27-82	101.5	101.5	101.5	101.5	101.5	101.5
Belgrade, Din.	276-32	155*	155*	155*	155*	155*	155*
Sofia, Lev.	673-06	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Helsinki, Mk	193-23	315*	315*	315*	315*	315*	315*
Alexandria, Pst	97½	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pt.	25-22½	37½*	37½*	37½*	37½*	37½*	37½*
Istanbul, LT	110	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Athens, Dr.	375	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)
Bucharest, Lei	813-8	510*	510*	510*	510*	510*	510*
India, Rup.	†18d.	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Kobe, Yen.	†24-58d.	515*	515*	515*	515*	515*	515*
Hongkong, \$.	†14-8-15½	800*	800*	800*	800*	800*	800*
Rup. Mil.	†5-89d.	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Valparaiso, Pes.	40	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol. (s)	17-38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	†51d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	†28d.	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½
Shanghai, \$	†...	3-4-4	3-4-4	3-4-4	3-4-4	3-4-4	3-4-4
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. (d) Special account.
(e) 90 days. (f) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

Week ended	Nov. 18, 1939	Nov. 16, 1940	Aggregate January 1 to Nov. 16, 1940	Week ended	Nov. 18, 1939	Nov. 16, 1940	Aggregate January 1 to Nov. 16, 1940
Working days	6	6	272	273	6	6	272
Birmingham	1,885	1,593	103,685	99,413	1,360	934	67,477
Bradford	607	4,317	40,997	82,150	399	419	21,718
Bristol	1,401	1,784	62,517	83,774	600	628	43,977
Hull	702	551	35,440	33,607	10	10	24,118
Leicester	705	762	32,424	34,595	241	260	107,576
Liverpool	6,623	4,914	228,244	254,395	5,361	6,105	272,494
Manchester	9,834	10,599	439,277	513,318	71	...	2,596

† Clearing begun May 14, 1940.
* November 11, 1939, and November 9, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between Nov. 14th and Nov. 20th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 6 months, 1½%; Treasury bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 5½-12½. Short loans, 1½-14%. Bank deposit rates, 1½%. Discount deposits at call, 1½%; at notice, 3½%.

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
Nov. 14	23½	23½	Nov. 19	23½	23½
Nov. 15	23½	23½	Nov. 20	23½	23½
Nov. 18	23½	23½			

NEW YORK EXCHANGE RATES

New York on	Nov. 13, 1940	Nov. 14, 1940	Nov. 15, 1940	Nov. 16, 1940	Nov. 18, 1940	Nov. 19, 1940
London:—						
Cables	404	404	404	404	403½	403½
Switzerland, Fr.	23-21	23-21	23-21	23-21	23-21	23-21
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.	23-86	23-86	23-86	23-86	23-86	23-86
Montreal, Can. \$	87-00	87-00	87-00	87-125	87-000	87-060
Japan, Yen	23-45	23-45	23-45	23-45	23-45	23-45
Shanghai, \$	6-00	6-05	6-12	6-07	6-07	6-07
B. Aires, Pso. (mkt. rate)	23-65	23-70	23-65	23-70	23-50	23-50
Brazil, Milreis	5-05	5-05	5-05	5-05	5-05	5-05

† Official buying rate 29-78. (b) Offered. (c) Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.	
Breweries														
Bristol Bwy. Georges, &c.	Sept. 30	460,933	...	211,724	368,679	21,958	163,056	18½	30,000	- 3,290	418,556	252,147	18½	
Bristol United	Sept. 30	153,452	...	103,764	154,943	13,800	76,050	18½	15,000	- 1,086	143,560	112,690	18½	
Stroud Brewery	Sept. 30	176,262	13,526	52,652	68,689	4,690	42,946	17½	5,000	+ 26	152,589	57,790	17½	
Warwicks & Richmonds	Sept. 30	89,550	...	77,550	109,334	15,000	48,000	16	12,000	+ 2,550	90,792	78,792	16	
Financial Land, etc.														
Argentine Land & Inv.	June 30	56,821	777	20,299	63,681	...	20,538	4	...	- 239	57,166	19,332	4	
British Empire Land Mgt.	Sept. 30	3,495	...	1,425	3,022	...	1,425	3½	...	...	3,789	1,684	4	
Clarendon Property	July 31	64,117	5,488	2,812	16,128	...	...	...	...	+ 2,812	76,179	14,913	Nil	
C.N.A. Investments	June 30	98,420	...	89,993	91,825	25,000	62,075	12½	...	+ 2,918	89,614	80,643	12½	
Daily Mail, etc., Trust	Sept. 30	206,189	...	147,510	259,373	60,000	83,396	5½	...	+ 4,114	191,333	143,325	3½	
International Fin. Soc.	Sept. 30	33,129	...	4,745	4,745	4,500	...	...	245	...	33,435	4,629	Nil	
London & Colonial Inv.	Sept. 30	15,978	...	13,710	29,993	4,244	5,821	5	4,000	- 355	19,144	16,800	5½	
Iron, Coal and Steel														
Irestone (S.) and Co.	June 30	59,275	...	32,265	94,027	...	...	...	...	+ 32,265	47,616	23,023	Nil	
Redpath Brown and Co.	July 31	123,114	9,257	100,801	273,405	6,234	94,567	27½	...	...	131,769	108,734	29½	
Spencer (Walter) & Co.	Sept. 30	52,353	3,366	17,936	34,277	...	7,437	(b)	5,000	+ 5,499	32,893	18,684	(c)	
Rubber														
Batu Matang	June 30	12,503	...	6,987	9,731	...	3,849	6	3,000	+ 138	3,152	599	Nil	
Bukit Lintang	June 30	18,102	786	3,015	13,872	...	2,975	12½	...	+ 40	3,055	1,353	4	
Bukit Pulai	June 30	17,139	1,263	5,352	9,122	...	5,156	6	...	+ 196	3,566	358	Nil	
Buntar	June 30	19,348	...	8,047	9,140	...	7,125	6¼	...	+ 922	8,945	3,825	3½	
Jong Lander	June 30	13,065	...	11,063	16,341	...	13,425	15	...	+ 2,362	1,448	882	Nil	
Kuala Kubu	June 30	6,004	...	4,277	8,855	...	5,000	10	...	+ 723	1,489	1,089	Nil	
Layang	June 30	27,378	760	7,996	23,538	...	7,762	6	...	+ 234	9,802	4,480	3	
Maturata	June 30	6,917	750	2,089	2,324	360	1,500	5	...	+ 229	5,056	2,451	7	
South Malay	June 30	6,523	...	3,023	4,775	...	2,365	4	1,000	- 312	800	109	Nil	
Tebrau	June 30	48,018	2,500	10,060	18,444	...	9,487	10	500	+ 73	15,854	5,655	5½	
Textiles														
Hinde (Fras) and Hardy	June 30	10,393	9,936	Dr. 4,195	Dr. 31,767	...	...	...	...	- 4,195	Dr. 18,084	Dr. 28,944	Nil	
Hoyle (Joshua) and Sons	Sept. 30	194,164	50,000	63,412	116,304	...	32,573	7½	25,000	+ 5,839	128,417	34,704	5	
Kirklees, Ltd.	June 30	131,445	15,000	25,337	37,070	...	20,080	8	5,000	+ 337	82,636	23,459	6	
Melso Fabrics	July 31	49,194	9,648	7,284	14,225	4,197	1,837	8	...	+ 1,250	20,668	6,107	Nil	
Trusts														
Cleveland Trust	Sept. 30	3,375	...	2,975	5,464	...	2,800	7	...	+ 175	3,638	3,238	7	
Clydesdale Investment	Sept. 30	101,325	...	34,941	87,293	15,862	12,150	5	6,929	...	101,041	37,104	5	
Scottish National	Sept. 30	109,512	...	37,855	70,960	17,687	11,792	5	5,000	+ 3,376	107,787	40,556	5	
Second Scottish Invest.	Oct. 5	250,330	...	91,713	311,324	59,864	12,581	7	...	+ 19,268	239,097	92,135	7	
Second Scottish National	Sept. 30	77,354	...	26,666	52,571	13,312	7,100	4	2,500	+ 3,754	76,194	26,290	4	
Third Caledonian	Sept. 30	44,438	...	11,584	29,994	8,812	...	...	...	+ 2,772	43,441	11,898	Nil	
Other Companies														
Acme Tea Chest	Aug. 31	89,030	10,000	42,287	61,976	8,204	14,131	12½	20,000	- 48	74,185	41,407	10	
Adulati Tobacco	June 30	368,038	...	368,038	640,212	84,000	270,000	9½	...	+ 14,038	404,807	404,807	10½	
Birmingham Small Arms	July 31	825,972	...	247,734	527,888	17,396	121,404	7½	87,183	+ 20,911	728,538	197,597	6	
Bursledon Brick	June 30	6,384	500	1,148	5,940	977	...	...	...	- 171	11,365	5,199	6	
Carrier Engineering	June 30	86,632	5,813	49,850	116,519	6,750	37,500	25	...	+ 5,600	105,001	82,324	50	
Central News Agency	June 30	119,073	...	119,073	408,317	...	98,733	95	11,066	+ 9,274	106,614	106,614	86½	
Ceylon & Indian Planters	June 30	22,109	...	7,910	10,070	1,500	5,280	8	...	+ 1,130	16,855	5,209	8	
Grabtree Electrical	Oct. 31	75,119	...	73,701	92,790	10,500	62,625	17½	...	+ 576	85,114	83,458	17½	
Dick (R. and J.)	Aug. 31	44,018	617	25,351	36,269	8,412	5,606	10	10,000	- 1,343	32,094	16,915	7½	
General Theatre Corp.	Mar. 31	338,011	46,106	80,040	143,053	37,500	...	...	40,000	+ 2,540	312,526	93,921	Nil	
Gesteira (D.)	Aug. 31	23,778	...	12,725	13,220	18,375	100,854	25	...	+ 2,529	25,321	191,459	40	
Kolok Manufacturing	Aug. 31	62,600	2,487	28,450	32,952	12,000	12,000	120	...	+ 4,450	36,085	19,666	30	
Morland and Impey	July 31	54,437	11,324	16,809	19,262	12,823	3,558	20	...	+ 423	32,702	13,775	10	
Rosario Drainage	June 30	197,387	...	21,210	218,740	7,200	19,937	3	...	+ 5,927	200,789	27,482	3	
Smadley's Hydropathic	Sept. 30	7,575	...	3,565	8,767	1,125	2,156	5	...	+ 284	7,850	5,334	7½	
Westland Aircraft	June 30	50,773	...	48,173	64,340	...	20,000	5½	30,000	- 1,827	54,308	52,013	6½	
Totals (£'000's):														
No. of Cos.		5,310	221	2,491	4,742	593	1,538	...	319	+ 131	4,788	2,548	...	
Week to Nov. 23, 1940		50	...	...	...	...	...	...	...	...	...	...	...	
Jan. 1 to Nov. 23, 1940		1,949	364,143	28,740	191,460	276,058	43,390	116,680	...	22,740	+ 8,650	339,028	200,348	...

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, Jan. 1 to Nov. 19, 1940		Prices, Jan. 1 to Nov. 19, 1940		Name of Security	Price, Nov. 19, 1940	Ch'ge since Nov. 19, 1939	Yield Nov. 19, 1940	Prices, Jan. 1 to Nov. 19, 1940		Name of Security	Price, Nov. 19, 1940	Ch'ge since Nov. 19, 1939	Yield Nov. 19, 1940
High	Low	High	Low					High	Low				
71 1/8	61	76 1/8	68 1/8	Consols 2 1/2%	76	1 1/2	2 1/2	11 1/8	11 1/8	Consols 2 1/2%	76	1 1/2	2 1/2
107 1/8	98	111 1/8	103 1/8	Do. 4% (aff. 1957)	111	3 1/2	7 1/2	20 1/8	20 1/8	Do. 4% (aff. 1957)	111	3 1/2	7 1/2
96 1/8	90 1/8	100 1/8	92 1/8	Conv. 2% 1941-49	99 1/8	2 1/2	3 1/2	33 1/8	33 1/8	Conv. 2% 1941-49	99 1/8	2 1/2	3 1/2
99 1/8	92 1/8	103 1/8	97 1/8	Do. 2 1/2% 1941-49	102 1/8	2 1/2	3 1/2	39 1/8	39 1/8	Do. 2 1/2% 1941-49	102 1/8	2 1/2	3 1/2
99 1/8	87 1/8	102 1/8	94 1/8	Do. 3 1/2% after 1961	102	3 1/2	10 1/2	24 1/8	24 1/8	Do. 3 1/2% after 1961	102	3 1/2	10 1/2
112 1/8	103 1/8	112 1/8	107 1/8	Do. 5% 1944-64	107 1/8	2 1/2	9 1/2	21 1/8	21 1/8	Do. 5% 1944-64	107 1/8	2 1/2	9 1/2
87 1/8	79 1/8	92 1/8	86 1/8	Fund. 2 1/2% 1956-61	92	1 1/2	2 1/2	2 1/8	2 1/8	Fund. 2 1/2% 1956-61	92	1 1/2	2 1/2
93 1/8	87 1/8	98 1/8	92 1/8	Fund. 2 1/2% 1952-57	98	2 1/2	11 1/2	8 1/8	8 1/8	Fund. 2 1/2% 1952-57	98	2 1/2	11 1/2
87 1/8	81 1/8	92 1/8	85 1/8	Fund. 3% 1959-69	98 1/8	3 1/2	9 1/2	21 1/8	21 1/8	Fund. 3% 1959-69	98 1/8	3 1/2	9 1/2
109 1/8	100 1/8	109 1/8	105 1/8	Fund. 4% 1960-80	112 1/8	3 1/2	9 1/2	39 1/8	39 1/8	Fund. 4% 1960-80	112 1/8	3 1/2	9 1/2
99 1/8	92 1/8	103 1/8	97 1/8	Nat. D. 2 1/2% 1944-48	101	2 1/2	7 1/2	35 1/8	35 1/8	Nat. D. 2 1/2% 1944-48	101	2 1/2	7 1/2
96 1/8	91 1/8	101 1/8	95 1/8	Do. 3% 1954-58	102	2 1/2	7 1/2	24 1/8	24 1/8	Do. 3% 1954-58	102	2 1/2	7 1/2
108 1/8	102	105 1/8	101 1/8	War Bds. 2 1/2% 1945-47	100 1/8	2 1/2	9 1/2	61 1/8	61 1/8	War Bds. 2 1/2% 1945-47	100 1/8	2 1/2	9 1/2
98 1/8	86	103 1/8	93 1/8	Victory Bonds 4%	111	3 1/2	5 1/2	26 1/8	26 1/8	Victory Bonds 4%	111	3 1/2	5 1/2
93 1/8	87	100 1/8	92 1/8	War L. 3% 1955-59	101	2 1/2	18 1/2	43 1/8	43 1/8	War L. 3% 1955-59	101	2 1/2	18 1/2
99 1/8	92 1/8	103 1/8	97 1/8	War L. 3 1/2% af. 1952	101 1/8	3 1/2	10 1/2	92 1/8	92 1/8	War L. 3 1/2% af. 1952	101 1/8	3 1/2	10 1/2
64	55 1/8	71 1/8	68 1/8	Local Loans 3%	88 1/8	3 1/2	8 1/2	69 1/8	69 1/8	Local Loans 3%	88 1/8	3 1/2	8 1/2
90	78	97 1/8	84 1/8	Austria 3% 1933-53	99	3 1/2	2 1/2	20 1/8	20 1/8	Austria 3% 1933-53	99	3 1/2	2 1/2
115 1/8	104 1/8	115 1/8	105 1/8	India 2 1/2%	108 1/8	3 1/2	13 1/2	33 1/8	33 1/8	India 2 1/2%	108 1/8	3 1/2	13 1/2
106 1/8	95	107 1/8	101	Do. 4 1/2% 1958-68	109 1/8	3 1/2	15 1/2	83 1/8	83 1/8	Do. 4 1/2% 1958-68	109 1/8	3 1/2	15 1/2
110 1/8	102	108 1/8	103	Dom. & Col. Govts.	105	4 1/2	2 1/2	42 1/8	42 1/8	Dom. & Col. Govts.	105	4 1/2	2 1/2
111 1/8	104	110 1/8	104	Austria 5% 1945-75	105	4 1/2	2 1/2	27 1/8	27 1/8	Austria 5% 1945-75	105	4 1/2	2 1/2
81 1/8	72	85	78	Nigeria 5% 1950-60	108	4 1/2	2 1/2	18 1/8	18 1/8	Nigeria 5% 1950-60	108	4 1/2	2 1/2
93 1/8	86 1/8	94 1/8	87 1/8	N. Zealand 5% 1946	104 1/8	4 1/2	7 1/2	18 1/8	18 1/8	N. Zealand 5% 1946	104 1/8	4 1/2	7 1/2
102 1/8	95	102 1/8	103	S. Africa 5% 1945-75	107 1/8	3 1/2	11 1/2	83 1/8	83 1/8	S. Africa 5% 1945-75	107 1/8	3 1/2	11 1/2
91 1/8	73 1/8	92 1/8	71	Corporation Stocks	106	3 1/2	18 1/2	32 1/8	32 1/8	Corporation Stocks	106	3 1/2	18 1/2
65 1/8	50	58 1/8	42	Birmingham 5% 1946-56	83	1 1/2	12 1/2	31 1/8	31 1/8	Birmingham 5% 1946-56	83	1 1/2	12 1/2
23 1/8	6 1/8	25	22	L.C.C. 3%	50	2 1/2	8 1/2	17 1/8	17 1/8	L.C.C. 3%	50	2 1/2	8 1/2
19	9	23	9	Belgium 4% (36) 1970	30 1/2	2 1/2	8 1/2	16 1/8	16 1/8	Belgium 4% (36) 1970	30 1/2	2 1/2	8 1/2
55 1/8	23 1/8	45 1/8	12	Brazil 5% Fd. 1914	50	2 1/2	9 1/2	17 1/8	17 1/8	Brazil 5% Fd. 1914	50	2 1/2	9 1/2
72	30	63	25	Chile 6% (1929)	16	2 1/2	9 1/2	17 1/8	17 1/8	Chile 6% (1929)	16	2 1/2	9 1/2
121 1/8	58	79 1/8	50 1/2	China 5% (1913)	21 1/2	1 1/2	17 1/2	12 1/8	12 1/8	China 5% (1913)	21 1/2	1 1/2	17 1/2
44	4	45 1/2	4	Czechoslovakia 8%	67 1/2	1 1/2	15 1/2	60 1/8	60 1/8	Czechoslovakia 8%	67 1/2	1 1/2	15 1/2
33 1/8	3	34 1/8	3	Egypt Unified 4%	61 1/2	1 1/2	15 1/2	27 1/8	27 1/8	Egypt Unified 4%	61 1/2	1 1/2	15 1/2
30	15	24 1/2	12 1/2	French 4% (British)	61 1/2	1 1/2	15 1/2	27 1/8	27 1/8	French 4% (British)	61 1/2	1 1/2	15 1/2
35 1/8	15	25	10 1/4	German Dawes 5%	13 1/2	1 1/2	15 1/2	27 1/8	27 1/8	German Dawes 5%	13 1/2	1 1/2	15 1/2
61 1/8	33	65	44	Do. Young Ln. 4 1/2%	13 1/2	1 1/2	15 1/2	27 1/8	27 1/8	Do. Young Ln. 4 1/2%	13 1/2	1 1/2	15 1/2
				Greek 6% Stab. Ln.	13 1/2	1 1/2	15 1/2	27 1/8	27 1/8	Greek 6% Stab. Ln.	13 1/2	1 1/2	15 1/2
				Hungary 7 1/2%	13 1/2	1 1/2	15 1/2	27 1/8	27 1/8	Hungary 7 1/2%	13 1/2	1 1/2	15 1/2
				Japan 5 1/2% 1930	13 1/2	1 1/2	15 1/2	27 1/8	27 1/8	Japan 5 1/2% 1930	13 1/2	1 1/2	15 1/2

(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 22 1/2% basis. (h) Annas per share. (i) Yield worked to average redemption—end 1960. (j) Based on redemption at par in 1946.
(m) Including bonus of 5% free of tax. (n) Yield on 1-52 1/2% basis. (o) For 15 months to December 31, 1939. Also cash dividend 10 per cent. out of capital reserve. (p) Yield worked on a 2 1/2 per cent. basis. (q) Worked on 65% basis. † Free of Income Tax.

BRITISH WHOLESALE PRICES

Nov. 12, 1940		Nov. 19, 1940		Name of Security	Price, Nov. 19, 1940	Ch'ge since Nov. 19, 1939	Yield Nov. 19, 1940
High	Low	High	Low				
71 1/8	61	76 1/8	68 1/8	Consols 2 1/2%	76	1 1/2	2 1/2
107 1/8	98	111 1/8	103 1/8	Do. 4% (aff. 1957)	111	3 1/2	7 1/2
96 1/8	90 1/8	100 1/8	92 1/8	Conv. 2% 1941-49	99 1/8	2 1/2	3 1/2
99 1/8	92 1/8	103 1/8	97 1/8	Do. 2 1/2% 1941-49	102 1/8	2 1/2	3 1/2
99 1/8	87 1/8	102 1/8	94 1/8	Do. 3 1/2% after 1961	102	3 1/2	10 1/2
112 1/8	103 1/8	112 1/8	107 1/8	Do. 5% 1944-64	107 1/8	2 1/2	9 1/2
87 1/8	79 1/8	92 1/8	86 1/8	Fund. 2 1/2% 1956-61	92	1 1/2	2 1/2
93 1/8	87 1/8	98 1/8	92 1/8	Fund. 2 1/2% 1952-57	98	2 1/2	11 1/2
87 1/8	81 1/8	92 1/8	85 1/8	Fund. 3% 1959-69	98 1/8	3 1/2	9 1/2
109 1/8	100 1/8	109 1/8	105 1/8	Fund. 4% 1960-80	112 1/8	3 1/2	9 1/2
99 1/8	92 1/8	103 1/8	97 1/8	Nat. D. 2 1/2% 1944-48	101	2 1/2	7 1/2
96 1/8	91 1/8	101 1/8	95 1/8	Do. 3% 1954-58	102	2 1/2	7 1/2
108 1/8	102	105 1/8	101 1/8	War Bds. 2 1/2% 1945-47	100 1/8	2 1/2	9 1/2
98 1/8	86	103 1/8	93 1/8	Victory Bonds 4%	111	3 1/2	5 1/2
93 1/8	87	100 1/8	92 1/8	War L. 3% 1955-59	101	2 1/2	18 1/2
99 1/8	92 1/8	103 1/8	97 1/8	War L. 3 1/2% af. 1952	101 1/8	3 1/2	10 1/2
64	55 1/8	71 1/8	68 1/8	Local Loans 3%	88 1/8	3 1/2	8 1/2
90	78	97 1/8	84 1/8	Austria 3% 1933-53	99	3 1/2	2 1/2
115 1/8	104 1/8	115 1/8	105 1/8	India 2 1/2%	108 1/8	3 1/2	13 1/2
106 1/8	95	107 1/8	101	Do. 4 1/2% 1958-68	109 1/8	3 1/2	15 1/2
110 1/8	102	108 1/8	103	Dom. & Col. Govts.	105	4 1/2	2 1/2
111 1/8	104	110 1/8	104	Austria 5% 1945-75	105	4 1/2	2 1/2
81 1/8	72	85	78	Nigeria 5% 1950-60	108	4 1/2	2 1/2
93 1/8	86 1/8	94 1/8	87 1/8	N. Zealand 5% 1946	104 1/8	4 1/2	7 1/2
102 1/8	95	102 1/8	103	S. Africa 5% 1945-75	107 1/8	3 1/2	11 1/2
91 1/8	73 1/8	92 1/8	71	Corporation Stocks	106	3 1/2	18 1/2
65 1/8	50	58 1/8	42	Birmingham 5% 1946-56	83	1 1/2	12 1/2
23 1/8	6 1/8	25	22	L.C.C. 3%	50	2 1/2	8 1/2
19	9	23	9	Belgium 4% (36) 1970	30 1/2	2 1/2	8 1/2
55 1/8	23 1/8	45 1/8	12	Brazil 5% Fd. 1914	50	2 1/2	9 1/2
72	30	63	25	Chile 6% (1929)	16	2 1/2	9 1/2
121 1/8	58	79 1/8	50 1/2	China 5% (1913)	21 1/2	1 1/2	17 1/2
44	4	45 1/2	4	Czechoslovakia 8%	67 1/2	1 1/2	15 1/2
33 1/8	3	34 1/8	3	Egypt Unified 4%	61 1/2	1 1/2	15 1/2
30	15	24 1/2	12 1/2	French 4% (British)	61 1/2	1 1/2	15 1/2
35 1/8	15	25	10 1/4	German Dawes 5%	13 1/2	1 1/2	15 1/2
61 1/8	33	65	44	Do. Young Ln. 4 1/2%	13 1/2	1 1/2	15 1/2
				Greek 6% Stab. Ln.	13 1/2	1 1/2	15 1/2
				Hungary 7 1/2%	13 1/2	1 1/2	15 1/2
				Japan 5 1/2% 1930	13 1/2	1 1/2	15 1/2

AMERICAN WHOLESALE PRICES

		Nov. 12, 1940	Nov. 19, 1940			MISCELLANEOUS (per lb.)		Nov. 12, 1940	Nov. 19, 1940
		Cents	Cents			—cont.		Cents	Cents
GRAINS (per bushel)—				METALS (per lb.)— <i>cont.</i>					
Wheat, Chicago, Dec.	87½	89		Spelter, East St. Louis, spot ..	7 25	7 25	Petroleum, Mid.-cont. crude	102	102
" Winnipeg, Dec.	72½	72		MISCELLANEOUS (per lb.)—			" "		

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK, LTD.

Head Office: 5 Gracechurch Street, E.C.3
and 403 Branches and Agencies in Australia

Subscribed Capital	£5,000,000
Paid-up Capital	3,000,000
Further Liability of Proprietors	2,000,000
Reserve Fund	1,725,000
Special Currency Reserve	1,585,000

Drafts issued on the Branches and Agencies of the Bank throughout Australia. Circular Letters of Credit and Travellers' Cheques issued.

Remittances made by Telegraphic Transfer. Bills negotiated or forwarded for collection. Wool and Produce Credits arranged.

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J. A. CLEZY, Manager.

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THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL	£50,000,000
ISSUED AND FULLY PAID-UP	£20,000,000
RESERVE FUNDS (STERLING)	£8,500,000
RESERVE FUNDS (HONGKONG CURRENCY)	£10,000,000
RESERVE LIABILITY OF PROPRIETORS	£20,000,000

Head Office: HONGKONG

London Office: 9 GRACECHURCH STREET, E.C.3

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9 Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of the Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application

The YOKOHAMA SPECIE BANK Limited

Incorporated in Japan. Established 1880.

Subscribed and Paid-up Capital	Yen 100,000,000
Reserve Fund	" 142,150,000

Head Office - YOKOHAMA

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London Office: 7 BISHOPSGATE, E.C.2 H. KANO, London Manager.

REFUGEE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£13,300,000
ASSETS EXCEED	£72,400,000
CLAIMS PAID EXCEED	£125,100,000

IMPERIAL JAPANESE GOVERNMENT

FOUR PER CENT. STERLING LOAN OF 1910

NOTICE IS HEREBY GIVEN that the COUPONS due 1st December, 1940, will be PAID on and after 2nd December, 1940 (Saturdays excepted), between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons must be left three clear days for examination prior to payment.

For THE YOKOHAMA SPECIE BANK, LIMITED,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.

10th November, 1940.

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MONTHLY TRADE SUPPLEMENT

The Long Road

THE danger to these islands and to the Empire is still great. There have been quieter nights, but the enemy's offensive in the air has found new targets for its heaviest blows by night. The threat at sea, underlined by the Ministers of Food and Shipping, may not have reached its height; Lord Chatfield has warned us of next year's trial. The armies of invasion, still mounted across the North Sea and the Channel, call out the greatest effort by our air forces to spy out their movements and attack their bases. In the Mediterranean there are two wars, in Greece and Egypt, and in the words of Mr Churchill, whose robust frankness mocks false confidence, though our successes have been considerable and encouraging, our resources are "always heavily strained." Across the Atlantic, neither our spokesmen nor our friends blink our peril or hide the gravity of our needs. If the material co-operation between Britain and the United States is to grow to the appointed end of safety for both nations, we shall need aid to pay our way in the traffic overseas, and help to carry the sinews of war in a sufficient stream and unmolested.

The danger of a false dawn in our thought and in our policy, of a belief that the worst is over, is perhaps greater than any hostile menace. News from the Italian and Albanian fronts is very good, and Axis diplomacy in the Balkans shows signs of hesitation. Relief at the shattering of the September assault by day, with its train of invasion thwarted; rightful pride in the sudden stroke which crippled the Italian battlefleet in its own shallow waters and placed the imperial seaways of Italy in jeopardy; admiration for the scattering of the aggressor's regiments by the defenders of Greece; knowledge that the war effort here in Britain is beating with a stronger pulse—all these entries on the credit side of the ledger are fully audited and indisputable. The superiority of individual British units in the air and at sea is recognised in Berlin and Rome, as it is in Vichy, Madrid, Ankara—and Moscow. The wounds done by British bombing upon Germany seem to go deeper in their

effects than the enemy's thrusts. In one sense, perhaps, the worst of the war is over. The belief that the conflict could be won by our innate strength but without our fullest effort has been doubly broken: by the German conquest of Europe; and by the success of our own desperate resistance when the ultimate disaster seemed possible. Our eyes have been opened.

In almost every other sense, the worst of the war has still to come. "Up to the present (the Prime Minister has told us) this war has been waged between a fully-armed Germany and a quarter or half-armed British Empire." Most of the Allies have fallen by the way, and Germany is still fully armed and fully arming. The gigantic task of organising the labour and resources of captive Europe to serve German ends has begun. It is a ramshackle Empire, perhaps, spiritually unstable because of the miseries and resentments of its peoples and materially unstable because of its overtaxed transport links and its shortages of oil and overseas materials. But, exploited by ruthless men and hemmed in by the world's most powerful army, it must be an engine of strength for the enemy until our own counter-strokes lay bare its weaknesses—the Italian blemishes are already showing through. Until the British Empire, too, is fully armed and fully arming, not even safety will be safe; and it was an uphill task that Mr Beyin sketched the other day when he bluntly contrasted the 17 million workpeople of Britain with the 100-odd millions of German Europe.

To admit this is not to preach defeat, but rather to map out the "long road" that the Prime Minister has warned us (in last week's debate on the Address) we have still to travel. Indeed, the return—through relief after strenuous days and hard-won victories—of the complacency which drove the British Empire, "quarter armed," towards defeat last year, is only one of the perils within. The other is simple defeatism, masked as "practical common sense"—the sophistry which argues that we are too strong at home and on the seas, and Hitler too

strong on land, for either to be beaten, and is deliberately indifferent to the fact that, if Hitler is undefeated on the Continent, we have lost, not only the war, but the future of all free peoples as well. As Mr Attlee said in the House on Tuesday, if we want to retain a civilised life, we must be prepared to pay the price for it. It has been the aim of Nazi diplomacy, both before and since the war, to set back British resistance behind the Channel and so to gain yet another stepping stone, by British favour, to the final bid for Empire and the world. More even than the invasion of Britain, Hitler desires us to believe that we cannot win the war.

We know now that we can win the war, and by what means. "I look to a time when the arsenals and training grounds and science of the New World and of the British Empire will give us that material superiority which, added to the loyalty of constant hearts, will surely bring victory and deliverance to mankind." These words of Mr Churchill are no false boast. Without the fullest aid from the Empire, in manufactures and in men of all colours and creeds, as well as in materials, and without the great, gathering force of Anglo-American co-operation, we cannot win; just as we cannot win without dedicating every

item of our resources here at home, and every hour of our daily lives, more certainly to the conduct of the war than we have yet attempted. From the Empire, we need that support in supplies and manpower which will lift the load on our long ocean routes. From the United States, we need materials, munitions, aircraft, ships of war as well as freight steamers and all the financial aid that the people of the United States may feel is needful for their safety as for ours. From our own rulers, we need the incisiveness and decision which will mobilise every man and every woman—by command where advice falls short—either to fight or to work directly for the war, and order alike their power to produce and their need to consume, their loyalty, their willingness and the endurance that has shone like a beacon in all the bombed and stricken districts.

It is a three-point plan—Britain, the Empire and the United States—and it is at the sea links between these three, as well as at the crowded focal points here in Britain, that the continued fury of the enemy is still beating. The strength of the attack cannot be argued or wished away. Nor can the power of the plan; and it is only by its execution with a whole heart that the long odds will be shortened, and the true dawn be brought into sight.

Hitler's New Order

THERE has been a sudden recrudescence of "new order" talk in the last few weeks, and the recent signature by Hungary, Roumania and Slovakia of the Axis Pact has naturally led to a crescendo of Utopian superlatives. As a German source put it: "A new Europe is in process of reconstruction . . . concerned with the prosperity of the European peoples and not with the interests of a group of capitalists. The peoples will not be shut off from each other but will co-operate for the common good . . . there will be no dictators among the peoples, but only leaders . . . ; leadership will naturally enough be in the hands of the German people, who are a nation of organic thinkers"; in short, swords will be beaten into plough-shares and the lion lie down with the lamb.

There is nothing new about this "new order." It has been under discussion since the fall of France, and Germany's arguments for it have not changed. In place of Britain's continental Balance of Power, a covert form of the old policy of "divide and rule," Germany has at last created continental unity and is in a position to offer the peoples of Europe security and stability bred of planning, centralisation and a unified economy. All that has changed is our own and Europe's experience of what this "new order" entails. Our knowledge of the detailed working out of Germany's continental system is now enriched by the fate of the Norwegians, the Danes, the Dutch, the Belgians and the French. Added to already established facts about the state of Poland and Czecho-Slovakia and about German methods in their Balkan trade drive, we have a complete and conclusive picture of the misery and oppression which German rule entails.

Under a general German domination, there are distinctions within the ranks of the subject peoples. There is a world of difference between Germany's assurances to the Dutch that in the "new order" "their character will not be obliterated but raised to a higher level," and that their "individual character" has "an important contribution to make to the Continental commonwealth" and Germany's policy towards Poland, where the Nazi attitude was brutally exposed by the Governor-General, Dr Frank, at the Nazi Party Congress in Cracow on August 15th. "The Party . . . is called upon to safeguard for all time German domination in this country conquered by Germany's armed forces. There will never be a Polish State again." These differences spring primarily from strategy. The Western fringe will continue to receive preferential treatment so long as Britain's armed might remains intact. The Low Countries and France may even be wooed by special favours in order to stem any general feeling of revolt bred

of nearness to a free people. Czechs and Poles have no such strategic protection. Moreover, they are marked down as Reich lands. Their territories have been incorporated into Germany and there can be no pity for the "minorities" thus created. Even in the West, Germany's control is more brutal and open in Alsace and Lorraine, which are destined to be integrated into the Reich, than in France generally.

Economically it is the same story, for there is the same shift of emphasis as in the political sphere. In the East, the new order is exploitation, blatant and open. In the West, it masquerades as mutually advantageous commerce. By the time it reaches the Americas, it is Utopia. In the incorporated territories, Poland and the Czech Protectorate, the Germans practise pure spoliation. The subject peoples' farms, factories and workshops produce for the Reich, their supplies are stripped for German stomachs. It was the boast of Greiser last summer that the Warthegau, which had never before exported more than 200,000 tons of grain, had sent 700,000 tons to Germany in the first year of occupation. We can imagine how much was left for the needs of the wretched inhabitants. Labour is exploited as ruthlessly. More than a million Polish labourers have been sent off to forced labour in Germany, many thousands from the Protectorate.

What is requisitioning in Poland is termed purchase further West. Germany's negotiations with Denmark, Norway and the Low Countries recall the old Balkan clearings, where in return for exports of raw materials the Balkan States received old armaments and new aspirin. Conquest permits Germany to dispense with both the armaments and the aspirin. The German balance in the new clearings is paper. The procedure is sufficiently well known. By paying their debts in the local currency and by fixing the exchange rate at a level preposterously favourable to the mark, they have succeeded in creating inflation able to the mark, they have succeeded in creating inflation. In the West under the guise of legitimate trade. True, one of the German envoys to Holland, Dr Fischbruck, has denied this. "There is no inflation in Holland," he declares. "There is only an extreme scarcity of consumer goods, coupled with a surplus of purchasing power." We must accept his diagnosis.

Behind the control given by the disorganisation of local economy under the pressure of Germany's inflationary action, there is growing up a more direct control based on the steady acquisition of capital values in occupied territory. This buying up of industries has been practised for some years in the Balkans. Only its extension to all the conquered territories is new. To give a few recent examples, Wintershall A.G. has bought up all oil rights in Hungary

after buying out Standard Oil. Otto Wolff of Cologne has amalgamated with one of the largest Belgian steel companies, D'Ougrée-Marihay. German textile industries have virtually taken over all Poland's textile industry, while the heavy industries of Polish Silesia have been incorporated as German companies. Finance—that sinister conspiracy from which Germany was to deliver Europe—plays its part. The Internationale Bank of Luxemburg, linked with the Dresdner Bank, has floated a new holding company to purchase and finance industrial concerns, and its aim will be to exclude "foreign interests." The banks and savings banks of Alsace-Lorraine have been detached from the French financial system and linked with Germany. Since the procedure is the same as that adopted in incorporated Poland, Germany's economic practice bears out the evidence of the recent expulsions. Alsace-Lorraine is not to remain with France.

Finally, the months since June have brought out in clearer and clearer light the general strategy behind Germany's economic stranglehold. Here there is no change. The subject peoples of Europe are to produce the raw materials—agricultural and industrial—for the Great German war machine. Norway is to produce foodstuffs and will be permitted only those industries for which she is "naturally adapted," and electricity appears to exhaust this list. Holland's future as an "agricultural country" has been widely discussed and, for the loss of her world carrying trade, she is offered barges on the new Rhine-Main-Danube canal. Belgium's output of foodstuffs is to increase by 30 per cent. to cover her old imports, and, as for France, "plans are everywhere in full progress to incorporate this land, with its favoured soil and climate, into the German *Raum* and to make it into an agricultural export territory."

We must remember that there is nothing new in all this. It is not merely the system which has been trumpeted about since the victories of June. It is the economy which is inherent in the Nazi system. Since the Nazi party started with seven men in a shack in Munich, its aim and methods have never altered a hair's-breadth. The system is the apotheosis of power and the subordination of every aspect of life—political, social and economic—to the pursuit of power. Hitler, starting the party on the pennies filched

from deluded working men, is the same Hitler who to-day conducts his larceny in the grand manner. Only the scope of Nazi policy has extended. Its dynamism—of robbery and exploitation—has been consistently the same. And, since the condition of this cult of power is the wielding of force, and force depends upon an expanding armament industry, the subject peoples of Europe need not delude themselves that they have purchased stability by their loss of freedom. The armaments drive is a machine which in Nazi hands does not go into reverse. Politically the basis of Nazidom is activism, an ever-widening circle of conquest and domination. Economically, the re-armament programme is the condition of full employment and the seizing of spoil from conquered territory the means by which, precariously and desperately, the soaring unproductive expenditure on guns is offset by just enough looted butter to keep Germany's millions in working trim.

This, then, is the "new order" which Hitler, helped by an entirely new state department, lavishly staffed and lavishly financed, is selling not only to Europe but to the New World as a vast stabilised unified market, a "continental commonwealth" in which all men can co-operate for the general good. It is vile economics, but it is, perhaps, good propaganda, and we cannot be content merely to point out its fallacies, laugh at its pretensions and take it for granted that its inner contradictions will finally bring it down. That the British Government is seriously concerned with the post-war state of Europe was illustrated last week by the setting up of a committee under the chairmanship of Sir Frederick Leith Ross to make provision for the feeding of Europe and for the disposal of world surpluses. This is obviously on the right lines, but more must be done. True, it is difficult at this point for the Government to make a statement of war aims which, while conveying some positive policy, will yet be general enough not to impede the conduct of the war. Yet we cannot leave unanswered the German taunt that our policy is to divide and weaken Europe for our own ends, that our victory means the return of all the insecurity connected with *laissez faire* and all the rapacity linked with international finance. Germany, as the war goes on, will have gone far towards disproving her own case, but we shall still have to prove ours. Here is a task to which the Government's best energies must be devoted.

Economic Policy Again

THE opening of a new Parliamentary session is, in these days, more than ever, a purely artificial landmark in the year's course. But it has served the useful purpose of providing an opportunity for the review of progress made in the various aspects of the war and for a brief consideration of the wider principles and tendencies that lie behind the daily incidents of the struggle. On Wednesday it was the turn of economic policy to come under examination. The debate in the House of Commons can hardly be called reassuring; indeed, it followed almost the same lines as in the Chamberlain days. The critics found it necessary to repeat the same elementary truths that they have been voicing ever since the war began. On the Government side, there were the same lofty exhortations to the public to do the job itself, the same sublime confidence that, in some unexplained manner, economic resources would mobilise themselves, the same expressions of unshakeable resolve to do something or other some day if it ever proved to be necessary. The only substantial difference is that the strong words of Mr Bevin have replaced the soft words of Lord Simon.

It would be wrong to suggest that no progress has been made in economic policy in the past six months. Several problems have forced themselves on the attention of Whitehall, and solutions have had to be found. A number of raw materials, for example, are beginning to be scarce, either because of import difficulties or because the limits of domestic capacity have been reached, and some sort of effective priority mechanism has had to be created to

secure relief where the shoe pinches. Mr Bevin's recent pronouncements on the need for a million more munition workers show that some forethought is being done on the size of the man-power problem. But to judge by all the available signs, this is an exception, and in the main the "planning" activities of the Government—those of them at least that reach the stage of policies—can best be described by words that date from the last war, "a scurrying hither and thither in chase of the unapprehended consequences of ill-considered actions." This Government, like the last, believes in not crossing bridges until it gets to them—and finds them blown up.

It cannot be other than tedious, at this time of day, to quote examples. Is there, for instance, a price policy? The question is usually answered by explanations of the reasons why some general increase in prices must be expected in war—increased foreign exchange and freight costs, general shortages and the like. But nobody in his senses means, by a price policy, a complete prohibition of all price increases; and it is precisely because of the general wartime tendency to higher prices that very careful oversight of prices is necessary. Lip service to the evil of inflation has been paid in sufficient quantities for more than a year past, one would have thought, to guarantee that the State would neither itself take the initiative in pushing prices up nor lend its support to the attempts of others. Certain strategically placed prices, for example, should be raised only as a last resort. But in one of the most important of all, the cost of railway transport, the

State has entered into partnership with the companies to push railway charges even higher than would be necessary to provide for the companies the net revenue adjudged to be fair. Moreover, it is already apparent that the process of raising railway charges is by no means finished; the cost of coal has gone up and a claim for increased wages has been proffered since the last award was made. There is no evidence whatever to suggest that the problem of transport costs has been considered in the context of their effect on general economic policy; the discussion never gets any further than the mere waving aside of a subsidy as if it were an invention of the devil (transport is evidently less important than sugar beet).

Railway charges are the most outstanding and best documented example of the complete lack of policy—indeed, of the existence of impolicy. But they are not the only example. If one were to judge by results, one would say that the only policy was to accept every excuse for pushing prices up. In the case of the railways, the public is not to gain from any reduction in the burden of overhead costs that may result from higher turnover. But when it comes to industries whose operations have contracted, such as the utility and retail trade, prices are allowed to be raised to cover the higher incidence of overhead costs. The public is soaked coming and going; it loses on the swings and gets mulcted on the roundabouts. Is it any wonder that Labour, regarding the behaviour of industry, replies with a hollow laugh to all the well-meant, earnest attempts to persuade it not to advance its claims in proportion to every rise in the standard of living?

The same apparent contentment with a policy of drift is apparent in the management of the national finances. In the current quarter, expenditure has been running at the level of over £4,400 millions a year. Revenue is estimated at £1,360 millions, and the National Savings campaign, after a year of Sir Robert Kindersley's untiring efforts, has produced £475 millions. This is admittedly not the total of savings accruing to the Government, but it is apparent that the "gap" in the Budget is of the order of £2,000

millions a year. But nothing is being done to prepare the public either for a policy of narrowing the gap or for the consequences of leaving it unclosed, and even the warning voices of a year ago are now reassuring. Is this policy? Or is it improvidence?

The Government formed in May has thus, one must reluctantly conclude, done little or nothing to meet the need for an economic policy—for any consistent economic policy. The main responsibility for this state of affairs must, of course, rest on Mr Greenwood, who has been successful in expanding and improving his staff of economic advisers, but has been a complete failure in pressing his, their or anybody's views on the departments. In the sphere of finance, of course, he must share his responsibility with the Chancellor of the Exchequer. But in the sphere of production, in all its aspects, there is another powerful obstruction in the person of the Minister of Aircraft Production. Lord Beaverbrook did wonders in the summer in accelerating the production of fighters; for that he deserved and has received the thanks of the nation. But it is the defects rather than the merits of his methods that are now the more apparent. Lord Beaverbrook's tactic is that of inspired brigandage; he plays his own hand; he wages war on other departments as well as on the Nazis; he lends himself to no co-operation, let alone to any co-ordination. Complaints are being heard from America of the confusion caused by his insistence on having his own Purchasing Mission, and at home every industrial firm can tell tales of the victories he has scored over the programmes of other departments. The damage done is increased by the difficulty of disputing with a Minister who not only sits in a War Cabinet from which many of his competitors are excluded, but also stands in a position of intimacy with the Prime Minister.

It is high time, in fact, that Mr Churchill intervened personally in a department of the war effort that is no less vital than the marshalling of troops and the movement of fleets if the fully armed Nazi Germany is to be faced before long by a fully armed Britain.

NOTES OF THE WEEK

Greece's Victory

However quickly important Italian reinforcements or sweeping German aid may restore the broken line in Albania, nothing can take away from the Greeks' magnificent achievement in chasing the invader from the soil of Greece and pursuing him deep into his own territory. The Italian retreat has had every appearance of a rout, and so much war material has been abandoned in the flight that the Greeks have been able on several occasions, notably on the road to Pogradets, to use Italian equipment against the routed Italians. The fall of Koritza marked only a phase of a brilliant Greek manoeuvre during the course of which the Italians were led to believe that the main attack was developing on the Koritza front, and were induced to send their reinforcements to the beleaguered town. Then the main Greek offensive was launched, not at Koritza, but against the Italian forces in Epirus, and it is on this front that the most sensational advance has been made. The fall of Argyrocastro is believed to be imminent, and if rumours of a Greek landing north of Santi Quaranta prove to be correct, then as much as an Italian division may well be isolated on the Albanian coast. With their advance guards reaching out towards Elbasan and firmly established on the road to Valona, the possibility of driving the Italians from Albania can at last be considered as a practicable, even if still an unlikely, manoeuvre. Rumours that the Albanians of the interior are being organised for a revolt can be received with some scepticism. But, if true, they would indicate a crowning embarrassment for the Italians.

The Balkans versus the New Order

Greece's victory has had an obvious and heartening effect upon her neighbours. The Yugoslavs are reported to have made it clear that Italians trespassing across their frontiers will be interned, and the "foreign aircraft" who

made a habit of bombing Monastir in the early days of the campaign have been driven off by Yugoslav fighters on ground defences. At the same time, the fact that Hitler did not consider the time ripe to issue an "invitation" to Yugoslavia to join the Axis may denote a stiffening of the Government's attitude. It is, however, further East that Greece's gallantry has had the most noticeable effects. The private visit paid by King Boris to Hitler at Berchtesgaden has had so little effect that the Axis has finally been obliged to deny the rumours for which it was itself responsible to the effect that the Bulgarian Prime Minister and Foreign Minister were shortly to follow in the footsteps of so many other unfortunate Balkan statesmen, and make their pilgrimage to the Reich. King Boris's attitude towards the Balkan crisis is simply that while his country's claim to an Aegean outlet remains a serious problem, he has no intention of embarrassing the Greeks with it at this juncture, and that, while his sympathy for the Axis is genuine, he cannot afford any step—such as adhering to the Triple Alliance, for example—which might disturb his relations with Russia and Turkey. The King's position has undoubtedly been strengthened by the visit paid him by the Soviet envoy M. Soboleff, en route for the Danube Conference. The Turkish attitude also helps him. While the Turkish Government stresses its desire to maintain the best possible relations with the Bulgarians, it has left them no doubt over its attitude should Bulgaria, pushed by cupidity or the Germans, "stab Greece in the back." To underline the seriousness of their purpose, the Turks have declared martial law throughout the Straits defence zone—that is, Thrace and Istanbul, and mobilisation is steadily and unhurriedly forward. The German Ambassador, Von Papen, has returned to an Istanbul blacked out for air raids and to a country resolute and confident. It is significant that the Ambassador has seen fit to deny reports of his own, in which Turkey was warned of the consequences of not accepting Hitler's "new order."

these reports come from the official German news agency, the Turks are shrewd enough to compare the contradictory sayings of the German oracle and to draw their own conclusions.

*

There is thus reason to believe that the Albanian war has reached a point at which it is interfering with Germany's general Balkan strategy. Roughly along the line of the Drave and the Danube, the "new order" comes to an abrupt end, a raggedness which must be galling indeed to the tidy soul at Berchtesgaden. Thanks to Greece's resistance and Italy's defeat, not only Greece, but Yugoslavia and Bulgaria too, appear to have purchased a respite which it may be necessary to end by force of arms—whereas Germany's Balkan plan has been that of "peaceful" penetration. Yet Hitler cannot permit the Italians to be driven out of Albania. One of the Axis' most potent weapons of terrorisation is its unbroken record of success. And Hitler has, quite as strongly as ever Bismarck had, the fear of a war on two fronts. He cannot risk the opening of a Balkan front. German help to Italy is therefore probable, unless the Italians can, by a mighty effort, redress their own balance. It is harder to forecast the form which the help will take. Direct military aid from the under-employed Reichswehr entails grave problems of neutrality. It is not that Hitler shrinks from violating the neutrality of his small neighbours, but that he shrinks from doing so at the most unfavourable moment. From neither Yugoslavia nor Bulgaria does he yet appear to have received permission to send his troops across their territory. An advance now would therefore risk exciting their active resistance at a season of the year when that resistance is most likely to be effective. And Hitler has an x to consider in his problem in the attitude of Soviet Russia. Turkey has declared martial law since Molotov's return to Moscow; King Boris appears to have been able to use the necessity of good relations with Russia as an excuse for not joining the Axis; and the official Soviet news agency has gone out of its way to say that Russia did not approve Hungary's signature of the Axis Pact. The only possible inference is that Russia is not so willing to abdicate from her Balkan ambitions, nor to abandon the Straits and transfer herself to the Persian Gulf as Germany would have the world believe. Hitler has therefore to play his hand carefully and we do not yet know what trumps he is holding in reserve for the Greek trick.

* * *

The Place of Parliament

Appropriately, the Prime Minister took the chance of the opening of a new Session of Parliament last week to speak about the part played by Members in the war. "We are instinctively reviving the ancient practice of the House (he said), which was that the Government of the day got through its necessary business with considerable expedition and the House devoted itself to debating, usually on Petition, whatever were the topics of general public interest." It is plainly imperative that the urgent business of conducting the war should be impeded at no point by peacetime forms or by the prestige performances of political partisans; and the function of the Commons is to give their wholehearted support to Ministers who command their confidence and constant watch for acts of commission or omission which are clearly detrimental to the war effort or to the liberties of the subject. If there is any fault to be seen in the recent relations between Parliament and the Government, it lies in the Government's reluctance to use the powers given it, not in Parliament's unwillingness to give those powers. There is no time to pass upon the details of urgent measures or to draft and redraft their clauses. It is confidence in the Ministers and their policy rather than complete accord on every comma of their enactments that is essential, and a chief obstacle to the efficient conduct of the war in its early months was the growing evidence of lack of confidence. In May, the Commons fulfilled their most important duty by securing the establishment of Mr Churchill's Ministry, and since then their rôle has been to give the programme of that Ministry the force of law. Parliament will not be a rubber stamp. In general debate, as Wednesday's debate on economic policy well showed, it is always possible to test both the popularity and the efficiency of the Government's programme; at question time, by bringing information into public view, it is possible to search for errors and shortcomings in the details of administration; and in the last resort, the Parliament that has made this Ministry or that Minister can make another. Week by week, in return for the backing which gives speed and effect to its policy, the Gov-

ernment must justify that policy in general terms—or in detailed fact—to its willing supporters on both sides of the House. Those Members who sit on the sub-committees of the Select Committee on National Expenditure look still more closely at the practices of departments executing policy; and it is not feasible for Ministers to act in any matter without some consultation, in the House or informally, with interested Members. A special case is that of Members in the fighting forces. The so-called Sandys case before the war was only one instance of the way in which a Member's duty as a Member and his duty as a serving man can sometimes come into conflict, and there have been more recent cases, notably the attack made recently by a naval Member upon the Admiralty, when the personal misadventures of a single critic somewhat clouded the broader criticism made. Mr Churchill's view is clear, and accords with his own many parts in the past. He is convinced of the desirability of Members serving "in all forms of warfare" and discharging their Parliamentary duties at the same time. It is a matter for "the good sense of the House and hon. Members." Certainly to exclude Members, who are the eyes and ears of the citizens who elected them, from any department of wartime national life would be to impair the liberal basis upon which the wide powers of wartime Governments must rest; and it is even a very unfortunate constitutional necessity which precludes Members from working within the Civil Service itself.

* * *

Speed-up in America

Everything that has happened in the United States since the election—and a great deal has happened—serves to underline how unfortunate it would have been for the democratic cause throughout the world if there had been a change of administration or a hiatus of responsibility in Washington at this precise juncture. As it is, events have been pushed forward with considerable speed, and the war against the dictators has become the thread on which all American events are strung together almost as fully as if the United States were already a full belligerent. Thus the knowledge that armament expenditures are increasing without visible limit has played its part in softening the grief and chagrin with which the business community received the news of the election—even though, as was pointed out in *The Economist* a fortnight ago, and as the President has found it necessary to warn again this week, it will be a long time before the really big money is spent and the really gigantic quantities of munitions materialise. Labour has also, like Capital, adjusted itself to the result of the election with an eye on re-armament. Mr Lewis performed his promise to resign from the Presidency of the C.I.O. in the event of Mr Roosevelt's victory, and though his successor, Mr Philip Murray, has been his close associate for many years, the elimination of Mr Lewis should raise the chances of a reunion of the Labour forces, which, in its turn, would diminish the amount of interference with armament production through labour troubles. Congressional changes are also being canvassed chiefly for their bearing on the great question. The unexpected death of Senator Pittman left vacant the all-important chairmanship of the Foreign Relations Committee of the Senate. The new chairman is Senator

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George, of Georgia. Mr George, like most Southern Democrats, is a firm friend of Great Britain and a convinced believer in the policy of sending aid across the Atlantic. But he is also a conservative in domestic politics and an intended victim of Mr Roosevelt's "purge" of 1938, and his fundamental agreement with the President may be sufficiently modified by political hostility to create occasional procedural difficulties. American aid to Britain has not in the past three weeks been confined exclusively to the sphere of munitions. The appointment of Admiral Leahy to be Ambassador to Vichy is openly intended as a means of putting pressure on Marshal Pétain in a sense that can only be welcome in London, while the Dies Committee's revelations of the extent of Nazi propaganda in America can hardly fail to turn American opinion still further away from any sympathy with the Axis. The consistency of American diplomacy in this direction would be more obvious if the President were now to proceed to the long-expected replacement of Mr Joseph Kennedy. Mr Kennedy is still Ambassador to Great Britain; but he is engaged on a tour of the United States in the course of which he has either been making statements about British weakness and insincerity which no friend of Britain or lover of the truth would permit himself or else he has been expressing himself so ambiguously that his hearers consistently misapprehend his meaning.

The most important progress that has been made in the last few weeks, however, is the emergence into open discussion of the problem of financing British purchases. Lord Lothian performed this office on returning from London, and it was obviously better to raise the subject before rather than after seeing the President and Mr Cordell Hull. Indeed, it might well have been raised still earlier, for it is a very ticklish problem indeed, in which logic plays a very small part, and a long process of educating the American public will be needed. The immediate reception has been favourable—even strikingly so—but it is Congress, not the newspapers and the articulate opinions of the Eastern seaboard, that will decide the matter. Senator Johnson, as was only to be expected, has jumped to the defence of the Act that bears his name, and he will be supported strongly by the isolationists. Senator George is for postponing any formal discussion until January, which is wise, both in order to test the opinion of the new Congress and to allow opinion to mature. It is not, of course, for the British to make proposals. We can best confine ourselves to repeating the obvious facts: that the order of magnitude both of British needs and of British dollar resources is well known and that we can pay cash for munitions only so long as we have cash to pay. It is an American problem to decide what consequences to draw.

Ulster and Ireland

The late Lord Craigavon was accustomed to say that he was an even more stubborn man than Mr de Valera, and his own description will not be challenged by those who remember the nineteen years of his Premiership in Belfast. He had got what he wanted by the autonomy of Ulster within the United Kingdom, and the beginning and end of his whole policy was to leave no doubt about keeping it. It may be that his death will lead to a certain increase in the surface geniality of Northern Ireland's attitude to its neighbour; but it would be foolish to expect his replacement by Mr J. M. Andrews to lead to an early solution of the Irish problem. There is, indeed, as *The Economist* pointed out a fortnight ago, no reasonable prospect of a solution either of the Irish problem in general or of the specific problem of the British Navy's need, in British and Irish interests, of bases in South-West Ireland. Many people in England disapprove strongly of the semi-Fascist basis on which Northern Ireland is run; but there is not the smallest chance of Great Britain's coercing Ulster into a United Ireland, and even without that coercion partition, and the grievances of Eire, will continue. A stir has been caused in some circles by *The Economist's* remark that, since no agreed solution of the bases problem is conceivable, if they are proved to be necessary for British and Irish safety they will have to be taken. Mr de Valera has since confirmed the first half of the statement by explaining that even a united Ireland would be strictly neutral. As for the second half, sarcastic references to scraps of paper are quite beside the point. Great Britain pledged herself not to use war as an instrument of policy; but it was she who declared war on Germany. Was that wrong? Every bomb dropped by the R.A.F. on Germany is a violation of the international decencies; but should we apologise for them? When we are

fighting for the restoration of rules of international order against an opponent who observes no limits on his actions, must we throw away the whole fight rather than break a single rule ourselves? These are questions that torture the philosopher. But the common man has no doubts. He knows that if you engage in war you implicitly accept the doctrine that the end sometimes justifies the means. Our victory is Eire's only chance of preserving her sovereign independence; in her interest as much as in our own, our job is to win the war, and we may not be able to do that if we always keep the rules that Hitler breaks.

The War at Sea

On Tuesday the Minister of Shipping was frank about the heavy loss of ships in recent weeks. Since June losses have averaged 60,000 tons a week; more merchant ships are now needed to aid in the operations of the fighting forces; a great deal of shipyard space is devoted to naval construction; and the rate at which we are building merchant ships does not make up for our losses. The supply of ships available is still adequate, but special measures are needed to guarantee the future. For new ships, over and above our own capacity to build, we are looking to the United States—as for so many other aids. But, meanwhile, it is of urgent importance that no ships and no materials that have to be imported shall be wasted. The solution to the shipping problem, pending the defeat of the raiders by direct naval action which the Prime Minister has promised for next year—when the additional cargo ships ordered in the United States will also be delivered—lies in economy at home. There is a wide margin for saving, and the Minister of Food has already called for "small sacrifices." There should be no false pride in this matter, no refusal to admit that the position may conceivably become critical, for a short time at least. It is the duty of Ministers—and consumers—to prepare for the worst, however good the grounds may be for hoping for the best; and there is every reason, not only for cutting consumption as much as possible without hardship, by further restrictions and rationing, but also for deliberately setting aside foodstuffs and materials for stock instead of for use—to provide against every contingency in future months.

Guarantees for Farmers

Because the shipping position is "appreciably serious" the Minister of Agriculture has announced new steps to encourage the home production of food. Until now, farmers have apparently been held back from the fullest effort in the development of their land, not only by an alleged shortage of ready cash—despite special Government credit facilities—to meet capital expenses, but also by memories of what happened after the last war. Then the ports were quickly opened to cheap imports from the great overseas producers, and the wartime prosperity of British farming, based on guaranteed prices and an assured market, petered out. This time the farmers have guaranteed prices and an assured market again; and the Minister has now promised that these will be maintained for the duration of the war and for twelve months afterwards. This is a common-sense development in policy—provided the prices guaranteed and the market assured are reasonably determined. It is plainly impossible, even if the nine million or so acres tilled in 1939 are raised to the figure of 12½ million acres tilled in 1918, for this country to be made self-sufficient in food; but the recent rate of losses at sea renders it imperative for the quantity of imports to be cut down sharply. The inducements and guarantees offered to farmers to grow more food only the first part of a policy. The object is to save shipping space, and success in this depends upon the extent to which bulky imports, or imports brought long distances, can be replaced by home produce. The aim is also to ensure that there will be no dearth of the foods necessary for good health and decent nutrition, and success here depends upon the extent to which production can be concentrated on essential articles. It is a selective programme that is wanted, not simply a drive to grow more food of any sort. There is the need to replace imported feeding stuffs in order to maintain meat and milk production; milk is already short. And there is the need to produce and preserve sufficient green vegetables to make up all the year round for lost supplies from abroad, and sufficient potatoes to serve as the foundation of a basic wartime diet. The need for efficiency is paramount, and the county war agricultural committees, with the Government's extended credit facilities behind them, have the duty of imposing standards of cultivation and drainage. After

the war the future of British farming will depend, not on Government philanthropy, but on its own efficiency; and the new security gives farmers, not simply the inducement as well as the chance to meet the nation's needs in a serious situation, but also the opportunity to put their own house in order and finally to face the post-war future with a specialised and efficient industry. Provided that the prices fixed and the quantities of produce for which they will be paid are determined on the basis of efficient production, and without detriment therefore to the wider interests of consumers, there is no reason why the system of guarantees should not be retained after the war, and not just for a single year.

The First Queues

The vindication of the policy which set up a Ministry of Food as soon as war started and instituted food rationing when both stocks and supplies were plentiful has been the complete absence of the queues of anxious customers seen in the last war. Now the situation for which food control was instituted has arisen. Intensive attacks are being made upon our seaborne trade. Several nearby sources of food supplies have been closed by the German conquest of Western Europe; and the average distance over which imported foodstuffs have to be carried has greatly increased. At last there have been the first queues—for eggs. Eggs are scarce and unrationed. It seems that (for obscure reasons) they cannot be rationed, and in any case the egg queues were only a temporary local phenomenon. Nevertheless, their appearance is also a portent. In the case of commodities that are undeniably short in supply, such as milk as well as eggs, it is being left to retailers to eke out their stocks as fairly as they can—usually to customers registered with them for other foodstuffs. This may be a reasonable procedure in the case of, say, chocolates and cigarettes, which are being informally eked out in the same way; despite their wide consumption, these are dispensable articles. Eggs and milk—and even onions or leeks or other vegetables—are necessities. Their price is controlled, it is true, but this does not ensure that they will be evenly distributed. They tend to be snapped up quickly by the fortunate few, while the majority of customers search in vain or stand in queues. In all these cases full rationing may not be possible, though it merits consideration, but at least the formal registration of customers at particular shops might seem advisable.

A Paris-Berlin Axis?

The Germans appear to have realised that in pushing the expulsions from Lorraine at this moment they are embarrassing their few friends in France. Hitler must continue to bluff Pétain or Laval's hands are tied. Laval has probably succeeded in bringing this home to the Nazis. Accordingly the expulsions, first suspended, have for the time being definitely ceased. This will simplify Franco-German relations. It will not sweeten the attitude of the other two Axis Powers—Italy and Spain—who find the turn of events in France hardly to their liking. Far from a Catholic Latin bloc taking shape, to curb Germany and establish the Mediterranean as a Fascist-Falangist sphere of influence free of the Nazi infection, a Vichy-Paris-Berlin axis appears to be in process of formation with interests very nearly contradictory to those of the Rome-Madrid partnership. Hitler can preserve Vichy—to fight the British, as he, Laval and Fernand de Brinon hope—only by leaving the North African problem in abeyance. And this can be done only at the cost of leaving Italy and Spain dissatisfied. Italy's hopes of a cheap penetration of Syria, held in check by the mild M. Puaux, are likely to be completely extinguished by the arrival of M. Chiappe, the notorious ex-police chief of Paris, whose Press and whose associates were, even before the war, veering to the pan-German line. Small wonder, therefore, that the Spaniards show signs of disgust with France. *Arriba* complains that however honest the will of the leaders to co-operate, what can be hoped of a country where all the inhabitants desire a British victory? And it is probable that Señor Suñer paid his second hurried visit to Germany in order to state with some firmness the scope of Spain's ambitions in the "New Order." But there are rifts even between the Latin States. There is some reason to suppose that the Duce considers the occupation of Tangier by Spain to be an infringement of Italian rights, while the Spaniards

counter this by declaring that they only marched in to forestall the Italians. Obviously, the "New Order" is still in a very fluid state.

After Delhi

The Delhi Conference, called to co-ordinate the economic war effort of the Eastern Empire, has ended. Its recommendations have, not unnaturally, been left secret, and all that has been told is the statement to the Press that "an intensive effort of the greatest importance" has started. The participating Governments have been advised to send representatives to a more authoritative body, more permanent than the conference itself, to plan production jointly and consult about supplies. Criticism must wait upon more information, but there are phrases in the Press statement, endorsed by all the delegations, which must cause misgivings. Australia, we are told, is already "all out on an immense programme," and India and South Africa are "both on the same way." It was believed that the purpose of the Delhi meeting was to discuss not raw materials, which are admittedly being produced in great quantities in the Eastern Empire, but rather manufactures and the finished goods of war; and if these conclusions sum up the views of the conference on the present state of the industrial war effort of its members, it can only be said that the scale of the task ahead has been startlingly minimised. A situation has arisen in which it is desirable that the distant parts of the Empire should increasingly provide themselves with the essential manufactures they have hitherto imported from Britain or foreign countries, and that they should furnish their own defences and the Eastern battle-fronts with increasing quantities of the weapons of war. If they are to produce significantly more essential industrial goods for the war, they will have to produce, import and consume correspondingly less of other things. It is not simply a boom in their industries that they are called upon to plan, but an entire war economy; and unless the secret minutes of the conference include schemes for imposing strict priorities on the use of all their resources, curtailing civilian consumption, rooting out unnecessary purchases from abroad, extending capacity and transferring and retraining labour, the delegates have fallen short of their task. Hopes that the conference might produce an Empire-wide trade and production policy and an authoritative Imperial economic directorate have not faded; but they cannot be so bright as they were.

The Colonial War Effort

The fall of France completely upset the strategic situation of the Colonial Empire, and earlier plans, which were inclined to let the defence of the colonies look after themselves and to concentrate on the economic help they could give, have had to be revised. This is particularly true of the African colonies, which, after the defection of Tunis, French West Africa and French Somaliland, were immediately exposed to dangers which could not have been foreseen. In a debate last week, the Under-Secretary of State for the Colonies said that it had been possible to plan great increases in the African combatant units; but the operative word is "plan," and it is unfortunately true that we cannot yet supply them with anything like the equipment called for by the minimum needs of defence, and still less by the eagerness of the African to enlist. The new units are at the same stage as the Home Guard in its early days, and are teaching themselves arms drill with sticks cut in the African bush.

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In brief, the lofty task entrusted to the Dutch within the framework of the New Order is to be drawers of water and hewers of wood for the German overlords.

Political Currents

This "scientific looting" has not failed to have striking political consequences. It was pointed out in a recent article in *The Economist* (October 12th, page 460) that after the former Dutch political parties had refused to collaborate with the Germans, three distinct movements tried to attract the favourable attention of the occupier. Two of them had an authoritarian but by no means national-socialist character. The *Nationale Unie* has failed to gain ground and has changed its name to "The Firestone" (*De Vuurslag*) in order to avoid confusion with the *Nederlandsche Unie*. The *Nederlandsche Unie* has undoubtedly won a large following but though some months ago it was said to have boasted a membership of two millions, in reality the number of members is just over half a million, of which a large part is Roman Catholic, the religion of its founder, Professor De Quay.

After four months of occupation, the *Nederlandsche Unie* came to the conclusion that it was impossible to collaborate with the Germans on the political field. It proposed, therefore, to Reichskommissar Seyss-Inquart that it should set up a Board of Advice on cultural matters. The force of events had brought the *Unie* to the same conclusion which was reached beforehand by the former political parties, and one of its secretaries has recently revealed, to the indignation of the Nazis, that the Triumvirate at its head considers the Jews to be proper Dutchmen, that it recognises the Dutch Government in London as a lawful government, and that it firmly believes in an Allied victory. After that, it is not surprising that the Reichskommissar did not even take the trouble to answer the Triumvirate's proposal.

The Dutch Nazis are even more hated by their compatriots than the Germans are. The N.S.B. (*Nationaal-Socialistische Beweging*), the third political movement, is unable to win the sympathy of a people which it helped to betray, but its practical influence is undoubtedly rising by the distribution of important posts among its members. Professor Goedewaagen, head of its Press department, is chairman of the *gleichgeschaltet* organisation of Dutch

journalists. Ir. Mussert has set up a Teachers' Guild, an Organisation of Police and Justice Officials, and an Agricultural Front. In the meantime, hardly a day passes without serious riots against the Dutch Nazis. In Amsterdam alone, the police has had to be strengthened by 300 new constables. Ir. Mussert has, furthermore, received permission to reorganise his defence organisation (*Weer-Afdeeling*), which now wears, significantly enough, the uniform of the German S.S. After four years' service its members are awarded German citizenship. The visit paid by Mussert and Rost van Tonningen to Hitler in the beginning of October stresses the importance which the Germans attach to the N.S.B. But even the fact that Herr Hitler in the course of this interview said that he considered the famous seventeenth-century Dutch admiral, De Ruyter, and not Nelson, the greatest naval hero of all time, was unable to rouse the interest of the Dutch people.

The recent fusion between the N.S.B. and the Flemish National-Socialists of the *Verduino* (*Vereeniging van Dietsche Nationaal-Solidaristen*), whose leader, Joris van Severen, was executed during the war in Belgium, has a new significance, for it can be assumed that this fusion took place with the consent of the Germans. This is, perhaps, an indication of a German plan for the establishment of a *Dietsche* satellite State, comprising the Netherlands and the Flemish parts of Belgium.

Anti-German Feeling

Whatever decision the Germans take, it cannot change the Dutch people's violent anti-German state of mind. The clever anti-British German propaganda has no success. The Dutch Strength-through-Joy movement fails to rouse any interest. The Director-General of the Dutch Winter Relief, another German institution foisted on the Netherlands, has complained of the "suspicious" attitude of his compatriots. Cases of sabotage are on the increase. The Dean of the University of Rotterdam has been convicted to 18 months' imprisonment because he openly quoted in one of his addresses a speech of the Dutch Government broadcast, *Radio Orange*.

The Germans have been compelled to admit openly the failure of their attempts to win the favour of the Dutch. More than one hundred prominent politicians from all parties, among them many ex-ministers, have been sent to German concentration camps. This flagrant violation of Dutch tradition has only further embittered a people which consistently refuses to accept German leadership. This is not merely wishful thinking. The semi-official *Deutsche Zeitung in den Niederlanden* wrote in its issue of September 20th: "And what about the attitude of the Dutch towards the New Order which is created by National Socialism? Let us tell the truth. The New Order does not interest the Dutch at all. The Dutch are anti-German. They are waiting for the defeat of Germany."

This conclusion is as honest as it is encouraging to the Allies.

November 25th.

The Danube's Wheat Supplies

[BY A CORRESPONDENT]

If Germany is relying upon large quantities of wheat from the Danube basin in the near future her expectations are likely to be disappointed, for production in the entire region shows a big decline compared with 1939. On balance, and including reserves brought forward from last year, there will be a small available residue, treating the area as a single unit, though there will be certain local deficits. The following table compares this year's crop (adhering to pre-war boundaries) with those of the preceding season:—

	1939 (Quarters of 480 lb)	1940	Decrease per cent.
Roumania.....	20,451,275	13,772,000	32.9
Hungary	14,095,625	10,458,000	25.8
Bulgaria	8,895,375	7,125,000	19.9
Jugoslavia	13,207,250	7,931,000	40.0
Total	56,649,525	39,286,000	

The 1939 harvest was exceptionally large; the current crop is below average. In Yugoslavia there is a moderate shortage, to meet which corresponding imports have been authorised. Roumania, within its new frontiers, will have a sufficiency, while both Bulgaria and Hungary possess an exportable surplus, though of modest dimensions.

In the Balkans generally, rye suffered less than wheat, while both barley and oats were also more satisfactory. The

yield of maize per acre is good except in Yugoslavia, where serious losses were occasioned by floods. In Roumania, again, good production per acre is partly neutralised by the fact that the extent to which the cereal was planted, prior to cessions of territory, was somewhat restricted. Germany is therefore unlikely to obtain any abundant supply of maize from South-Eastern Europe. Though small in relation to the world's total, the yield of oilseeds was satisfactory.

November 15th.

Plundering Slovakia

[BY A CZECH CORRESPONDENT]

SLOVAKIA, by the grace of Germany a "free and independent" puppet State, has to fulfil three purposes for her protector: firstly, to provide him with cheap labour; secondly, to provide him with her main raw material—wood; and, thirdly, to serve as a political balance against Hungary. These three purposes are pursued with energy and ruthlessness.

There are already 80,000 Slovaks doing forced labour in Germany. As there are about three million Slovaks, and as the Slovaks usually have big families, this is a considerable proportion of the able-bodied Slovakian manhood. They are excellent agricultural workers, accustomed to work from dawn to dusk, but their wages are about the lowest paid in Europe; and from the "Winterhilfe," organised on the German pattern, only 18,000 persons received clothes, and only 13,000 food and fuel.

As for the second purpose, Slovakia is suffering badly from its protector's greed. The country is to a great extent wild, with vast woods, and 36 per cent. of the population are employed in forestry work, while wood products also employ a large number. There are, among others, three large factories at Ruzomberok which used 650,000 cubic metres of wood to produce cellulose.

Exhausting the Forests

Before the war, Slovakia used to cut 7½ million cubic metres of wood a year; about 3½ millions of this was exported to Germany, which also took 270,000 sleepers every year. Great Britain was also a big customer, especially for beechwood for shipbuilding purposes, wooden floors and tool-handles. Now Germany is exhausting the enormous Slovakian forests, for trees are being cut at the rate of about 23 million cubic metres a year; that is, three times the amount which was cut before the war.

Experts estimate that after 7 to 10 years forestry in Slovakia will cease to exist. After that time the country will receive a setback of at least half a century. With every 1,000 cubic metres of wood cut down, it is estimated that an additional 200 cubic metres deteriorate owing to wind and weather, which have easier access to the forest through the new clearings. This additional loss alone, therefore, amounts at present to a colossal figure.

Slovakia v Hungary

With regard to the third purpose, the political one, Hitler's followers are stirring up a revisionist mood in the country, to bear pressure on Hungary should it be necessary. Recently it was learned that Kosice, the town which was ceded to Hungary, will be given back to Slovakia, and will become the new capital of that country. These rumours are always connected with the hint that in this event the old capital, Bratislava (Pressburg), would be declared a Free Port, or perhaps a German town. The Germans have already succeeded in expelling many Czechs from Bratislava, and in settling thousands of their own people in the town. Whether Bratislava becomes a German town or whether it will have the nickname of Free Port, the result will be the same. The Slovaks will be driven farther into their mountains and away from the last little foothold they had on the Danube, thus becoming even more economically dependent than they are now.

So easy is it to make gifts from other people's property that Hitler will give them the Hungarian town as a new capital, while in order to keep the Hungarians frightened, the Slovaks are promised further concessions. In the meantime, the Slovaks are ordered to despoil their own country, and will consequently become their own grasshoppers.

November 25th.

A CHRISTMAS NUMBER FOR THE INTELLIGENT

NO robins in this Christmas number. No pictures of Santa Claus being shot down by Anti-Aircraft. No waits being mistaken for the all-clear. And yet, there may be people who really want a magazine to read this Christmas, and if they do they will certainly find it in the Christmas number of World Review.

Not that this Christmas number isn't bright and amusing. How could Max Beerbohm write on the Top Hat without being as polished and as sparkling as his subject? Could Diana Morgan (who wrote many of the Gate Revue numbers) write a special Revue for us without being witty? But enough! If you are the sort of person

we think you are you need only glance at the contents panel—and World Review will be yours this Christmas.

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THE BUSINESS WORLD

Blocked Sterling

NEW Orders in Council (S.R. & O., 1989/1990) and the Treasury Order which accompanies them (S.R. & O., 1991) have this week formally admitted to our monetary vocabulary that disreputable term "blocked sterling." As from last Monday, the Treasury, or rather the Bank of England acting as its agent, has had the power to direct that any payment due to a non-resident shall be made in sterling to a "blocked sterling account." The latitude given to the authorities in deciding what particular payments are to be so treated is complete; but the new regulations are clearly aimed at certain categories of operations and are not merely intended to strengthen the armoury of our exchange controllers (though in this respect they will not be without value).

Before describing what these particular operations may be and to what use this new category of sterling may be put, it may be pointed out that this official admission of the existence of blocked sterling, this grant of a birth certificate, takes place when the infant is nearly 15 months old. Blocked sterling was born with the coming of exchange control. All payments due to non-residents for which official permission has not been given—whether in the form of foreign exchange or of "free" sterling—have created immobilised claims on this country. These claims have more often than not taken the form of sterling funds which it has been impossible either to convert into foreign currency or to transfer to banking accounts opened in the name of the non-resident creditor. An important case in point was provided by the substantial sums due at the outbreak of the war, and accruing since then, from British film exhibitors to the United States film industry. There are countless other cases of comparably blocked sterling due to non-residents who have realised investments in this country but have been unable to withdraw the proceeds of such liquidation either through the official or free exchange markets. The manner in which such immobilised assets have been utilised has been left to the discretion of the interests concerned, and it has usually been found possible to arrange for their temporary investment for at least the duration of the war. The solution of this problem has created very few apparent difficulties and no real vocal resentment on the part of the creditors concerned.

This treatment of the problem of the immobilised sterling claims of non-residents was a typical British compromise, adaptable and uncoded, and undoubtedly had much to commend it. But it left unanswered a number of serious legal and technical questions and, partly for this reason, offended tidy and logical minds. One obvious difficulty which the unofficial and unavowed blocking of sterling created was the position of the resident debtor or agent unable, by reason of the exchange regulations, to discharge his obligation to a non-resident creditor or to effect payments due to a non-resident principal. It is primarily to meet this essentially legal problem that the concept of blocked sterling accounts has been created. Payments normally permitted to such accounts will be the sterling proceeds of maturing securities, proceeds of the sale of real estate in this country, legacies and amounts to be distributed following the winding up of companies or the dissolution of partnerships. Past experience suggests that the flow of funds thus described may be of the order of about £200,000 a month.

Funds accumulated in these accounts will only be available for investment in a specified list of trustee securities. No interest will be paid on blocked accounts, and this will no doubt provide a deterrent to the moneys in question remaining uninvested—though they will not remain unused since the bankers holding these accounts will utilise the resources represented by them in the normal course of their investment operations. Previously immobilised sterling claims on this country will not be eligible for deposit in blocked accounts, nor will the many payments which have hitherto

failed to obtain the sanction of the authorities. Blocked sterling accounts, in other words, are not intended to provide a residual category of sterling in which will be swept all payments due to non-residents for which the authorities are not prepared to grant exchange or, what is the same thing, to make permissible credits to registered or special accounts. If the scope of the new accounts is to be so restricted, it may be questioned whether it was worth while creating their complicated machinery merely to regularise (in this country only) the legal position of the parties concerned. It is possible, however, that the Treasury has less limited views on the eventual scope of its new creation and that it intends to relegate to blocked sterling accounts all difficult borderline cases, with which the history of the exchange regulations abounds and will no doubt continue to abound.

In theory it will be impossible to operate these blocked accounts for purposes other than those defined in the regulations. Therefore transfers from one blocked account to another will be forbidden. This should prevent the emergence of an exchange rate for blocked sterling. Whether this usually unflattering accompaniment of avowed blocking of a currency will be altogether avoided may be open to question, since there are obvious ways in which the ownership in blocked sterling can change without corresponding changes in the titular name of the account. It is no doubt to reduce such unwanted operations to a minimum that the charge of keeping blocked sterling accounts and of investing their proceeds has been reserved exclusively for the joint-stock banks. The merchant banks and other specialist institutions have again been passed by, an omission which on this occasion may be regarded by them as a back-handed compliment to their imagination and expertness. The omission is not one which will be severely felt by these banks, though it is admittedly another straw on the back of the camel.

The creation of the blocked sterling account is not the only new achievement of our exchange controllers this week. If it were, little would have been added to the severity or technical efficiency of the regulations. Much more important is the new regulation which extends to nominee companies, registered abroad but controlled in the United Kingdom, the compulsion on residents to declare and sell their foreign currencies and securities to the authorities. Such companies have probably been the most important method of evasion of the exchange regulations. It may well be asked why the authorities have not acted against them before. The answer is that the authorities wanted to make sure of starting their attack on this type of capital exporter—*ex hypothesi* an expert at the game—fully armed with knowledge of his operations. They are so armed to-day, and it will fare ill and expensively with any resident who hopes that the official eye will not have been able to probe the activities of his foreign nominee companies. It may be hoped that the attack on the principle of nominee companies will not stop at this particularly noxious manifestation of it. The fight against the foreign nominee company as a method of tax evasion could be carried much further than it has already gone. Even more important, the blot of the nominee shareholder on the whole spirit of our company legislation should be removed. It would only need a simple amendment of the Companies Act to make it incumbent on all nominee shareholders to declare the identity of the beneficiaries whom they represent.

There is a significant link between the two exchange regulations which have appeared this week, namely, the creation of the blocked account and the casting of the control net around non-resident nominee companies. It will have been noted that the Bank of England will have the right to canalise into these non-interest-bearing blocked accounts "any payment" due to a non-resident. In the past the sterling

income on investments held for account of these nominee companies has, in accordance with the normal interpretation of our exchange regulations, been eligible for conversion into the currency of the country in which the company was registered. Henceforth it will be possible for the authorities

to direct that such income be paid into blocked sterling accounts. This fact, highly unpleasant as it will be to the resident beneficiaries of the nominee companies, will greatly strengthen the hands of the authorities in their dealings with this particular type of exchange control evasion.

Wartime Profits

It is remarkable that those who dogmatise about profits fall usually into two classes—those business men (a dwindling number) who conceal their figures from the world, and the uninformed critics who, realising that published accounts tell only part of the story, suspect all profits figures as being part of a gigantic apparatus of deception. Never, as *The Economist* began to compile its records of company profits, 32 years ago, has it been so difficult, or so necessary, to present the figures as clearly and fairly as possible. Of the defects in the raw material, no regular reader of this journal's quarterly analyses can be ignorant. To make the best use of that material and to examine the light which it throws upon the earnings of industry in wartime, under a regime of 100 per cent. Excess Profits Tax, are the objects of this article.

There is no need to recapitulate the changes in the methods of computing industrial profits which were introduced in these columns at the beginning of the year. They attempted to make a much-needed adjustment for the incidence of income tax on published profit figures, and to revise a rather loosely constructed conception of true reserves. The results now presented, under the new order, cover the third quarter of the year. Therefore, they are not of major importance in the annual scheme of things, for third quarter companies normally account for less than one-fifth of the number of companies whose results are recorded, and for little more than one-tenth of the year's total profits. The importance of the third quarter figures is their relation to the war timetable. Roughly speaking, they cover a hypothetical accounting year to the end of April. Eight months of war, following four months of active re-armament, and a regime of 100 per cent. E.P.T. find their reflection in the figures.

There have been many companies whose trading profits have increased during this period; there are few whose net profits have risen, after the tax collector has been satisfied, and still fewer whose shareholders have obtained higher dividends. For each exceptional case, like Raleigh Cycle, a dozen contrary examples, like that of A.E.C., could be named. Table I, drawn up in the new form, illustrates this point conclusively. The 428 companies experienced a 5.2 per cent. increase in trading profits from £74.8 millions to £78.7 millions; their net distributable profits, after meeting their tax and depreciation provisions, declined by 16.8 per cent. from £45.3 millions to £37.7 millions. Industry is producing a bigger cake, but shareholders are getting a smaller slice of it.

The rôle of taxation is of such paramount importance, however, in assessing figures like these that the fall of 16.8 per cent. in net profits should not be accepted uncritically. In the first place, the £37.7 millions net figure is struck after provision for 100 per cent. E.P.T. If that were all, it could be accepted as a measure of the earnings available for share capital, limited, as they now are, to a pre-war basis by the exactions of the tax collector or by the unwillingness of entrepreneurs to increase their exertions while deprived of reward. But this figure is, in large measure, also reduced by the provision for normal income tax. Our calculations show that the net profits available for distribution up to the hilt among shareholders (that is, before providing for normal income tax) were of the order of £48.6 millions. But for the income tax, and highly inconvenient, methods which are employed to express company profits, this figure would be an accounting fact. As it is, the total is a mixture of fact and statistical presumption which is much more accurate than the original data.

We cannot yet compare this total with the results of former years. It is possible, however, to see what it means in terms of the rate of earnings on share capital. For third-quarter companies, this rate was 9.9 per cent. overall on their preference and equity capital. It is, ostensibly, higher than the rate on the share capital of third-quarter companies in 1939 shown in Table II. This latter figure, however, is shown without adjustment for taxation, which would raise it appreciably. Comparing like with like, we can say that the rate of earnings on share capital has been steadily falling this year; in the first quarter, it was 11.6 per cent.;

in the second quarter, 10.3 per cent.; now it has dipped below 10 per cent.

This conclusion is fortified by the more detailed calculations of the division of profits set out in Table III. For the examination of the recent trend, however, this interrupted series is less revealing than the results of the past three quarters, which are on a comparable statistical basis, and are shown in the supplementary table which follows:—

1940 COMPANIES

	Proportion of Adjusted Net Profits (%)			Rates of Payment (Gross)			
	Prof. Div.	Ord. Div.	To free Reserves	Deb.	Prof.	Earned Ord.	Paid Ord.
1st Quarter	17.5	71.6	10.9	4.2	5.5	15.1	13.1
2nd Quarter	20.3	65.0	14.7	4.8	6.2	12.3	10.0
3rd Quarter	29.4	55.9	14.7	4.9	6.9	12.2	9.6

The exactions of 100 per cent. E.P.T., a more cautious dividend policy, and—for those companies whose distributable profits have increased—moral dividend limitation, have combined to intercept the flow of profits from industry into the balances of the equity shareholders. On broad grounds, this may be justified, for risk-bearing in wartime is a rather

TABLE I.—PROFITS OF THIRD QUARTER COMPANIES

Companies	Previous Financial Year	Latest Financial Year	Latest Net Figures recalculated before charging Taxation
Total Profits*	74,758,540	78,723,575	£
Depreciation	29,432,060	6,393,420†	—
Debt interest	...	3,577,154	4,191,337
Other charges and taxation	...	31,048,625	...
Net Profits	45,326,480	37,704,376	48,610,103
Preference dividends	...	11,813,851	14,281,280
Ordinary dividends	...	18,716,535	27,154,833
Add to free reserves	...	7,173,990	7,173,990

* After depreciation where not separately stated.
† Where separately stated.

TABLE II.—PROFITS OF THIRD QUARTER COMPANIES, 1935-1940

Reports issued in 3rd Quarter	No. of Cos.	Profits	Prof. and Ord. Capital	Ratio of Profits to Capital
		(£'000's)	(£'000's)	
1935	345	22,471 (a)	286,270	7.8 (c)
1936	382	28,975 (a)	311,349	9.3 (c)
1937	337	28,575 (a)	258,989	11.0 (c)
1938	374	32,793 (a)	317,150	10.3 (c)
1939	345	28,253 (a)	293,440	9.6 (c)
1940	428	78,724 (b)	490,042	9.9 (d)

(a) Total profits after depreciation interest. (b) Trading profits before depreciation interest, depreciation and taxation. (c) Without tax adjustment. (d) Ratio of net profits, as re-calculated on a before-tax basis.

TABLE III. DIVISION OF PROFITS (THIRD QUARTER COMPANIES)

Reports Issued during Third Quarter	1935-39 : Proportion of Total Profits. 1940 : Proportion of Adjusted Net Profits			Rates of Payment (1935-39 without adjustment for tax)			
	Prof. Div.	Ord. Div.	To Reserve	Deb.	Prof.	Earned Ord.	Paid Ord.
1935	24.7	51.6	23.7	4.7	4.9	9.7	6.7
1936	19.8	50.5	29.7	4.8	4.9	12.1	7.6
1937	16.6	54.9	28.5	4.5	4.8	13.9	9.2
1938	19.3	51.2	29.5	4.5	5.1	14.1	9.1
1939	20.7	47.1	32.2	4.5	5.0	12.7	7.5
1940 (a)	29.4	55.9	14.7	4.9	6.9	12.2	9.6

(a) Figures based throughout on adjusted net profits.

negative function of enterprise. The director of an inessential industry may bear the risk of loss; the essential concern, however, can hardly be said to carry a profit-earning risk—at least, so long as the war lasts.

Losses and reductions in profits, however, have already been savage in some cases. The supplementary table on page 691 shows the devastation which war has caused, for example, in oil earnings. It is symptomatic of the entire range of home industry that the large miscellaneous group of 82 companies, which shows an increase of £2.7 millions in trading profits, has suffered a fall of £360,000 in unadjusted net profits. Indeed, the cases in which net profits appear to have increased appreciably are in such groups as textiles and food, confectionery and drink. That is a re-

proach, not of profiteering, but of our failure to reduce civil consumption on a sufficient scale.

In wartime, the profiteer is an object of hatred and contempt. But he is, in fact, usually a profiteer *malgré lui*; a symptom of weak monetary management, rather than a self-generated anti-social force. The ruthless profiteer must certainly be checked. So also should the shortcomings of financial control which present him with involuntary profits. This interim report on company profits, after the first year of war, however, does go far to prove that "profiteering," in the unsophisticated sense, is so far difficult to establish, for industry at large. That, at least, is a small item to our credit in our groping attempts to secure monetary equilibrium in wartime.

Finance and Banking

Scarcer Credit

The past week has been noticeable in the money market for a marked tightening of credit conditions. At no time has even the semblance of stringency appeared, but any perceptible drying up of resources is so uncommon in these days as to attract notice. All the factors at work in this tendency are undoubtedly transient, and by the coming week the supply of credit should be as abundant as ever. The most important single influence has probably been the preparations made by the Treasury to effect the payment due last Tuesday on the Canadian securities included in the last vesting order but one. As usual, preparations of this kind have involved a temporary immobilisation of credit both prior to the day of payment and after the payments were made, owing to the clearing delays and the longer time taken for the credit in question to return to general circulation. The impact of this influence has been rendered more apparent this week owing to the fact that most clearing banks have been engaged in their monthly making up. While the banks have thus been decidedly diffident buyers of bills, the market has had a larger supply of bills on its hands after its receipt of the comparatively generous allotment of 41 per cent. of its applications for Treasury bills at last week's tender. The discount market demand for credit has thus expanded slightly at the very time when supplies were inclined to dry up. The result has been to raise the rate for non-clearing bank money to the figure of 1 per cent. These slightly tighter money market conditions are reflected in the latest Bank return. Bankers' deposits have fallen by £1,577,000 to £110,829,000, and must have been well below this total on the first two days of the week before the Treasury payments for vested Canadian securities had been made. The principal counterpart of the fall in bankers' deposits is to be found in an expansion of £4,725,000 in public deposits. The most interesting movement in the return is the jump of £3,002,000 to £6,942,000 in discounts and advances, representing a special transaction for a non-market customer of the Bank.

* * *

Lord Lothian on our Dollar Resources

Lord Lothian's first concern on disembarking in New York after his short visit to this country was to give a very timely airing to the problem of our ebbing dollar resources. He did so as he was being submitted to the customary barrage of reporters' questions which greets any eminent person arriving in the United States, and there appear to be

many variations of his reported words. But the gist of his remarks was unmistakable enough. It was that Great Britain was beginning to come to the end of her dollar resources and that the financial problem involved by the steadily mounting scale of our purchases in the United States would become urgent during the course of next year. His remarks appear to have caused considerable surprise on both sides of the Atlantic. It is astonishing that this should be so. It is true that on the basis of fairly careful estimates, of which the results were outlined in these columns last week, the gold, foreign exchange and foreign security resources of the Exchange Equalisation Account should still be around £400 millions. But only a small fraction of this total can be in a form immediately available for effecting payments in the United States. The dollar balances acquired on the outbreak of the war through the compulsory sales demanded by the exchange regulations provided an immediate fund of resources which has long ago disappeared. The dollar balances of the British Treasury have since then been fed by the flow of sterling area exports to the United States, by shipments of gold which have reached the United States from Canada, South Africa, India and Australia, and through sales of dollar securities in the American markets.

* * *

Unavailable Assets

The extent to which our dollar balances have been strengthened by sales of vested securities could easily be exaggerated. The absorptive capacity of the Wall Street market has been very limited for many months past. Though the Treasury may have imposing holdings of unsold dollar securities—for which the former holders on this side have been paid in sterling—they are not an immediately available asset for financing our war purchases in the United States. That fact immediately cancels a substantial slice of the above-mentioned £400 millions. The same is even true of a considerable part of the Exchange Account's gold reserve. For a full year prior to the outbreak of the war the British authorities had pursued a policy of dispersing the gold reserves of the Exchange Equalisation Account. Much of the existing stock was sent to Canada, other reserves were built up in South Africa, India and Australia—largely out of the gold coming forward for sale in those countries. The gold which went to Canada has been readily available for sale to the United States Treasury and for immediate conversion into dollars. From the outbreak of the war up to the end of last August the United States imported \$2,343 millions—say £585 millions—of gold from Canada. This figure does not by any means represent exclusively British Treasury gold. It has been appreciably swollen by the arrival in the United States of French, Dutch and Belgian gold which was shipped via Canada. But it may be assumed that British gold provides the most important single contribution to this huge total, and from this it may be deduced that by far the greater part of the gold which has been shipped from this country to Canada has now found its way to the holdings of the United States Treasury. The same is probably true of our reserve in India, a country which in the first year of war exported £16 millions of gold to the United States.

* * *

Gold in South Africa

There is, however, one important nest egg which remains largely untouched. In September, 1938, the British authorities

ceased to import gold from South Africa but began to accumulate the metal produced in the Union as a local reserve. The gross amount so accumulated since September, 1938, may be reckoned at about 29 million ounces or £243 millions at the present price of gold. Beginning in October, 1939, South Africa began to make some direct shipments of gold to the United States, and we may assume that these have been effected on official British account. The amount so exported up to the end of last August was \$184 millions, or £46 millions. These shipments represent considerably less than the current production of gold in the Union, and there must be a gold reserve of close on £200 millions lying earmarked in the Union on British Treasury account, even allowing for the holdings of the Reserve Bank. If the U.S. Treasury could be induced to buy gold earmarked for its account in South Africa and deliver dollars against such metal, the problem of Great Britain's ebbing dollar resources would lose much of its immediate urgency. There are other ways in which this substantial reserve of gold could be rendered more available than it is. There must be a considerable amount of gold earmarked in Canada on French, Dutch and Belgian account. There should be no practical and very little legal difficulty in taking possession of that gold and offering the holders in exchange gold held for their account in South Africa. The resources of the British Treasury are therefore far from exhausted. But if devices of this kind are necessary in the near future, it will immediately become evident that Lord Lothian had every justification for speaking as he did.

* * *

Silver Sagging

The undertone of the silver market has been soft for some weeks past. This week the spot price has sagged to 23d., or a full ½d. below the present ceiling fixed by the readiness of the Indian Government to sell spot silver from

its London stocks at 23½d. The price was at that figure and the Indian Government was called upon to enter the market less than a month ago. Since that time the market has become exceptionally narrow, and it is as much to its inanity as to any other factor that the sagging of prices is to be attributed. A negative factor at work has been the suspension of the coinage demand which was mainly responsible for the last upward turn in the price of the metal. That order was reputed to be for the minting of Maria Theresa thalers and was quickly satisfied. Another less specific factor has been the turn of the war in the Near East. The fears of a German-Italian invasion of Egypt have receded considerably in the past few weeks. It was on the basis of these fears that Indian operators had engaged a month ago in some mild speculative buying of silver. These positions are now being undone. The London market has from time to time to absorb small offerings of newly-mined silver and when the interest in the market is as minute as it has recently been, these offerings, however negligible in terms of normal turnover, must exert a depressing influence. It should be realised that it would require little alteration in the present equation of supply and demand to cause prices to move either way much more sharply than they have recently done.

* * *

Scottish Note Cover

In a note on this subject three weeks ago, an error was made in stating the practice with regard to the places in which the Scottish note cover might be held prior to the recent change. The actual practice was that the Bank of England notes, or note certificates, had to be held either at that institution or at one or both of two pre-determined offices of the bank in Scotland. During the war of 1914-18 the only concession made was that currency notes, as well as Bank of England notes, might be held as cover under the conditions then ruling.

Investment

A Technical Recovery

The setback in stock exchange quotations has been of even more restricted and transient a character than appeared probable a week ago. But although the fall has in general been halted, and there have been a considerable number of rises, the market still awaits the resumption of business on the scale which existed prior to the fall. So far the recovery is largely due to marking up of quotations, just as the decline was caused by a desire on the part of jobbers to escape the anticipated bout of selling, which failed to attain proportions of any importance. With business at a low ebb, there is an increasing tendency among both members of the exchange and their customers to demand more energetic action from the Government in a number of directions. The daily appearance of reports which show that the effect of E.P.T. and income tax is to cause an increase in production but to result in a fall in distributable profits, and the almost equally frequent comments of company chairmen on the evils of E.P.T. at 100 per cent., are also creating an opinion in favour of a drastic overhaul of taxation as applied to industrial profits. The intensification of the savings drive has produced more savings, but it has also drawn attention to the widening of the gap, while there is a growing impression that the figures of retail trade notwithstanding—a great deal more is being spent than is at all healthy. The delay in the preparation of a definite scheme for the compensation of those who have suffered air raid damage is also much criticised, and is a potent cause of uncertainties, apart from its direct effect on the shares of all those concerns whose property account is an important element in the balance sheet. Nothing is so destructive of stock market business as such uncertainties and this may explain why a week of reasonably good news from other fronts, and of excellent results in Albania, has produced no revival in trade. In this connection, it is, however, possible that a moderate reduction in credit has played a part. It was only on Tuesday that the earliest payments under the vesting of Canadian stocks were due, and the receipts will be spread over a matter of weeks. On Monday, there is the half-yearly interest on 3½ per cent. War loan. If news continues good, the pressure of this large amount of money may well bring some buying, which will

be followed by rising prices. There will remain, however, a certain *malaise* among the more influential body of investors until such time as public policy is more clearly adjusted to the needs of the moment, and of the coming struggle.

* * *

Lifting the Ban

After a lapse of over five months, during which there have been two promises of relief, there is to be some relaxation of the ban imposed on June 18th on dealings in those securities subject to the Restrictions and Returns Order of last year, that is to say, the S.1 (B) stocks. As from the beginning of the week, dealings have been permitted in some 130 odd of these securities, subject to the prior approval of the Treasury obtained on Form S.2. In accordance with the indication given a month ago, on the occasion of the third vesting order, this qualified permission to deal between residents applies only to securities in which there is not a good market overseas. Unfortunately, this means that the majority of market favourites suffering from the original ban are not included in the list of securities in which dealings are now permitted. This covers under half the number, but certainly far less than that proportion in value. It includes the bulk of the European national and municipal loans, a large number of the corresponding securities of South America and a few Far Eastern bonds. A further class of securities includes Canadian bank shares, a number of Canadian and South American railway stocks and a few shares of industrial concerns. Of securities excluded from the permission, a large part consists of United States dollar stocks proper, all bearer securities, including bonds of concerns in whose stock dealings are permitted, and all bonds expressed as being payable in gold. Further, the ordinary capital of a number of European and Canadian concerns remains "blocked" so far as business between residents is concerned. Thus, there is still to be no business here in such securities as Canadian Pacific common, International Nickel, Swedish Match, Unilever N.V., Brazilian Traction and a number of rather less well-known stocks which are fairly widely held. The continuance of the ban on such favourites



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will certainly cause some criticism, and it is not clear that it will really serve the purpose of the authorities, which is, presumably, to ensure their early sale for dollars. While all concerned will be thankful that dealings between residents, where permitted, are to be subject to a minimum of formality, it is quite impossible to see any justification for the delay which has occurred. So far as can be gathered, it will be necessary to put through deals subject to the necessary permission being granted on Form S.2—originally a form for approving the buyer. As many of the stocks subject to the original order were transferred to the Bank of England without the knowledge of their holders, and most of these were sent by the authorities to Canada, the question arises how the transfer is to be effected if stocks in Canada are sold. Fortunately, most of the securities in which dealings are now permitted are those which were not handed in, and it seems possible that this fact accounts for some apparent anomalies in the list, where one stock may be dealt in and a companion security may not. In some cases, however, as, for instance, shares of Canadian banks, dealings are permitted although the stocks had to be surrendered to the Bank of England, and in these cases some difficulty may arise.

National Savings Anniversary

The total of small savings to November 21st, the conclusion of the first national savings year, exceeded Sir Robert Kindersley's goal of £475 millions with a figure of £475,532,981. The issue remained in doubt until the very end and success was only attained by the raising of some £11 millions from two days' sale of savings certificates and defence bonds and one week's increase in Savings Bank deposits. Since £11 millions approximates to the average weekly contribution, the final spurt appears to have been highly creditable. The total to the week ending November 19th amounted to £15,730,171, the best result for several months, and one which suggests that it is true that the public imagination has been caught in some measure by Sir Robert's challenge. The moral to be drawn from the experience of the first year of national savings—apart from the still obvious fact that savings on the best level yet attained will never solve the main budgetary problem—is clearly that the goal was placed too low. Sir Robert has nicely estimated the sum which the suitably goaded public has saved in the past year. But the attainment of this figure carries the implication that the slightly more ambitious total of £500 millions might have been raised had the man in the street been urged to aim so high. And in fact the present preoccupation with absolute figures contains the danger that attainment may bring with it complacency and that in any case the full extent of the problem is not placed before the public eye. Were either the movement in the floating debt or the increment in the national wage bill related to the trend of national savings in the weekly statements of the National Savings Committee, and in general propaganda, a false sense of achievement might be mitigated. The total of small savings for the first quarter of the savings year amounts to some £86,315,000; for the twelve weeks to November 19th it had risen to £123,906,000. The total of the floating debt, which stood at £1,483,700,000 on February 10th, the end of the first quarter of the savings year, had risen to as much as £2,262,200,000 at the end of October, the latest date for which figures are available. The Chancellor of the Exchequer, Sir Kingsley Wood, speaking at the opening of the Glasgow War Weapons Week, laid great emphasis on the necessity for filling the gap between revenue and expenditure by means other than taxation. He pointed out that the daily rate of expenditure on the war had risen from £5,300,000 in the first year of war to some £9,000,000 in the second year. The total raised by small savings plus the issue of £300,000,000 of 3 per cent. War Loan, the sale of £344,000,000 of 2½ per cent. National War Bonds and the receipt of interest-free loans amounts to no more than £1,140,000,000 in a year, or some £3,000,000 per day. Clearly, current achievements provide no solution.

The McIntock Reports

At the time of writing, the reports of Sir William McIntock on the companies of the Commonwealth Mining group have not been circulated and, although a good many further details as to their contents have been made available through the good offices of shareholders, it is still not possible to obtain a connected view of the whole series of transactions. There can, however, be no doubt, from the

partial disclosures so far made, that the affair ought not to be allowed to rest where it does and that there is a very real need for a strong and independent shareholders' committee to be established to decide what action should be taken. Nothing much can be done in this matter until all shareholders have had an opportunity to study the reports of the companies in which they are personally interested, but that day should not now be long deferred. As to the inaction of the Board of Trade, it appears that, in a note in this column last week, we did Major Lloyd George, Parliamentary Secretary to the Board, an injustice in stating that—if correctly reported—he had said that the Board of Trade had had no opportunity to study the reports. Such papers as dealt with the matter at all were unanimous in giving that version of his reply to the supplementary question, but *Hansard* has: "I have studied the reports, and I would point out that it is mainly through the Board's action that they were made available to the shareholders." It is a little difficult to understand how this suffered a sea change into a sentence which not only gave the opposite meaning, but of which the wording was entirely different. That, however, would have been of minor importance but for the fact that in these days the official version of debates is not available for at least 48 hours after their conclusion, which makes the task of early comment peculiarly difficult. It is understood that this matter is to be remedied and it is to be hoped that the improvement will not be delayed. Meanwhile, the revised reading of the Parliamentary Secretary's replies make it quite clear that, for reasons which are no doubt sufficient, the Board of Trade can do nothing in the matter of the reports and that the initiative must now come from the shareholders. There can be no complaint at this. Section 136 of the Companies Act, 1929, merely gives the Board of Trade power to take proceedings in the case of a criminal liability, but the Act allows more than one remedy to shareholders outside the section. It is good news that a shareholder in Commonwealth Mining and Finance, Mr F. T. Borland, is already taking action. He is seeking proxies from shareholders of that company to defeat the resolution for the adoption of the accounts, due to be presented before the end of the year, and advocating the appointment of a committee of shareholders. This, he suggests, should consist of the seven largest interests, excluding the directors and any who are not willing to make a declaration that they are not associated with them, or any of them. This body would have power to co-opt other members. Such a course seems to meet the requirements of the case, and it is to be hoped that individual shareholders will give the support necessary to ensure the appointment of the committee.

Company Notes

Tube Investment Earnings

Receipts from dividends during the year to October 31st last show a fall from £840,860 to £804,368. The dividends are paid net, and evidently the decline is amply accounted for by the higher rate of tax. In the absence of any consolidated statement of earnings, this rather meagre information is all that is available. The reduced figure is sufficient to cover the usual dividend of 23½ per cent. and to permit allocations of £150,000 to general reserve and £100,000 to reserve against investments, each of which is £25,000 greater than the corresponding transfer a year ago. The addition to the carry-forward is, however, considerably reduced. The net effect is a further increase in the amount earned on the ordinary and liaison shares—counting the latter as £1,000 each—from 32.3 to 35.2 per cent. The following table shows income and its allocations over the past three accounting years:—

	Year to October 31st		
	1938	1939	1940
Dividends received.....	835,359	840,860	804,368
Total income	883,726	887,834	846,321
Interest, fees and expenses	16,469	22,969	25,391
Preference dividends	42,045	37,695	33,047
Ordinary and liaison shares:—			
Earned	825,212	827,170	787,883
Paid	643,842	607,970	531,979
Earned %	30.5	32.3	35.2
Paid %	23½	23½	23½
To reserve†	117,458	200,000	250,000
Carried forward	132,132	151,332	157,236

† Includes £75,000 in 1939 and £100,000 in 1940 to reserve against investments.

THE ECONOMIST

TRADE SUPPLEMENT

NOVEMBER 30, 1940

The Trend of Business

THE regular nightly visits of the Nazi bombers have led to a smaller fall in industrial activity than had been expected. The bombers of the Royal Air Force are reported to have caused dislocation of enemy industries, and the slowing down of production has possibly been greater in Germany's key industries than in Britain's.

Transport, too, has been hampered, not only by air raids but also by the additional burden thrown upon the railway and road transport systems by the curtailment of coast-wise shipping. Again, the bombing of Germany's communications has created similar problems in that country.

The loss of merchant ships through enemy action continued at a high level in October, and affected imports and the volume of exports reaching their destination. Despite the high level of losses the shipping supply position is still far from precarious and the quantities of materials and munitions reaching this country remain very substantial.

Since the slowing down in industrial activity has been due much more to delays than to physical destruction of plant and equipment, additional means must be found to reduce the loss of working hours. Some reduction in the output per worker, however, is unavoidable; but this can be countered by an expansion in the labour force. Unfortunately, however, progress in this direction remains far too slow. Thus, after having declined from 1,220,000 in January to 648,000 in June, the number of wholly unemployed workers on the employment registers of Great Britain has remained consistently above the 600,000 level until October.

So far as individual industries are concerned, the output of

coal has been more than equal to the growing home demand and, except in Southern England, which before the war obtained its deliveries largely by sea, supplies have been maintained. In the Welsh and the north-east collieries, the coal trade has remained depressed owing to the loss of the chief Continental export markets. Iron and steel supplies have remained adequate for all essential purposes, while the flow of raw materials to the furnaces has been well maintained. The steel distribution machinery, revised at the end of September, is now operating more efficiently. The engineering and related industries have continued to work at capacity; but their capacity is in urgent need of enlargement and of still more efficient utilisation. The building industry, too, is being hard-pressed as a result of the work created by destruction and of the need for additional munition factories and shelter accommodation; the new Ministry of Works and Building has yet to find the measure of its task and to utilise as efficiently as possible the labour and materials over which it exercises control.

The production of consumption goods for civilian use has continued to fall. The rate of decline is likely to be speeded up by the curtailment of raw material allocations and by the reduction during the six months ended May 31, 1941—in many cases to 25 per cent. of the level of the corresponding period in 1939-40—of the value of supplies to retailers of a large number of unessential goods and of goods that do not require frequent replacement. But little has yet been done to set free labour for more urgent tasks by the concentration of the production of consumption goods and by the simplification of the distributive system.

British Industrial Developments

COAL

The home demand for coal is buoyant, and the collieries ministering to the inland market are active. The distribution of coal to consuming centres far from the collieries, especially to London and Southern England, encounters difficulties, caused partly by the curtailment of coastwise deliveries. Since the railways, subject to interference by air raids and already heavily engaged, cannot easily carry an appreciably higher coal load, local shortages are to be expected during the winter. The advance in prices on November 1st has had little effect on demand. Export business is languishing, though the lower level of business appears to have been maintained. It is understood that complete agreement has not yet been reached between the mineowners and the Mines Department concerning conditions in which financial assistance is to be granted to collieries for loss of trade, and it is not expected that the scheme will become operative before the end of the year. South Wales has been hard hit by the loss of export business, and there has as yet been no improvement in the north-east area. Business is fair in Scotland and brisk in the Sheffield area.

IRON AND STEEL

The supply of steel remains adequate for essential purposes, for both domestic output and imports are at a high level. The advance in prices on November 1st, amounting to 12-14 per cent., has not affected demand, for the bulk of supplies is now being used by the munition and related industries. The flow of raw materials to the furnaces has continued on a fairly satisfactory scale, while the comprehensive survey of potential heavy demolition scrap appears to be making headway. If anything, supplies of raw materials and pig iron are somewhat easier, thanks to the accumulation of stocks during the autumn. The volume of export business, though limited owing to the exigencies of re-armament, is still quite substantial. The effect of air raids on the output of steel has been comparatively small.

ENGINEERING

Efforts are being made by the engineering and related industries in England, subject to frequent air raids, to maintain production

at the highest possible level, and not without a measure of success. In Scotland, where air raids have hitherto been less frequent and less intense, output continues at a high level. One of the safeguards against a fall in production due to air raids—the extension of the capacity of the industry—is still proceeding too slowly. The training of labour, though increasing, is not yet on a sufficiently large scale in individual engineering works. Some headway is now being made towards the more intense utilisation of machine tools, and a new census of these tools has recently been taken. The demand for higher wages put forward by the unions has been refused by the employers on the ground that it is not justified by reference to present earnings and is against the national interest.

CHEMICALS

The industrial chemicals market has been steady, with nearly all sections maintaining a strong tone. In the present difficult conditions the volume of export inquiry has been good, and the supply position shows improvement. In the pharmaceutical and fine chemicals section inquiries have been mainly for immediate spot requirements. There have been no price changes. The tar products market has been fairly active, with quite a good export business. Most interest has been shown in cresote oils and naphthalene, and on the whole this section has remained firm. Demand for wood distillation products has been very quiet, with stocks of all grades of material available.

FOOTWEAR AND LEATHER

Producers of both civilian and Service footwear are busy and have sufficient orders to last for some time, and business in the leather section is maintaining its activity. There are some difficulties in obtaining raw material, and the prices of leather have shown a firmer tendency. There has been increased business in some of the fancy leathers, particularly patent leather, where demand is much greater than supplies can meet. There is also a steady demand for the grades used for repairs. In some districts there is a shortage of

52. Capital issues, C.F. Chronicle ... in Million \$

(a) Figures for 1936 is average of August-December. (b) Indices shown in last month of quarter to which they relate. (c) Average of weekly figures. (d) Ordinary and Self-balance revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (e) Annual indices, year beginning in July; quarterly indices year ended in quarter shown. (f) Adjusted for seasonal variations. (g) 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. (h) 1937, average January to August; figures for September-December not comparable owing to revised method of counting former Southern and South Eastern divisions. (i) Includes Southern division before January, 1940. Midlands instead of N.E. England. (j) From January, 1940, includes former Southern and South Eastern divisions. (k) Revised series from January, 1939. (l) Average June 1-22. (m) New Series. (n) Annual figures for 1929 and 1932 do not include District Bank.

COUNTRIES OVERSEAS

	Unit of Measurement	Monthly Average						1939			1940									
		1929	1932	1936	1937	1938	1939	Aug.	Sept.	Oct.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.		
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	9.21	6.83	7.32	9.64	12.21	10.90	10.10	12.63	...	...	...		
2. Domestic exports.....	Million £ A.	7.91	7.84	10.63	12.31	11.10	10.06	8.14	7.99	9.94	12.52	13.93	14.70	11.50	11.66	...	...	...		
3. Unemployed Trade Unionists (e)	Thousands	47	120	54	42	41	47	89	92	94	93	93	...	...	...	...	...	...		
4. Wholesale prices (Melbourne)	1929 = 100	100.0	78.3	85.6	91.9	92.2	89	89	92	94	90	...	...	...	...	...	...	...		
5. Cost of living (e)	"	100.0	80.7	82.7	84.9	87.2	89	89	92	94	90	...	...	...	...	...	...	...		
CANADA (Population 1936: 11,028,000; Area: 9,542,000 sq. kms.)																				
1. Business activity (c)	1929 = 100	100	58	90	99	90	99	100	101	110	100	125	115	116	119	...	...	...		
2. Retained imports (g)	Million Can. \$	108.2	37.7	52.9	67.4	56.5	62.6	62.7	73.6	78.3	76.7	88.0	100.5	90.7	89.5	98.8	...	...		
3. Domestic exports (g)	"	102.1	46.7	85.7	93.7	79.7	79.7	111.0	82.5	91.4	83.5	84.7	110.8	110.8	110.8	110.5	101.4	...		
4. Applicants for work (j)	Thousands	15	75	90	88	105	104	93	94	95	122	...	...	...	...	...	...	...		
5. Wholesale prices	1929 = 100	100.0	69.8	78.0	88.4	82.2	79	76	82	83	87	87	86	85	86	...	...	...		
6. Cost of living	"	100.0	81.5	80.9	83.2	84.1	84	83	85	85	86	86	86	87	...	...	...	...		
7. Price of industrial securities	"	100.0	23.7	74.3	77.4	64.4	62	58	63	66	60	58	47	...	...	...	...	...		
8. Commercial bank deposits (j)	Million Can. \$	2,163	1,844	2,230	2,282	2,394	2,594	2,407	2,455	2,531	2,411	2,504	2,460	2,430	2,464	...	...	...		
IRE (Population 1935: 2,966,000; Area: 69,000 sq. kms.)																				
1. Retained imports.....	Million £	5.021	3.453	3.282	3.624	3.422	3.598	3.168	2.882	3.851	4.117	5.084	4.472	4.828	...	...	...	...		
2. Domestic exports.....	"	3.852	2.098	1.831	1.853	1.990	2.219	2.422	2.436	2.666	2.812	2.522	2.787	2.654	...	...	...	...		
3. Applicants for work	Thousands	20.70	62.82	99.83	82.42	88.71	93	71	78	82	88	87	83	59	60	...	...	...		
4. Cost of living (e)	1929 = 100	100.0	89.2	90.9	96.8	98.5	101	98	98	112	112	...	...	...	...	...	...	...		
5. Notes in circulation	Million £	14.2	13.4	15.1	15.7	16.9	18.0	16.1	17.0	17.2	17.5	17.6	17.6	18.1	18.6	...	...	...		
INDIA (Population 1935: 370,500,000; Area: 4,684,000 sq. kms.)																				
1. Retained imports } Sea-borne	Million rupees	208.6	110.7	101.9	132.9	125.2	129.1	135.9	111.9	101.5	139.8	165.2	158.1	...	...	...	...	...		
2. Domestic exports } trade (b)	"	268.8	112.6	150.5	168.8	135.2	151.0	159.0	153.6	144.0	194.6	187.7	191.8	...	...	...	...	...		
3. Wholesale prices, Calcutta	1929 = 100	100.0	64.5	64.5	72.3	67.6	76	76	81	84	86	...	...	...	...	...	...	...		
4. Cost of living, Bombay	1933-34 = 100	...	...	104	106	106	106	105	106	108	110	110	...	...	...	...	...	...		
NEW ZEALAND (Population 1936: 1,573,000; Area: 268,000 sq. kms.)																				
1. Retained imports.....	Million (N.Z.)	3.998	2.001	3.637	4.638	4.570	4.069	4.066	3.615	3.278	2.675	4.297	...	...	...	...	...	...		
2. Domestic exports.....	"	4.515	2.915	4.689	5.517	4.817	4.787	3.991	2.929	3.855	7.212	8.355	...	...	...	...	...	...		
3. Wholesale prices	1929 = 100	100.0	89	96	103	105	108	110	109	110	117	118	...	...	...	...	...	...		
4. Cost of living	"	100.0	83.5	86.1	91.9	94.6	98	99	99	99	101	101	...	...	...	...	...	...		
SOUTH AFRICA (Population 1935: 9,500,000; Area: 1,222,000 sq. kms.)																				
1. Retained imports	Million S.A.	6.59	2.61	7.01	8.38	7.74	...	7.77	5.14	5.51	7.87	10.04	8.07	8.49	9.00	...	...	...		
2. Domestic exports (b)	"	3.91	1.58	2.40	3.05	2.46	...	3.08	2.46	2.54	3.23	4.08	3.23	2.92	2.41	...	...	...		
3. Wholesale prices	1929 = 100	100.0	79.0	85.0	87.0	90.0	89	...	...	...	90	96	96	97	97	97	97	98		
4. Cost of living	"	100.0	89.9	88.5	90.5	93.8	94	93	93	93	96	97	97	97	97	97	97	97		
II. OTHER COUNTRIES																				
ARGENTINA (Population 1936: 12,450,000; Area: 2,793,000 sq. kms.)																				
1. Retained imports.....	Mill. paper pesos	163.3	69.7	93.1	129.8	121.7	111.5	124.4	114.8	109.1	127.1	157.5	124.3	123.2	139.3	121.1	...	...		
2. Domestic exports.....	"	180.6	107.3	138.0	192.6	116.7	131.1	110.5	119.0	127.2	154.6	156.3	141.8	119.0	102.5	88.7	61.0	...		
3. Wholesale prices	1929 = 100	100.0	92.8	102.9	116.8	109.4	112	107	118	123	129	128	129	128	129	127	...	...		
4. Cost of living	"	100.0	77.7	90.5	92.8	92.0	93	93	93	94	96	97	97	97	97	97	...	...		
BELGIUM (Population 1936: 8,331,000; Area: 30,000 sq. kms.)																				
1. Industrial production	1929 = 100	100	...	...	...	70	79	73	71	79	...	...	...	...	...	...	...	...		
2. Retained imports	Mill. francs	2,961	1,347	1,775	2,291	1,891	1,824	1,720	866	1,213	1,450	...	...	...	...	...	...	...		
3. Domestic exports	"	2,649	1,234	1,627	2,101	1,791	1,811	2,006	1,459	1,638	2,309	...	...	...	...	...	...	...		
4. Unemployment (j)	Thousands	211	154	126	174	195	176	223	194	164	...	...	...	...	...	...	...	...		
5. Wholesale prices	1929 = 100	100.0	62.5	69.1	80.4	74.0	76	70	83	86	99	...	...	...	...	...	...	...		
6. Cost of living (59 towns)	"	100.0	83.6	84.7	91.8	83.8	93	91	91	94	101	...	...	...	...	...	...	...		
CHINA (Population 1935: 450,000,000; Area: 11,103,000 sq. kms.)																				
1. Retained imports (excl. Manch.) (d)	Mill. std. dollars	160.6	146.7	78.5	79.5	109.5	330.3	581.7	463.1	438.6	714.3	969.2	1258.3	926.1	1115.1	1023.3	...	...		
2. Domestic exports (excl. Manch.) (d)	"	131.9	83.4	58.8	69.9	63.6	85.6	100.9	85.4	93.8	126.3	146.4	225.2	165.6	170.3	160.3	...	...		
3. Wholesale prices, Shanghai	1929 = 100	100.0	107.6	103.8	123.5	146.0	232	253	304	318	447	464	519	505	490	486	...	...		
4. Cost of living, Shanghai	"	100.0	110.4	105.0	122.2	139.4	182	187	224	234	339	331	355	362	376	374	...	...		
HOLLAND (Population 1938: 8,651,000; Area: 34,000 sq. kms.)																				
1. Retained imports.....	Mill. guilden	229.4	108.3	84.7	129.2	117.9	126.4	126.9	105.6	123.7	152.5	...	...	...	...	...	...	...		
2. Domestic exports.....	"	165.8	70.5	62.2	95.7	86.6	80.5	92.1	60.5	51.9	...	...	...	...	...	...	...	...		
3. Unemployed registered (j)	Thousands	...	271	414	369	354	253	191	204	198	...	...	...	...	...	...	...	...		
4. Wholesale prices	1929 = 100	100.0	64.8	64.0	76.4	72.1	74	71	76	81	88	...	...	...	...	...	...	...		
5. Cost of living (Amsterdam)	"	100.0	83.9	78.6	81.8	82.5	83	81	83	85	89	...	...	...	...	...	...	...		
6. Price of industrial securities	"	100.0	34.5	45.1	67.0	65.3	65	66	67	63	62	...	...	...	...	...	...	...		
JAPAN (Population 1935: 69,500,000; Area: 382,314 sq. kms.)																				
1. Industrial production	1929 = 100	100	98	151	171	175	...	191	188	179	175	...	...	...	...	...	...	...		
2. Retained imports (f)	Million yen	180.7	115.3	225.2	311.0	220.1	241.5	228.5	203.8	231.5	348.4	277.7	277.0	246.6	256.9	286.3	281.0	...		
3. Domestic exports (f)	"	175.1	113.5	219.3	260.4	223.9	296.4	342.9	345.5	317.5	341.6	325.9	368.7	314.5	329.3	317.7	277.0	...		
4. Wholesale prices	1929 = 100	100	73.3	89.9	108.4	114.3	126	124	124	131	142	143	142	140	139	...	...	...		
5. Cost of living, Tokyo	"	100.0	75.4	87.8	96.1	110.1	123	124	124	125	140	143	144	146	150	...	...	...		
6. Price of industrial securities	"	100.0	79.3	131.7	147.6	132	135	133	144	146	149	151	148	141	134	...	...	...		
7. Commercial bank deposits (j)	Million yen	9,213	8,131	10,932	12,353	15,073	18,794	16,960	17,349	17,923	19,519	20,044	20,847	21,885	...	...	...	...		
ROUMANIA (Population 1937: 19,646,000; Area: 295,000 sq. kms.)																				
1. Industrial production	1929 = 100	100.0	88.5	130.0	131.7	133	135	153	145	143	134	125	128	130	...	...	...	...		
2. Retained imports.....	Th. metric tons	403	612	714	896	550	539	516	516	523	521	502	520	499	517	524	...	...		
3. Oil production	"	2,469	1,001	1,053	1,690	1,584	1,908	1,489	1,315	2,010	2,585	1,903	4,122	2,570	2,274	2,282	...	...		
4. Retained imports.....	Million lei	2,413	1,394	1,809	2,631	1,794	2,234	2,077	1,299	2,161	3,648	3,639	5,131	2,917	3,699	3,011	...	...		
5. Domestic exports.....	"	...	38.89	13.85	10.85	7.27	6.0	4.4	4.3	4.7	...	...	...	...	...	...	...	...		
6. Unemployment (j)	Thousands	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
7. Wholesale prices	1929 = 100	100.0	54.0	68.5	78.2	78.3	88	84	89	92	120	127	131	132	133	136	...	...		
8. Cost of living (Bucarest)	1936 = 100	...	...	...	...	...	131	131	137	142	168	174	177	180	185	189	...	...		
9. Notes in circulation (j)	Million lei	...	21,594	25,663	29,391	34,902	48,800	42,351	47,977	48,382	49,848	49,844	51,252	56,331	56,961	60,357	62,342	...		
SWEDEN (Population 1937: 6,285,000; Area: 449,000 sq. kms.)																				
1. Industrial production	1929 = 100	100	88	135	149	146	155	158	155	158	158	148	134	134	133	133	...	...		
2. Retained imports.....	Million krona	148.6	96.2	136.1	177.0	173.5	207.4	216.7	179.4	219.1	149.5	238.0	197.4	136.4	139.9	123.1	...	...		
3. Domestic exports.....	"	151.0	79.0	126.2	166.7	153.6	184.8	130.8	159.7	140.1	104.4	80.4	86.2	91.9	97.4	...	...	...		
4. Wholesale prices	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
5. Cost of living (49 towns)	"	100.0	92.4	92.9	95.3	97.8	101	101	101	109	109	...	...	...	...	...	...	...		
6. Price of industrial securities	"	100.0	37.3	67.8	78.8	75.3	73	78	72	66	68	56	58	61	60	56	59	...		
SWITZERLAND (Population 1937: 4,183,000; Area: 41,000 sq. kms.)																				
1. Retained imports.....	Million francs	227.6	146.9	105.5	150.6	133.9	157.4	149.5	98.4	171.5	236.0	248.8	201.0	130.5	79.2					

cussion of this topic, he points out that the remote possibility of Axis control of the Argentine railways has so increased public interest in the question of nationalisation that a Senate Committee is making an investigation. Since the lines are subject to an expropriation law, no opposition could be raised in principle and discussion would centre round the terms of compensation to which the Government of Argentina might feel able to agree. Meanwhile, efforts are being made to maintain the plant and rolling stock, and capital expenditure on these items amounted to £244,999 last year against £169,826 in 1938-39. Total reserves still stand in the balance sheet at £3,076,073. After the moderate rise of recent weeks in Argentine rails, Buenos Aires and Pacific 4 per cent. debentures stand at 52, at which price they yield £7 13s. 9d. per cent.

Consolidated Gold Fields Setback

The reports of New Consolidated Gold Fields and of the holding company, Consolidated Gold Fields, for the year to June 30th, make disappointing reading. Not only has the income of New Consolidated declined for the third year in succession by a considerable drop from £1,070,327 to £739,218, but the allocation of an immense sum to depreciation ensures that the company makes a net loss for 1939-40. The depreciation provision stands at £1,370,000 against £550,000 in the previous year and £100,000 in 1937-38, and the payment of dividends for the current year necessitates a draft of £1,000,000 on general reserve. Taking depreciation charged against revenue at £370,000, ordinary earnings would be slightly higher at £279,007, against £248,634. The directors have good reason for making so large a draft on reserve in that prices were near their lowest at June 30th, between when and November 15th the value of investments has risen by more than £2,000,000. After paying 7½ per cent. on ordinary capital, the carry-forward is reduced from £228,228 to £162,025. Three years' trend of profits for Consolidated Gold Fields and New Consolidated is analysed in the following table:—

	Years ended June 30th		
	1938	1939	1940
	£	£	£
<i>New Consol. Gold Fields—</i>			
Profit	1,221,439	1,070,327	739,218
Depreciation	100,000	550,000	1,370,000
Taxes and duty	248,061	60,285	14,632½
Expenses	41,045	73,279	75,579
<i>Earned for Ord.: Amount</i>	<i>692,875</i>	<i>248,634</i>	<i>Dr. 720,993</i>
%	26.0	9.7	...
To reserve	200,000	...	<i>Dr. 1,000,000</i>
Carry-forward	395,154	228,228	162,025
<i>Consolidated Gold Fields—</i>			
Total profit	677,547	557,866	345,210
Prof. dividends*	139,458	138,129	129,143
Ord. divs.: Amount* ..	533,597	415,560	245,996
%	20	16¼	10
Carry-forward	35,425	39,602	9,673

* Same for both companies except in 1940 when 7½ per cent. was paid by New Consolidated. ‡ Being liability for South African taxation only.

There is little doubt that the fall in total income of New Consolidated, which gives rise to a drop in total revenue of the holding company from £557,866 to £345,210, is due to falling profits on the sale of investments rather than to the rise of working costs among mining subsidiaries. The payment of a 10 per cent. dividend by Consolidated Gold Fields, less tax at 6s. 3d., against 16½ per cent. in the previous year, requires a substantial draft on the carry-forward, which is some £30,000 lower at £9,673. The most striking feature of the balance sheets is a decline in investments of New Consolidated, at or under cost, from £9,449,046 to £6,608,183. The total of the reserve account, after the recent transfer, is halved at £1,000,000. The technical position of the subsidiary mining companies, whose productive activity is discussed in detail in the report, appears to be satisfactory, and there is no reason to suppose that their profits will suffer severely. It is evident that, failing a renewed setback in prices of mining shares, the reserve position of New Consolidated will be restored in the next accounts, but whether there will be opportunities for substantial profits on the sale of holdings, at a time when new ventures are likely to be banned, is a matter of considerable doubt. The £1 ordinary shares of Consolidated Gold Fields, at 31s. 3d. ex dividend, yield £6 8s. per cent.

Increased Dividends

The decision of the directors of the P. and O. Steam Navigation Company to raise the cash bonus on the year to September 30th from 1½ to 2½ per cent., making a total for the year on deferred stock of 7½ against 6½ per cent., restores the rate of dividend paid in 1937-38. This payment was, in fact, the highest which ordinary stockholders had received since the 6 per cent. tax free distribution of 1930-31. The reduction of the cash bonus in 1938-39 was made in spite of a rise in deferred earnings from £374,656 to £399,940. At the same time, the allocation to contingencies reserve was raised from £25,000 to £100,000. No details of the company's allocations for the past year are yet available, but it would appear that the recent steady rise in total profits has continued and that the management is reasonably satisfied with the terms on which the Government has requisitioned shipping. The £1 deferred stock at 21s. 6d. yields £7 4s. per cent.

Shareholders have every ground for satisfaction with the decision of the management of Raleigh Cycle Holdings to distribute a final dividend of 5 per cent., plus a 5 per cent. bonus, for the year to November 30th. Not only does this announcement remove the market fears that the declaration of a second interim of 10 per cent. last August might be intended also as the final payment for the year, making a total of only 15 per cent., but it raises the total ordinary distribution for the year from 20 to 25 per cent. Details of the progress of the operating company must wait on the publication of the report, but the preliminary statement reveals that the Raleigh Cycle Company, after meeting all charges against profits, including E.P.T. but excepting income tax, earned a net profit for the year to August 12th of £471,035, against £407,293. Taxation will inevitably absorb a sum in excess of the £164,912 required for 1938-39, and it is, therefore, probable that equity earnings will approximate to that year's level of £242,381, representing a tax-free rate of 49.4 per cent. There is little doubt that the company's plant has been employed to capacity during the past trading year, and even a substantial increase in the proportion of turnover represented by Government work—for the previous year it amounted to 6.3 per cent.—would leave a predominance of commercial contracts. The £1 ordinary shares at 51s. 3d. ex dividend yield as much as £9 15s. 2d. per cent.

Joseph Lucas Results

The full accounts of Joseph Lucas, for the year to August 7th, as usual convey a minimum of information. It must, however, be assumed that profits, which are struck after tax, depreciation and all other contingencies, reflect a considerable rise in gross revenue, since the published figure has declined only from £354,480 to £299,317 in a year of substantially higher taxation. In the absence of any allocation to special depreciation, which in 1938-39 absorbed £105,000, equity earnings have risen from £227,957 to £273,835, representing 24.0 against 17.5 per cent. The allocation to general reserve is doubled at £100,000, bringing the total of this account to £900,000, and the carry-forward is some £2,000 higher at £65,986. Such results in a year's trading, which fell almost wholly within the war period, must be regarded as highly satisfactory. The following table shows three years' comparative results:—

	Years to August 7th		
	1938	1939	1940
	£	£	£
Profits and dividends†	321,587	354,480	299,317
Staff fund	10,000	10,000	15,000
Fees	1,961	2,000	2,000
Preference shares	10,215	9,523	8,482
Ordinary shares:—			
Earned	299,411	227,957½	273,835
Paid	213,215	194,835	171,552
Earned	21.1	17.5	24.0
Paid %	15	15	15
To reserve	75,000	50,000	100,000
Carried forward	80,581	63,703	65,986

† After taxation, depreciation, contingencies and management expenses. ‡ After special depreciation £105,000; earned rate before this charge, 25.6 per cent.

It is clear from the balance sheet that the existing level of net profits, in the face of rising costs, has been maintained through the attainment of very considerable industrial

activity. Cash holdings have dropped abruptly from £572,098 to £179,246, while stock has appreciated from £950,575 to £1,518,108. A further measure of the high volume of business transactions conducted during the past year is provided by the increase in debtors from £725,245 to £1,844,851, and in creditors from £1,191,734 to £2,269,010. The company is doing a great deal of Government work and despite rising taxation and reduced margins, the scale of output should provide adequate cover for the 15 per cent. ordinary dividend during the war. The £1 ordinary shares, at 49s. 4½d., yield £6 1s. 5d. per cent.

Rhokana Report

The complete accounts of Rhokana Corporation for the year to June 30th—the preliminary statement was discussed in *The Economist* of November 16th—confirm the view that the reduction in the ordinary dividend from 50 to 40 per cent. is dictated solely by the rise in tax liability. The profit from operating account shows an increase from £2,136,041 to £2,869,978, and, despite a decline in income from Mufulira Copper Mines of some £40,000 to £177,668, total profits are substantially higher at £3,061,440, against £2,357,653.

London

Note: all dealings are for cash

LAST week's quiet close in all markets resulted in a small turnover and few price changes, though underlying sentiment, encouraged by the news of Greek advances, was firm. Dealing remained on a small scale at the beginning of the present week, though on Tuesday a moderate investment demand raised a number of gilt-edged securities and in mid-week buying activity spread to the industrial market. Interest in the commodity shares remained at a low level, though kaffirs attracted increasing attention.

The improved demand for gilt-edged was stimulated by anticipation of the release of funds tied up in requisitioned Canadian stocks. At the beginning of the week interest centred round 4 per cent. Funding, but later 3½ per cent. War Loan went ahead and 2½ and 4 per cent. Consols were both in demand, the latter gaining ½ on Tuesday. There was some buying of Indian stocks and demand for dominion and colonial issues was greater than of late. In the *foreign bond* market, American buying of Mexican stocks, on rumours of an improved political situation, continued to be an interesting feature. Support for German Dawes and Young loans fell away and these securities lost recent gains. Both Chinese and Japanese bonds advanced, and the market favourites of recent weeks, Greek 7 per cent. and Egyptian Unified, also gained a few points. Brazilian and Argentine issues remained firm.

Interest in *home rails* remained at a low level and ordinary stocks declined fractionally. Great Western ordinary losing ½ on Monday and ¼ the next day. L.M.S. ordinary and Southern deferred were also offered. Before the week-end, L.N.E.R. preference issues were in demand and later ruled quietly steady.

In the *industrial market* breweries were a firm spot. A number of market leaders, including Bass, Mitchells and Butlers, Distillers and Meux, all enjoyed substantial gains. Aircrafts and motors gave a mixed display, Raleigh Cycle Holdings suffering from profit-taking after last week's rise on the dividend announcement. Rolls Royce steadily advanced. In the iron and steel group, Tube Investments were bought on the report and John Brown, Wm. Cory and Babcock and Wilcox also attracted support. The stores group was

THE STOCK EXCHANGES

dull, and interest in tobacco leaders was on a small scale though prices remained firm. Leading textiles attracted attention and Coats and Courtaulds improved. In other directions, J. Lyons receded and Murex gained fractionally.

Interest in *kaffirs* at the end of last week was on a very small scale and no definite improvement was evident until Tuesday, when a number of dividend paying mines were bought. Crown Mines, Geduld, Durban Deep and East Daggas were among leading companies to gain on balance, and "Johnnies" steadily advanced. In other sections of the *mining market* turnover was on a very small scale, and in the *rubber market* the progress of recent weeks gave way to stagnation, followed by a number of small losses in mid-week. Anglo-Dutch, Rubber Trust and Malayalam all lost a few pence. In the *oil market* prices moved irregularly. Shell Transport ordinary were offered on a small scale, but Lobitos and Anglo-Iranian ordinary improved. Friday's advance in Mexican Eagles was not held. The recently de-restricted Canadian Eagles attracted attention in mid-week when, after opening at 5s. 3d., they rose to 6s. 4½d., compared with about 4s. 6d. prior to the suspension of business on June 18th.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Nov. 20 ...	1,909	3,635	69.8	124.0
" 21 ...	1,947	3,850	69.8	124.0
" 22 ...	1,843	3,930	69.7	123.9
" 23 ...	2,308	4,470	70.0	124.0
" 24 ...	1,901	3,885	70.3	124.0
" 27 ...	1,901	3,700	70.5	124.1

* 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).

New York

WALL STREET opened optimistically on Friday after the Thanksgiving Day holiday, but on Saturday and after the week-end trading on the whole turned dull and prices moved uncertainly. Confused political news from Europe caused traders to deal cautiously, and though a moderate rally developed on Monday, gains were not fully held the next day. After several weeks, steel and aircraft issues again enjoyed a short period of favour, and support for these securities led the market until mid-week.

Since the tax provision is more than doubled, at £1,650,000, against £750,000, and higher allocations have been made both to depreciation and to development reserve, the latter claiming £130,538, against £86,206, the surplus available for ordinary and "A" ordinary dividends is necessarily reduced from £1,226,398 to £983,801. At this lower level it fails to cover the 40 per cent. dividend, which absorbs £1,000,001, and the carry-forward is consequently reduced from £231,801 to £215,601. Clearly, the operating position of the company is very strong and has progressed satisfactorily in the past year. The balance sheet indicates a sound reserve position and an increase in mining activity. The general reserve, as before, stands at £2,177,120, while reserve for taxation is up from £1,261,202 to £2,458,076. Creditors and debtors have both risen, by some £250,000 to £596,294 and from £90,945 to £610,991, respectively. Despite this increase in trading activity, there is no sign of a shortage of working capital, and cash holdings have risen by as much as £700,000 to £1,651,735. The report draws attention to the satisfactory progress of Nchanga Consolidated Copper Mines, in which Rhokana holds 2,323,150 £1 shares. The report of that company states that plant will not be extended for the present, but that the pilot plant has been in operation since last August. The £1 ordinary shares of Rhokana at 142s. 6d. yield £5 12s. 2d. per cent., less tax at 5s. 6d. in the £1.

On Wednesday, further selling of steel issues caused a number of losses ranging up to \$2.

The *Iron Age* estimates steel mill activity at 97 per cent. of capacity, as in the previous week.

New York Prices

Total share dealings:—Nov. 20, 810,000; Nov. 21, Closed (a); Nov. 22, 710,000; Nov. 23, 240,000; Nov. 25, 520,000; Nov. 26, 590,000.

(a) Thanksgiving Day

	Close Nov. 19	Close Nov. 20	Close Nov. 21	Close Nov. 22	Close Nov. 23	Close Nov. 24	Close Nov. 25	Close Nov. 26
1. Railroads								
Balt. & Ohio	41½	41	40½	40½	40½	40½	40½	40½
Gr. Nthn. P.	28½	28½	28½	28½	28½	28½	28½	28½
Illinois Cent.	81¼	79½	79½	79½	79½	79½	79½	79½
N.Y. Cent.	14¼	14¼	14¼	14¼	14¼	14¼	14¼	14¼
Northern Pac.	71½	69½	69½	69½	69½	69½	69½	69½
Pennsyl. Rl.	25	22½	22½	22½	22½	22½	22½	22½
Southern	13¼	13	13	13	13	13	13	13
2. Utilities, etc.								
Amer. Tel.	166½	166½	166½	166½	166½	166½	166½	166½
Amer. W. W.	8	7½	7½	7½	7½	7½	7½	7½
Pac. Light	38½	36½	36½	36½	36½	36½	36½	36½
Pub. Sv. N.J.	30½	30½	30½	30½	30½	30½	30½	30½
Schn. Cal. Ed.	27	26½	26½	26½	26½	26½	26½	26½
United Gas	10½	10½	10½	10½	10½	10½	10½	10½
3. Commercial and Industrial								
Amer. Metal.	19½	18½	18½	18½	18½	18½	18½	18½
Am. Roll. M.	16½	15½	15½	15½	15½	15½	15½	15½
Am. Smelting	45½	44½	44½	44½	44½	44½	44½	44½
Anaconda	28½	27½	27½	27½	27½	27½	27½	27½
Briggs	24½	24½	24½	24½	24½	24½	24½	24½
Celanese of A.	28¼	27½	27½	27½	27½	27½	27½	27½
Chrysler	79½	77½	77½	77½	77½	77½	77½	77½
Curt. Wr. "A"	29	28	28	28	28	28	28	28
Eastman Kd.	143½	141	141	141	141	141	141	141
Gen. Elec.	35¼	35¼	35¼	35¼	35¼	35¼	35¼	35¼
Gen. Motors	50½	49½	49½	49½	49½	49½	49½	49½
Int. Harv.	59½	58½	58½	58½	58½	58½	58½	58½
Int. Nickel	27½	26½	26½	26½	26½	26½	26½	26½
Liggett Myers	96½	95½	95½	95½	95½	95½	95½	95½
Nat. Dairy	13¼	13¼	13¼	13¼	13¼	13¼	13¼	13¼
Nat. Distillers	23½	22½	22½	22½	22½	22½	22½	22½
Nat. Steel	69¼	67¼	67¼	67¼	67¼	67¼	67¼	67¼
Proct. Gamble	58¼	55	55	55	55	55	55	55
Sears Roebck	77½	75½	75½	75½	75½	75½	75½	75½
Shell Union	10½	9½	9½	9½	9½	9½	9½	9½
Socony Vac.	9½	8½	8½	8½	8½	8½	8½	8½
Stan. Oil N.J.	36	34½	34½	34½	34½	34½	34½	34½
20th Cen. Fox	44	44	44	44	44	44	44	44
U.S. Steel	70½	69	69	69	69	69	69	69
West. Elec.	104½	103½	103½	103½	103½	103½	103½	103½
Woolworth	34½	33½	33½	33½	33½	33½	33½	33½
Yngstn. Sheet	41½	41¼	41¼	41¼	41¼	41¼	41¼	41¼

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES

	1940		Nov. 6, 1940	Nov. 13, 1940	Nov. 20, 1940
	Low	High			
	Jan. 5	Jan. 3			
347 Industrials	80.9	111.4	94.5	99.1	95.6
32 Rails	20.7a	30.7	27.4	29.0	27.7
40 Utilities	71.2a	89.4	79.6	80.2	78.4
419 Stocks	69.9	94.8	81.3	84.7	81.9
Av. yield*	6.61%	4.30%	5.86%	5.60%	5.95%
	High	Low			

* 50 Common Stocks.

a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

Nov. 14	Nov. 15	Nov. 16	Nov. 18	Nov. 19	Nov. 20
110.10	109.00	107.80	107.60	107.70	105.10

1940 High: 123.7, January 3rd. Low: 86.7, June 10th.

(Continued on page 678)

On the other hand, the lead supply question is causing considerable difficulties in Germany, which absorbed large quantities of Mexican, Peruvian, Burmese and Australian lead before the war and cannot replace this deficiency from European mines, especially as Spain, potentially the largest European lead producer, is still suffering from the aftermath of the civil war and has only limited quantities of the metal available for export. In the United States consumers' purchases have risen continuously since the summer, reaching a new monthly maximum of 62,500 short tons in October. Stocks of refined lead in the hands of American producers have declined from 74,700 short tons at the end of March last to 35,400 tons at the end of October, though part of this decline only indicates a transfer of stocks from the producers to the consumers, who are now fairly well stocked. At the same time, production of new lead in the United States has advanced from 35,300 short tons in April to 56,600 short tons in October and further increases in output were recently predicted by the United States Defence Advisory Commission. Nevertheless it may be some months before American supplies catch up with the expanding demand. There is, however, no prospect of a genuine shortage of lead.

in the United States. Most of the country's lead mines have worked much below capacity since 1929, but if they are brought back to full working they may produce as much as 550,000 to 600,000 tons of the metal, which is only slightly less than current consumption. In addition to the domestic output there is a large and increasing supply of foreign lead ore. In the first eight months of 1940 imports of lead (metal content) into the United States reached 70,202 short tons and since the end of August supplies from Australia, South America, Mexico, Canada and Newfoundland have increased rapidly. On the other hand exports of pig lead from the United States (mainly to Japan) have been reduced from 68,014 short tons in January-August, 1939, to 21,399 short tons in the same period of 1940. The adaptation of the country's foreign trade in ore and lead to the changed conditions will greatly help to restore more normal conditions on its lead market, and there may be no need for the regulation of the market by the Government.

* * *

A Substitute for Petrol

Owing to the rationing of petrol and diesel oil, a good deal of attention is being devoted to the discovery of alternative motor fuels; and the claims of methane have lately been exciting a good deal of interest in the technical press. This hydrocarbon gas, which has the chemical formula CH_4 , is the "marsh gas" evolved by decaying vegetation, the deadly "fire-damp" of the coal-mines and the "sludge gas" generated in sewage disposal plants. Having twice the calorific value of ordinary town gas, of which it is a constituent, methane is a most valuable fuel, yet enormous quantities of the gas run to waste at collieries, coke-ovens and sewage farms every day. Its value is, however, gaining increasing recognition, and such progressive municipalities as Birmingham, Dagenham, Sutton and Croydon are now turning their "sludge gas" to good account. The Croydon authorities, for example, are reported to be using it in a 350 kw. engine for the generation of electricity and are contemplating the conversion of 30 of their dust lorries (each of which consumes over 1,000 gallons of petrol a year) to the use of this new fuel. At an average sewage plant it is possible to obtain about one cubic foot of "sludge gas" a day per head of the population served—representing a national total of over 12,000 million cubic feet a year for an urban population of, say, 35 millions. Since 200 cubic feet of "sludge gas" containing 70 per cent. of pure methane are roughly equivalent in calorific value to one gallon of petrol, the quantity potentially available in this country would replace something like 60 million gallons, or 200,000 tons, of imported motor spirit. When other potential sources of supply are taken into account, the importance of this waste methane will be readily appreciated. The gas may be consumed not only in stationary engines, for the generation of electricity, for driving pumping installations and the like, but also in road vehicles. Its higher calorific value makes it more suitable for this purpose than the town gas which is gradually being pressed into service in some localities; and it has the added advantage that it can be liquefied and carried in steel containers, thus giving a much greater mileage without refuelling. If certain negotiations now proceeding reach a successful conclusion, liquefied methane will soon be available commercially. The greatest obstacle to its use in this form in present circumstances is the difficulty of obtaining the necessary steel cylinders. But since methane is the only practicable alternative motor fuel with a better performance than petrol (its estimated octane rating is well over 100) there would appear to be justification for the encouragement of its use by the Government.

* * *

Still Dearer Milk

The retail price of milk is to go up by a further $\frac{1}{4}$ d. a pint on December 1st, so that a pint of milk in London will then cost 4 $\frac{1}{4}$ d. Since milk will still be available either free or at 2d. a pint to children under five and to expectant and nursing mothers, there is, on the grounds of nutrition, less objection than before to such a rise, though it must be remembered that evacuation has almost stopped the supply of cheap milk to schoolchildren. But the rise in price is disquieting because of the implications suggested both by it and by

the shortage of milk which has now developed in some areas. It is true that liquid milk consumption has increased by about 14 per cent. since the start of the National Milk Scheme, that milk production falls to a seasonal minimum in November and December, and that farmers' costs have risen since the war. But all these factors must have been known in September, when the Ministries of Agriculture and Food announced the level of milk prices from October to March. Within two months, that price schedule has had to be revised, although there has in the interval been no rise in the prices of feedstuffs. The inevitable deduction is that farmers have used their supplies of cake, not to maintain milk yields (already threatened by the autumn drought) but more profitably in producing beef. In other words, the prices of fat cattle are far too high. But as it is politically inexpedient to lower agricultural prices, the nation, having been induced to pay unnecessarily high prices for home-produced beef, must now pay even higher prices for the milk it needs more urgently. Unfortunately, it is doubtful if even this restoration of the profit balance will now produce the extra milk; once the yield of a cow has been allowed to fall through insufficient feeding, a return to full rations will not bring an increase, it will only postpone a further fall. This concession to the farmers will not strengthen the hands of the Ministry of Food in dealing with distributors' margins and it will cause a further rise in the cost-of-living index. The shortage and the dearthness of milk are witnesses to the incompetence of the Ministries of Agriculture and Food to resist the sectional pressures of agricultural interests, traditionally concerned only with corn and cattle.

* * *

The Disappearing Onion

The lesson of the "disappearing rabbit," if learnt during the last war, has been forgotten in this. The conjured property this time is the onion, which, after a brief social climb into the ranks of luxury vegetables at 1s. per lb., has refused to be seen behind a label "4 $\frac{1}{4}$ d." and appears to have vanished into thin air. Many explanations are offered of its disappearance, all probably containing part of the truth, since all are typical of the results of imperfectly thought-out price control. It is said, with what truth it is impossible to verify, that wholesalers are holding their stocks in the hope of forcing a rise in the controlled price. There seems to be no doubt that growers are selling their stocks locally. Since home production does not amount to much more than 10 per cent. of pre-war consumption, a large part of the output can easily be absorbed at the controlled price without recourse to the big wholesale markets. This arrangement, while perfectly legal, allows a better margin of profit to the growers and could only be prevented by a system of rationing. A third explanation of the absence of onions in the towns is that there is no control of the price of pickled onions, and that the surplus of output over local sales is being pickled for sale at more profitable prices than are permitted for fresh onions. There are those who argue that the onion is not an essential food. They can never have tried to cook, at all events under present conditions where many of the familiar ingredients of savoury dishes are unobtainable. But the importance of the present onion position is less the culinary importance of the vegetable itself than the economic importance of the principle involved. To limit the retail price of an article of which there is a shortage will create more difficulties than it solves unless the price is controlled at all points and unless steps are taken to ensure the fair distribution of available supplies.

* * *

Christmas Rations

As there has been talk for some time of the abandonment of tea rationing, Christmas was no doubt a good time to choose for the experiment. Probably the people who will appreciate it most are those classes of the adult community to whom everybody would wish to concede first claim to any Christmas cheer that may be available. The concession of an extra four ounces of sugar for the four weeks round Christmas will make Christmas cooking easier for mothers and the results more palatable to their children. The omission of any concession in the butter and fat ration suggests that the Minister of Food is not letting his goodwill outrun his discretion and enables us to enjoy our extra tea and sugar with an untroubled mind.

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

SATISFACTORY RESULTS DESPITE WAR DIFFICULTIES

BANK'S BUSINESS WELL MAINTAINED

DUKE OF BUCCLEUCH'S ADDRESS

The annual general Court of Proprietors of the Royal Bank of Scotland was held at Edinburgh on the 27th instant, His Grace the Duke of Buccleuch and Queensberry, G.C.V.O., Governor of the bank, presiding.

His Grace said:—I assume it will be your pleasure that the annual report and balance sheet, with auditors' report, will be taken as read. The report covers a full year of the war period with all its attendant uncertainties, but, notwithstanding the difficulties of the present times, the directors are pleased to be able to place before you a statement which they consider to be satisfactory.

DEPOSITS

Turning to the balance sheet, we show under the heading "Liabilities" an increase of fully £6,000,000 in our deposits and credit balances, which stand in the balance sheet at £75,091,290.

Notes in circulation at £3,795,495 show an increase over last year's figures of almost £500,000—a rise in employment and higher wages are factors contributing to the increase under this heading.

The total of £1,902,169, for acceptances and indorsements of foreign bills and other obligations is considerably lower than last year's total of £3,418,101.

The decline in foreign trade and the taking over of the purchases of commodities by the Government accounts for the falling off here.

LIQUID ASSETS AND INVESTMENTS

On the "Assets" side you will see that our customary highly liquid position has been more than maintained, and that our holdings of cash, balances with the Bank of England and other banks, money in London at call and short notice, reach the large sum of £16,899,010. This sum represents 21 per cent. of our liability for deposits and notes issued.

British Government securities at £28,899,811 are up over £4,000,000 on the year. This reflects the support given by the bank to the Government's loan programmes for financing the war.

I would also draw your attention to the new item appearing in our balance sheet of "Treasury deposit receipts," which shows that at the date of our balance on October 12th we had £2,500,000 of these Treasury deposits. I may add, in passing, that the amount has been increased since that date to the present figure of £6,000,000.

I can again say that a high proportion of our investments in Government stocks is in short- and medium-dated stocks, and that all our investments are valued at or under market prices ruling on the date of our balance.

BILLS DISCOUNTED

A further evidence of our liquidity is seen in our bill portfolio where we show increases, not only in our Treasury bill holdings, but also in our holdings of commercial bills, notwithstanding the short supply of the latter.

ADVANCES

In common with other institutions, we show a decline in our advances which, in our case, are approximately £2,200,000 lower than a year ago, notwithstanding the new advances which we have made to Government contractors for the financing of vital war supplies.

I have on previous occasions referred to the important connections which the bank have had for a number of years in Scan-

dinavia and Finland. With the advent of the war all advances granted in these quarters were liquidated, and it is a tribute to our borrowers that repayments were made in every case without delay or loss. These repayments partly account for the decline in our advances.

A feature of our report this year is that our assets have reached the record figure of just over £90,000,000.

PROFITS

The net profit of the year at £557,359 0s. 3d. is £48,360 7s. 8d. less than the amount declared a year ago. This is after providing for all taxation, which has considerably grown, and charges of management, which again show a further substantial increase.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year on the capital stock, at the rate of 17 per cent. per annum, be declared, that £50,000 be applied in writing off expenditure on bank buildings and heritable property, and £30,000 be carried to pension reserve fund. After these appropriations there remains the sum of £43,859 0s. 3d., which it is proposed should be carried to our inner reserves against contingencies.

BUSINESS OF THE BANK

I am sure you do not expect me on this occasion to give the customary review of Scottish trade, but I would add that the business of the bank and our associated banks has been maintained and extended throughout the year, and that we are doing everything we can to further the national effort and to bring the war to a victorious conclusion at the earliest possible moment.

To fill a vacancy on the board, Mr Kenneth M. Oliphant, W.S., Edinburgh, was elected. Mr Oliphant holds office until this Court, when he comes up for re-election.

Lord Catto of Cairncatto, C.B.E., resigned his position as an extraordinary director in July last on assuming the post of Financial Adviser to the Treasury.

Lord Catto became an extraordinary director in 1933 in succession to the first Lord Inchcape, and we are glad to have this opportunity of thanking him for his valuable advice, which was always readily placed at our disposal. His wide experience and great abilities should find ample scope in the high post he now holds.

THANKS TO OFFICIALS AND STAFF

You will be interested to hear the position of the bank staff as regards military service. Up to date 444 members, or about one-third of the entire staff, are actually serving with H.M. Forces, and 61 more have registered for Service. We have thought it right to arrange that the bank shall make up the difference between Service pay and the salaries in the case of those thus serving. I regret to say that one has already made the supreme sacrifice while on active service, and we should like to express our deep sympathy with his relatives. Eleven others are missing or known to be prisoners.

The absence of so many men has necessarily thrown a great strain on those who remain, and on the senior officials and agents who have to re-arrange and carry on the work with the help of temporary assistance. To all of them, senior and junior, permanent and temporary, we express our warm appreciation of the way in which they have "buckled to" and successfully carried on the work of the bank under great difficulties. They fully recognise that by doing so they are playing their part in the national effort. It has been our privilege to be of some special service in certain im-

portant matters, involving work of an onerous kind, for which the staff concerned volunteered in a very public-spirited way. Our special sympathy and gratitude are due to our London manager, Mr Robb, and his staff, and to our managers and staff at our other London offices, who have carried on their work under the most trying and dangerous conditions, and have done so with admirable cheerfulness and fortitude, and without loss of efficiency. There has, naturally, been a very heavy strain on our general manager, Mr Whyte. That the strain has been borne successfully is shown by the results which we have submitted to you to-day, and our special thanks are due to Mr Whyte and to his immediate colleagues, and also to the managers at Glasgow and Dundee offices.

For some years past the bank has had a special scheme under which the staff are able to subscribe for National Savings Certificates, and I am glad to report that in the present year a record support to the War Savings Campaign through these Certificates has been forthcoming from our staff.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance sheet, be approved, and that out of the profits of the year a dividend at the rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved, and the Governor, Deputy-Governor, Extraordinary Directors and the retiring Ordinary Directors were re-elected, and auditors were re-appointed for the ensuing year.

MODDERFONTEIN EAST, LIMITED

SUCCESSFUL RESULTS

INCREASED ORE RESERVES

At the annual general meeting of Modderfontein East, Limited, held in Johannesburg on the 21st instant, Mr W. M. Frames, who presided, in moving the adoption of the report and accounts, said that the two dividends declared during the year totalled 40 per cent. against 37½ per cent. for the previous year.

Provision for taxation and lease consideration showed the substantial increase of £101,136 as compared with the previous twelve months. That, stated the chairman, was mainly due to the higher price realised for gold since the beginning of January and to the new basis of taxation.

TAXATION

Shareholders would be aware that during the year the Government had abandoned the policy appropriating the amount realised by the sale of gold in excess of 150s. per fine ounce, and instead had introduced a special contribution of 9 per cent. of the taxable income before deduction of redemption allowance and any tax loss brought forward from the previous year. That modified method of taxation had been made retrospective to January 1st, from which date gold mining companies received the full market price for their gold, less the increased cost of realisation which, since August 30, 1939, had been borne by the Government.

When the Minister of Finance introduced his interim Budget to Parliament on August 28th he announced that the special contribution of 9 per cent. would be increased to 11 per cent. That increase had also been made retrospective since January 1st.

PROVISION FOR CURRENT YEAR

The accounts for the financial year under review had been closed before the additional taxation had been announced by the Minister and, therefore, it would be necessary to make provision during the current financial year for the payment of that extra 2 per cent. in respect of the period of 18 months from January 1, 1940, to June 30, 1941. In the case of their company that would represent an additional charge of approximately £25,000.

Development, continued the chairman, had been affected by the shortage of native labour during the first half of the year. The total footage accomplished had been 39,944, which was 9,178 feet less than for the previous year. The total ore developed had been estimated at 977,330 tons of an average value of 4.2 dwts. per ton.

ORE RESERVES

The recalculation of the ore reserve as at June 30th last, allowing for the increased price of gold and fluctuation in working

costs, had shown an available tonnage of 6,846,700 tons of an average value of 3.9 dwts. per ton over a stoping width of 42.6 inches. Compared with the previous year, the ore reserve showed an increase of 378,200 tons, the average value and stoping width being lower by 0.2 dwt. and 0.4 inch respectively.

The report and accounts were then adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

AMPLE ORE RESERVES

IMPROVED LABOUR POSITION

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held, on the 21st instant, in Johannesburg. Dr Hans Pirow, the chairman, presided, and in moving the adoption of the report and accounts said that the total expenditure on capital account had been £36,855. The principal items had been additions and extension to the East Compound, to the native hospital, and also for the provision of an additional staff house.

Capital expenditure during the current year was expected to be on a slightly higher scale. That would be mainly accounted for by some further additions to the reduction plant which would ensure that residue values would be maintained at a satisfactory level, and by the installation of a large ventilation fan in the eastern section of the mine.

SPECIAL TAX CONTRIBUTION INCREASED

Shareholders would be aware that during the year the Government had abandoned the policy of appropriating the amount realised by the sale of gold in excess of 150s. per fine ounce. Instead the Government had introduced a special contribution of 9 per cent. of taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year. That modified method of taxation had been made retrospective to January 1st, from which date the gold mining companies received the full market price for gold, but had to meet the cost of realisation which, since August 30, 1939, had been borne by the Government.

When the Minister of Finance introduced his interim Budget to Parliament on August 28th he announced that the special contribution of 9 per cent. would be increased to 11 per cent. That increase had also been made retrospective as from January 1st.

COST OF ADDITIONAL TAX CHARGE

The accounts for the financial year under review had been closed before the additional taxation had been announced by the Minister, and it would be necessary to make provision during the current financial year for the payment of that extra 2 per cent. in respect of the period of 18 months from January 1, 1940, to June 30, 1941. In the case of the company that would represent an additional charge of approximately £24,000.

The development footage accomplished had been 5,535 feet less than that for the previous year. The payable ore developed had shown a decrease of 520,000 tons, while the value had been lower by 0.3 dwt.

AVAILABLE ORE RESERVES

The severe shortage of native labour curtailed development during the first half of the year, but a considerable improvement had since taken place. On the whole, values and percentage of payability in advanced development had shown a distinctly lower tendency. That inevitably resulted in a decrease in the ore reserve, which, however, was so large as to provide amply for all present requirements. Nevertheless, it was considered desirable to bring about a somewhat closer approximation between the new tonnage developed and the tonnage mined from ore reserve. Consequently development had been accentuated with that object in view.

The ore reserve had been recalculated as at June 30th last, and the available reserve totalled 10,698,000 tons of an average value of 3.7 dwt. That available reserve was 548,200 tons less than that of the previous year and the value was lower by 0.2 dwt. per ton.

The reduction plant had operated satisfactorily throughout the year. Renovation and replacement of obsolete equipment had been continued, whilst the milling capacity had been gradually raised to 200,000 tons per month.

The report and accounts were adopted.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

E.P.T.: CLAIM FOR CONSIDERATION

The ordinary general meeting of the Birmingham Small Arms Company, Limited, was held, on the 26th instant, at Birmingham.

Sir Bernard D. F. Docker, K.B.E. (the chairman), in moving the adoption of the report and accounts, said that the total available profit was £1,035,250, out of which the large appropriation of £475,000 was required for income tax. They proposed to transfer £119,410 to general reserve, bringing it up to £650,000. After paying the preference dividend for the half-year and 7½ per cent. on the ordinary stock, there remained £301,065 to be carried forward. The profit on trading and income from investments was £825,972. In arriving at the figure of profit for the year the board had set aside £474,521 for depreciation. Floating assets at £7,010,191 showed a strong position with creditors and provisions at £4,666,062.

With regard to the E.P.T. position, a year ago Sir Alexander Roger had referred to the fact that the company was entitled to consideration, remembering the lean years when shareholders had received nothing, and when the company had received no financial help in holding their war plant ready for any emergency. It must, as they saw the intensity of the part B.S.A. was playing in the war effort, be increasingly borne in on the authorities that consideration to their contention was little short of common justice. Another aspect of the intensity of the effort they were making for the direct war need was that that very fact precluded them from carrying on non-armament production, which competitors might be in a position to do and which meant that their immense contribution to the common cause actually prejudiced the company. That led him to make a direct appeal to the Chancellor to reduce the E.P.T. from its present 100 per cent. level.

As to the activities of the constituent companies that went to make up B.S.A., Limited, he must content himself by remarking that the whole of the group was actively and enthusiastically engaged in playing an important part in helping to win the war.

The report was adopted.

SECOND INDUSTRIAL TRUST, LIMITED

INCREASED GROSS REVENUE

The twenty-ninth ordinary general meeting of the Second Industrial Trust, Limited, was held, on the 21st instant, at Winchester House, London.

Mr W. Sandford Poole (the chairman), in the course of his speech, said that the gross revenue at £74,989 had expanded by a little over £2,600 compared with the previous year. Taxation took £7,853 more than a year ago and their net revenue, which included rather less arrears than in the previous year, came out at £48,998.

In the year 1938-39 the Trust, although paying N.D.C., had no liability to E.P.T. They did not anticipate that the increase in their gross revenue in the year under review would bring them within the ambit of E.P.T., but they had made adequate provision for direct liability should there be any. It must be appreciated, however, that their revenue suffered indirectly both from N.D.C. and E.P.T. borne by companies in whose equity stocks they had holdings.

The directors now recommended a final dividend of 3½ per cent., making a total distribution of 5½ per cent. for the third successive year.

The investments stood in the books at £1,423,574, practically the same figure as a year ago. Deducting the reserve and the then carry-forward, the depreciation at March 31st last worked out at a small fraction over 8 per cent., compared with 13½ per cent. a year before.

Even with success in the war he feared they could hardly expect the gross revenue of the current year to be maintained at the level of the year just ended, but so far revenue in prospect showed no signs of really serious curtailment. These, however, were times when it was impossible to forecast the position a year hence. At their meeting last year he had stressed the necessity of maintaining exports to help pay for the war, and to ensure the continuation of markets abroad when peace returned. It was even more important to-day to keep that in the forefront of their thoughts.

The report and accounts were unanimously adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

STRONG LIQUID POSITION MAINTAINED

The annual general meeting of shareholders of Johannesburg Consolidated Investment Company, Limited, was held, on the 26th instant, in Johannesburg.

Mr G. H. Beatty, who presided, referred to the loss suffered by the company in the death on the 13th instant of the chairman, Mr Jack Barnato Joel, and announced that Mr H. J. Joel, his son, has agreed to undertake the duties of chairman.

Continuing, he said: I am sure you will consider the directors' report and accounts satisfactory in view of the difficult conditions prevailing during the period of their review. I wish to draw your attention to the strong financial position of the company as disclosed by the balance sheet. Notwithstanding the material decrease in the market value of shareholdings brought about by unsettled conditions, the amount required for depreciation has been provided out of current profits, this leaving the reserve fund intact at the substantial figure of £3,050,000. Further, no account has been taken of the large amount by which the total market value of our shareholdings exceeds the total book value. The strong liquid position has been well maintained. The profit for the year, after providing for taxation, depreciation and writings off, amounted to £269,945. Dividend No. 48 of 2s. per share absorbed £395,000, leaving £95,207 to be carried forward to the current year.

THE GOLD MINING INDUSTRY

The gold mining industry, after fifteen months of war, is operating efficiently. Working costs have not increased as much as might have been expected. They averaged 19s. 3d. per ton for the third quarter of last year, and for the corresponding quarter of this year the average cost was 20s. 6d., of which approximately 8d. per ton is accounted for by increased gold realisation charges. The cost per ounce of fine gold produced for the same two periods was 91s. 4d. and 98s. 9d. respectively. The industry is crushing at a rate of 11.2 per cent. above last year, the figures for the two quarters mentioned above being 14,862,800 tons and 16,522,850 tons respectively.

Important changes in the Government's taxation policy, materially affecting the gold mines, took place during the past year. A year ago the Treasury was the purchaser, through the South African Reserve Bank, of the gold output of the mines in the Union at 150s. net per fine ounce. In his Budget speech in February the Minister of Finance gave good reasons for abandoning the method of taxing the product instead of the profit from mining. He replaced it by a special tax of 9 per cent. on the working profit from mining dating from January 1st, from which date the producers were allowed to credit to revenue the proceeds from the sale of gold at its full official price of 168s. per fine ounce, but had to bear as a debit to working costs the gold realisation charges. When the producers' price was limited to 150s., the realisation charges were borne by the Treasury. Subsequent to the decision by the Union Government to allow the industry to receive the full price of gold, the Bank of England agreed with the South African Reserve Bank that our gold should be purchased by them at the official price of 168s. per fine ounce and that the Bank of England would bear the whole of the realisation charges, which up to the middle of February were 35s. 9d. per cent., later 37s. per cent., and yet more recently 38s. 3d. per cent.

ANOTHER TAXATION ANOMALY

This decision, of course, meant an increase in total profits from mining amounting to approximately £2,000,000 per year, of which approximately one-third would have accrued to the producers under the present taxation. The Government, however, for reasons which at least seemed politically adequate at the time, decided that this fortuitous profit should all be for their account and that the producers should not benefit. That decision was tantamount to additional taxation. Thus it seems that almost as soon as the basis of the taxation of the industry is straightened out anomalies are again introduced. Obviously the higher the realisation charges become, the more the Government benefits and the more the industry is penalised; further, the tax falls most heavily on the lower-grade mines. Since the end of our financial year the Government has increased the 9 per cent. special tax on the working profit to 11 per cent. as a further contribution to the war effort.

The report and accounts were unanimously adopted.

NOURSE MINES, LIMITED

SUCCESSFUL RESULTS INCREASED DIVIDENDS

INCREASED TAXATION

MR W. M. FRAMES'S SPEECH

In moving the adoption of the report and accounts at the annual general meeting of Nourse Mines, Limited, held in Johannesburg on the 22nd instant, Mr W. M. Frames, who presided, said that the amount provided for taxation showed a substantial increase of £38,760 compared with the provision made in the previous year. That was accounted for by an increase in revenue due to the higher price received for gold as from January 1st and to the new basis of taxation.

NEW TAXATION

The chairman said that shareholders would be aware that during the year the Government had abandoned the policy of appropriating the amount realised for the sale of gold in excess of 150s. per fine ounce. Instead the Government had introduced a special contribution of 9 per cent. on the taxable income before deduction of any redemption allowance and any tax loss brought forward from the previous year.

That modified method of taxation had been made retrospective as from January 1st, from which date the gold mining companies had received the full market price for their gold, less the increased cost of realisation, which since August 30, 1939, had been borne by the Government.

When the Minister of Finance had introduced his Interim Budget to Parliament on August 28th he announced that the special contribution of 9 per cent. would be increased to 11 per cent., the increase also being made retrospective from January 1st.

The accounts for the financial year under review had been closed before the additional taxation had been announced by the Minister, and therefore it would be necessary to make provision during the current financial year for the payment of that extra 2 per cent. in respect of the period of eighteen months from January 1, 1940, to June 30, 1941. In the case of their company that would represent an additional charge of approximately £13,000.

Two dividends totalling 22½ per cent. have been declared during the year, compared with 21½ per cent. during the twelve previous months.

LABOUR

A serious shortage of native labour had been experienced during the first half of the year, which further impeded the completion of the programme of capital expenditure in connection with the opening up and equipment of the deep level section of the mine. Labour conditions improved considerably during the latter half of the year and satisfactory progress had been made with work in hand.

Total expenditure on capital account had been £30,907, and the amount required to complete the programme which would be spent during the current financial year was £16,500. In addition, expenditure estimated at £20,000 would be incurred on reduction works and on additions to native compounds. It was anticipated that improvements in the reduction works would result in a decrease in residue values and should also make the plant more flexible and capable of dealing with tonnages in excess of its present rated capacity.

DEVELOPMENT

The development accomplished totalled 25,958 feet, and disclosures had been generally satisfactory. The payable ore developed during the year totalled 636,900 tons, of an average value of 4.5 dwts. per ton.

In the lower section of the mine development of the Main Reef Leader continued to give promising results, 960 feet or 65.3 per cent. being classed as payable, with an average value of 226 inch dwts.

The available ore reserve as re-estimated at June 30th last totalled 4,251,300 tons, of an average value of 4.4 dwts., over a stoping width of 48 inches. In comparison with the position in June, 1939, this showed that the available reserve had increased by 275,900 tons, the stoping width being one inch greater, while the value remained unchanged.

The report and accounts were then adopted.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

PROGRESS OF SHAFT-SINKING

DR HANS PIROW'S SPEECH

Dr Hans Pirow, who presided at the annual general meeting of the Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on the 22nd instant, in moving the adoption of the report and accounts, said the net expenditure for the year amounted to £364,617. That left a balance of working capital as at June 30th last of £737,897, of which £635,231 was represented by cash after allowing for sundry liabilities.

The total expenditure incurred since the inception of the company to June 30, 1940, was £1,712,103.

CONDITIONS AT NO. 1 SHAFT

During the year under review, No. 1 Shaft had been sunk 1,591 feet to a total depth of 3,003 feet, and up to the end of October it had been sunk a further 892 feet to a total depth of 3,895 feet. During the present month the shaft was now in quartzites in the Witwatersrand series. After giving details of the Black Reef formation exposed in the shaft, the chairman said that at 3,957 feet there was well-defined unconformable contact between the base of the Black Reef series and the underlying Witwatersrand quartzites. It was proposed to suspend sinking operations at a depth of approximately 5,000 feet and then proceed to reef developments. According to present information, the Carbon Leader should be intercepted at a depth of approximately 4,560 feet.

NO. 2 SHAFT

No. 2 Shaft had been sunk 1,445 feet to a total depth of 2,255 feet at the end of May, 1940, when sinking operations were suspended. The bottom of the shaft was then in strong undisturbed dolomite. When the decision to suspend operations was reached, it was estimated that the company's cash resources would have been adequate to permit development being carried on until the end of 1942. The progress of the sinking of No. 1 Shaft, however, had been considerably more rapid than anticipated, and it seemed likely that the development programme on which that estimate was based would be completed at an early date.

Development from No. 1 Shaft would naturally be started as soon as possible and the resumption of the sinking at No. 2 Shaft would be considered in the light of results obtained.

HOISTING EQUIPMENT

The erection of one Ward Leonard winding engine had been completed at No. 1 Shaft during the year, and the erection of a second engine started, which had since been completed. At No. 2 Shaft the steam winding engine has been erected and put into commission, and foundations had been prepared for two Ward Leonard winding engines. The installation of these engines would complete the hoisting equipment required for sinking the shafts to their full depths.

The report and accounts were then adopted.

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

EFFECTS OF NEW TAXATION

DR PIROW'S ADDRESS

Dr Hans Pirow, chairman, presided at the annual general meeting of the New Modderfontein Gold Mining Company, Limited, held in Johannesburg on the 22nd instant.

In moving the adoption of the report and accounts the chairman reviewed the financial results of the year ending June 30, 1940.

TAXATION

Referring to taxation, the chairman said that shareholders would be aware that during the year the Government had abandoned its policy of appropriating the amount realised by the sale of gold in excess of 150s. per fine ounce and instead had introduced a

ORE RESERVES

The available ore reserve as at June 30th last was estimated at 6,201,500 tons, averaging 3.2 dwts. per ton over a stoping width of 47.5 inches, compared with 6,634,500 tons, averaging 3.5 dwts. per ton over a stoping width of 49.0 inches as at June 30, 1939.

The payable ore developed during the year amounted to 758,600 tons, valued at 2.5 dwts. per ton. That represented an increase of 58,410 tons compared with the previous year, but the value had been lower by 0.6 dwts. per ton. In addition 609,000 tons of low-grade ore, which had previously been classed as unpayable, had been added to the reserve, chiefly due to the increased price obtained for gold since the beginning of 1940.

The addition of that large quantity of ore valued considerably below the average of the previous year's ore reserve had been largely responsible for a further drop in the average value of the reserve.

Continuing, the chairman said that the progressive decrease in the quantity and value of the ore reserve must be expected to continue, as areas in the upper leaders to be developed were unlikely to contain high grade ore.

The report and accounts of the company were then adopted.

EFFECT ON CURRENT FINANCIAL YEAR

The accounts for the financial year under review had closed before the additional taxation had been announced by the Minister and it would be necessary to make provisions during the current financial year for the payment of that extra 2 per cent. in respect of a period of 18 months from January 1, 1940, to June 30, 1941. In the case of the company, that would represent an additional charge of approximately £38,000.

COMMODITY AND INDUSTRY NEWS

THE development of the export trade in leather and leather goods is to be encouraged by the formation of a non-trading corporation to be financed by a levy of one quarter of one per cent. on purchases of raw skins and hides, vegetable tanning materials and imported leather. The Board of Trade has made an Order to this effect entitled *The Encouragement of Exports (Leather, Footwear and Allied Products) Order, 1940*. Further news of leather exports and of conditions in other industries is given in the *Trade Supplement* published with *The Economist* this week.

Cotton.—Towards the end of last week American cotton futures reached the official maximum, and business came almost to a standstill. On Friday, the Controller removed the limit which had been in force since October 7th, and the day's maximum was fixed at 7.79d. per lb., which was quickly reached, and sellers were again unwilling to do business. Order No. 10 of the Control of the Cotton Industry cannot be abrogated without notice, and the maximum spot price for middling American cotton must therefore remain at 8.41d., with the March future maximum at 7.81d., i.e. 60 points below. It is announced that the Liverpool Cotton Association accepted the new future contract at its meeting this week, and the contract will therefore come into force on Monday, December 2nd. In the meantime, the raising of the futures maximum has disturbed negotiations for yarns and manufactured goods. The announcement of the new bases for outside growths of cotton was made on November 25th, and there were some marked changes. Business in piece-goods for export has been irregular, but home trade purchases have been more numerous, and in some cases the prices paid have been surprising.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Nov. 15, 1940	Nov. 22, 1940	Nov. 22, 1939	Nov. 22, 1940
American	14.6	13.9	384	353
Brazilian	10.7	8.8	125	112
Peruvian, etc.	2.6	1.4	74	47
Egyptian	6.5	5.9	106	77
Sudan Sakiel	0.3	1.6	66	9
East Indian	2.7	3.9	96	96
Other countries	8.4	6.6	69	93
Total	45.8	42.1	920	787

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—The meeting of the International Tin Committee has been postponed to await the arrival of the Dutch representative. The quota for the next period will be fixed at this meeting. Production has been below the present permitted level of 130 per cent., but the

present rate of output seems to be sufficient to allow America to accumulate the reserves she wishes to hold. Price changes during the last week have generally reflected the degree of willingness of sellers to deal, and the market on the whole has been steady. The prices of other metals are unchanged.

Grains.—There have been reports that the Canadian Government will take delivery of all this year's wheat crop. These led to firmer options in Winnipeg and Chicago and a consequent increase in f.o.b. prices, but there was a reaction in these after the week-end as demand on Control account was small. Shippers have obtained better prices for maize this week—it rose to 11s. per 480 lb. on Monday—but buyers have shown very little interest.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Nov. 9, 1940	Nov. 16, 1940	Nov. 18, 1939	Nov. 16, 1940
N. America	528	529	7,032	5,531
Argentina, Uruguay ..	287	133	6,653	3,374
Australia	...	...	612½	...
Russia	...	...	114	182
Danube and district ..	...	...	2,133	...
Other countries	...	...	284	...
Total	815	662	16,828	9,087

* Unobtainable. † Incomplete.
Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Nov. 9, 1940	Nov. 16, 1940	Nov. 18, 1939	Nov. 16, 1940
Argentina	11	75	11,575	5,714
Atlantic America	158	142	984	2,465
Danube Region	...	...	1,109	678
S. & E. Africa	...	...	2,587	1,110½
Indo-China, etc.	...	...	1,121	91
Total	169	217	17,376	10,064

* Not received. † Incomplete since October 12th.
Source: The Corn Trade News.

Oils and Oilseeds.—Imports of oilseeds are coming to hand in fair volume, and future requirements are being covered by fresh purchases for early shipment. The new crop linseed in Argentina is now offered for January shipment, but active business has not yet developed, nor has an official estimate of aggregate yield been issued. The market for oilseeds in general is quietly steady, but not very active. Output of oilcakes and meals is fair, but below normal, necessitating the introduc-

tion of a rationing scheme at the beginning of January.

Rubber.—The market is still waiting for the announcement of the quota for the next quarter, and prices have consequently shown an easy tendency. The meeting of the International Regulation Committee has again been postponed so that Sir John Hay, who has been in America negotiating the contracts for the supply of reserve rubber, may be present. It is suggested that the export licences for the first quarter of 1941 should be issued as soon as the quota is fixed instead of waiting until January. This would help to accelerate supplies to America without requiring an increase in the quota.

THE ECONOMIST SENSITIVE

PRICE INDEX

(1935 = 100)

	Nov. 21, 1940	Nov. 22, 1940	Nov. 25, 1940	Nov. 26, 1940	Nov. 27, 1940
Crops	100.9	101.5	102.5	102.3	103.2
Raw materials	165.5	165.9	165.9	165.5	165.4
Complete Index	129.2	129.8	130.6	130.1	130.3

	Mar. 31, 1937	Aug. 31, 1939	Nov. 27, 1939	Oct. 28, 1940	Nov. 20, 1940
Crops	147.9	92.2	113.9	102.2	100.9
Raw materials	207.3	122.9	132.8	165.9	165.5
Complete Index	175.1	106.4	122.3	130.2	129.2

* Highest level reached during the 1932-37 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937 = 100)

	Home		Export		Total	
	Index	% change from a year ago	Index	% change from a year ago	Index	% change from a year ago
1935	96	83	96	83	96	83
1936	96	99	96	99	96	99
1937	100	100	100	100	100	100
1938	94	82	93	82	93	82
1939	105	82	104	82	104	82
1939—Oct. ...	170	88	166	88	168	88
Nov. ...	137	103	135	103	136	103
Dec. ...	105	96	104	96	104	96
1940—Jan. ...	79	83	80	83	79	83
Feb. ...	113	78	111	78	112	78
March ...	155	93	152	93	153	93
April ...	145	94	142	94	143	94
May ...	130	88	128	88	129	88
June ...	97	106	97	106	97	106
July ...	82	94	83	94	82	94
August ...	124	74	122	74	123	74
Sept. ...	148	54	143	54	145	54
Oct. ...	157	73	152	73	154	73

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Source: Board of Trade Journal.

Finance

	(£ thousands)	
	OTHER ISSUES (NET)	
P.O. and Telegraphs.....		350
Overseas Trade Guarantees.....		<u>20</u>
		370

* 52 weeks. † 23 weeks.

Interest free loans received by the Treasury up to November 26th amounted to 10,464, of a total value of £23,249,610. From the beginning of the campaign up to October 26th, principal of Savings Certificates to the amount of £23,622,000 has been repaid.

proportion "	$\frac{1}{10}$ 30.7	$\frac{2}{10}$ 20.6	$\frac{3}{10}$ 20.0	$\frac{4}{10}$ 20.5	$\frac{5}{10}$ 20.
--------------	------------------------	------------------------	------------------------	------------------------	-----------------------

Government debt is £11,015,100; capital £553,000. † Fiduciary issue raised from £58 millions to £630 millions on June 11, 1940.

	Oct. 25, 1939	Oct. 2, 1940	Oct. 9, 1940	Oct. 23, 1940
ASSETS				
Loans, total	8,479	8,785	8,800	8,890
Investments,	14,178	15,544	15,527	15,599
Reserve with F.R. bks.	10,094	11,646	11,770	11,991
Due from domestic bks.	3,090	3,307	3,244	3,317
LIABILITIES				
Deposits: Demand	18,721	21,152	21,238	21,643
Time	5,751	5,359	5,353	5,355
U.S. Govt.	538	530	529	529
Inter-bank	8,672	9,412	9,410	9,454

	Nov. 17, 1939	Nov. 1, 1940	Nov. 8, 1941	Nov. 15, 1942
ASSETS				
Gold coin and bullion	444	444	444	4
Rupee coin	699	308	302	3
Balances abroad	127	411	420	4
Sterling securities	82	115	135	1,3
Indian Gov. rupee secs.	373	496	496	4
Investments	70	80	79	
LIABILITIES				
Notes in circn.: India	2,108	2,202	2,208	2,1
Burma	102	113	114	1
Deposits: Govts.	119	158	156	1
Banks	195	496	485	5
Reserve ratio	54.2%	68.7%	68.8%	68.8%

	Oct. 27, 1939	Oct. 11, 1940	Oct. 18, 1940	Oct. 25, 1940
ASSETS				
Gold coin and bullion	29 47	38 57	39 36	39 10
Bills discounted	...	0 75	0 75	0 75
Inves. & other assets ...	19 56	35 74	36 47	36 6
LIABILITIES				
Notes in circulation	19 30	21 99	21 10	20 8
Deposits : Government	4 18	3 62	4 83	8 0
Bankers'	24 60	41 69	41 57	38 4
Others	4 83	3 46	4 53	4 4
Reserve ratio	...	54 6%	54 5%	54 5%

Forward rates for one month have remained unchanged as follows: America, $\frac{3}{4}$ cent. pm.-par. Canada, $\frac{1}{2}$ cent pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 öre pm.-par. Batavia, $1\frac{1}{2}$ cents pm.-par.

* November 18, 1939, and November 16, 1940.

The following rates remained unchanged between Nov. 21st and Nov. 27th:—
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank
Bill, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 5 months, 1½%;
Treasury bills, 1½%; 3 months, 1½%; 3 months, 1½%; Day-to-day
money, ½-1¼%. Short loans, 1-1¼%. Bank deposit rates, ½%. Discount
deposits at call, 1½% at notice, 5¼%.

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.
Nov. 21	23½	23½	Nov. 26	23½	23½
" 22	23½	23½	" 27	23	23

New York on	Nov. 20, 1940	Nov. 21, 1940	Nov. 22 1940	Nov. 23, 1940	Nov. 25, 1940	Nov. 26, 1940
London :—	Cents		Cents	Cents	Cents	Cents
Cables	403 ³ / ₄		403 ³ / ₄	403 ³ / ₄	404	404
Switzerland, Fr.	23-21		23-21	23-21 ¹ / ₂	23-21 ¹ / ₂	23-21
Italy, Lire	5-05(c)		5-05(c)	5-05(c)	5-05(c)	5-05
Berlin, Mark	40-05		40-05	40-05	40-05	40-05
Stockholm, Kr.	23-86		23-86	23-86	23-85	23-85
Montreal, Can. \$	87-00	Markets Closed	87-060	87-060	87-060	87-06
Japan, Yen	23-45 ^(b)		23-45 ^(b)	23-45 ^(b)	23-45 ^(b)	23-45 ^(b)
Shanghai, \$.	6-07		6-10	6-14	6-12	6-10
B. Aires, Pso. (mkt. rate)	23-55 ¹ / ₂		23-50 ¹ / ₂	23-55 ¹ / ₂	23-60 ¹ / ₂	23-55 ¹ / ₂
Brasil, Milreis.	5-05		5-05	5-05	5-05	5-05

‡ Official buying rate 29.78. (b) Offered. (c) Nominal

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks. Dealing in stocks marked * suspended by Treasury Order.																	
Prices, Year 1939		Prices, Jan. 1 to Nov. 26, 1940		Name of Security	Price, Nov. 26, 1940	Ch'ge since Nov. 19	Yield Nov. 26, 1940	Prices, Jan. 1 to Nov. 26, 1940		Last two Dividends			Name of Security	Price, Nov. 26, 1940	Ch'ge since Nov. 19	Yield Nov. 26, 1940	
High	Low	High	Low					High	Low	(a)	(b)	(c)					
711 1/8	61	76 1/2	68 1/8	British Funds	76		6 1/2 d.	2/7 1/2	11/3			Iron, Coal, &c.—cont					
107 1/8	98	111 3/4	103 1/8	Consols 2 1/2%	76	+ 1/4	3 1/2 d.	34/6	20/-	10 c	5 1/2 b	Powell Duffryn £1 ...	12/6	...	12 0 0		
96 1/4	90 1/8	98 1/8	98 1/2	Do. 4% (aft. 1957) ...	111 1/4	+ 1/8	2 10	54/9	33/9	12 1/2 c	5 1/2 b	S. Durham Ord. £1 ...	27/6	-1/3	8 14 0		
99 1/8	92 1/8	100 1/2	97 1/2	Conv. 2 1/2% 1943-45 ...	99 1/4	...	2 11 10	47/6	26/-	12 1/2 c	12 1/2 c	Staveley Coal, etc. £1	42/6	...	3 15 0	+	
99 1/8	97 1/8	102 1/4	94	Do. 2 1/2% 1944-49 ...	102 1/2	...	2 14 0	39/-	17/6	10 1/2 b	4 a	Stewarts & Lloyds £1	40/7 1/2	...	6 2 0	+	
99 1/8	92 1/8	102 1/4	94	Do. 3 1/2% after 1961	102 1/2	...	3 9 0	24/3	11/6	2 1/2 a	5 1/2 b	Swan, Hunter £1	28 1/2	-1/2	10 4 0	+	
112 1/8	103 1/4	112	107 3/8	Do. 5% 1944-64 ...	107 3/8	...	2 19 1	21/10 1/2	9/6	6 b	4 a	Un. Steel Cos. Ord. £1	11 1/2	+4 1/2 d	7 10 0	+	
87 1/4	79 3/4	92 3/4	86 5/8	Fund. 2 1/2% 1956-61	92 1/4	+ 1/4	3 0 0	8/10 1/2	2/6	Nil	Nil	Vickers 10/-	14/6	-3 d	6 15 3		
95 1/8	87 1/4	98 1/2	92	Fund. 2 3/4% 1952-57	98	...	3 1 10	38/6	21/3	5 b	3 1/2 a	Textiles					
95 1/8	87 1/4	98 1/2	92	Fund. 3% 1959-69 ...	113 1/2	+ 1	3 1 9	39/10 1/2	20/3	7 c	2 1/2 a	Brit. Celanese 10/- ...	3/6	-6 d	Nil		
109 1/8	100 1/2	113 1/4	105 3/8	Fund. 4% 1960-99 ...	113 1/2	...	3 1 9	35/9	21/10 1/2	5 b	2 1/2 a	Coats, J. & P. £1 ...	29/4 1/2	-1/3	5 18 0		
99 1/4	94 1/4	101 1/4	98 1/8	Nat. D. 2 1/2% 1944-48	101	...	2 17 7	24/4 1/2	11/9	Nil	c	Courtaulds £1 ...	30/-	...	4 13 4		
96 1/8	91 1/2	101 1/4	95 1/8	Do. 3% 1954-58 ...	102	...	3 15 2	61/3	42/6	110 c	18 1/2 c	English Swg. Ctn. £1	26/3	...	5 14 0		
108 1/8	102	110 1/2	100	War Bds. 2 1/2% 1945-47	100 1/4	...	3 17 9	43/11 1/2	26/3	10 c	10 c	Lancs. Coal Corp. £1	28/9	-6 d	8 0 0		
98 1/8	86	101	98	Victory Bonds 4% ...	111 1/2	+ 1/2	2 18 4	92/6	66/3	15 b	5 a	Patons & Baldwins	50/-	...	3 8 0	+	
93 1/8	73	103	93 1/8	War L. 3 1/2% aft. 1952	101	...	3 8 10	69/6	46/3	10 b	5 a	Electrical Manufactg.					
69	61	89 1/8	80 1/4	Local Loans 3% ...	101 1/4	...	3 3 2	62/6	46/3	10 b	5 a	Associated Elec. £1 ...	40/-	+7 1/2 d	5 0 0		
99	94	101	97 1/2	Austria 3% 1933-53 ...	99	...	3 13 3	20/-	11/6	12 1/2 b	7 1/2 c	British Insulated £1 ...	81/3	...	4 19 0		
101	94	101	97 1/2	India 2 1/2% ...	68 1/2	+ 1/4	3 15 2	33/9	16/3	10 c	10 c	Callenders £1 ...	60/-	...	5 0 0		
101	94	101	97 1/2	Do. 3 1/2% ...	93 1/2	+ 1/2	3 15 2	83/-	52/6	20 c	20 c	Crompton Park. A 5/-	17/6	...	5 14 0		
101	94	101	97 1/2	Do. 4 1/2% 1958-68 ...	109 1/2	...	3 15 2	83/3	23/6	5 b	3 a	English Electric £1 ...	76/10 1/2	-7 1/2 d	5 4 0		
				Dom. & Col. Govts.				42/6	20/6	10 1/2 c	2 a	Gas and Electricity					
106 1/4	95	107 1/8	101	Austria. 5% 1945-75 ...	106	+ 1	3 14 1	27/5	18/-	3 1/2 b	2 1/2 a	Clyde Valley Elec. £1	33/9	...	4 14 9		
112 1/8	103	107 1/8	106	Nigeria 5% 1950-60	108	...	4 2 6	18/3	11/6	11 1/2 b	2 1/2 a	County of London £1	30/7 1/2	...	6 17 0		
103 1/2	102	108 1/2	103	N. Zealand 5% 1946	104 1/2	...	4 7 2	83 1/2	29	4 b	2 1/2 a	Edmundsons £1	24/-	...	5 0 0		
101	102	108 1/2	103	S. Africa 5% 1945-75	107 1/2	...	3 11 6	32/6	21/9	5 b	3 a	Gas Light & C. £1	24/-	...	5 15 0		
				Corporation Stocks				12/-	2 1/2 b	2 1/2 b	2 1/2 a	Imp. Cont. Sec. £1 ...	37 1/2	...	10 12 0		
111 1/2	104	110 1/4	104	Birmingham 5% 1946-56	106	...	3 19 0	31/4 1/2	17/6	4 1/2 b	2 1/2 a	London As. Elec. £1	13/9	...	5 9 0		
81 1/8	72	85	78	L.C.C. 3% ...	83	...	3 11 0	42/3	22/-	6 b	2 1/2 a	North-East Elec. £1 ...	23/9	...	3 12 6		
93 1/8	86 1/2	94 1/2	87 1/2	Liverpool 3% 1954-64	91 1/2	...	3 7 3	38/7 1/2	24/-	5 1/2 b	2 1/2 a	Northmet Power £1 ...	30/7 1/2	...	5 16 0		
102 1/4	95	104	97	Middx. 3 1/2% 1957-62	102	...	3 7 3	39/6	24/-	5 b	3 a	Scottish Power £1 ...	31/10 1/2	...	5 0 0		
				Foreign Governments								Yorkshire Electric £1	32/6	...	4 19 0		
91 1/2	73 1/4	92 3/4	71	Argen. 4 1/2% Stg. Bds.	86	...	5 4 8					Motors, Cycles and Aircraft					
65 1/4	34	58 1/2	22	Austria 4 1/2% 1934-59	30 1/2	...	...	17/6	7/6	30 c	15 c	Austin 5/-	13/9	...	5 9 0		
95	50	64	25	Belgian 4% (36) 1970	*	...	...	16/4 1/2	6/-	4 a	6 b	Bristol Aero. 10/-	9/9	-9d	10 5 0		
23 1/4	6 1/2	35 1/2	20	Brazil 5% Rd. 1914...	31	...	...	36/3	17/3	12 1/2 c	12 1/2 c	De Havilland Air. £1	25/-	...	10 0 0		
55 1/2	23 1/2	45 1/2	12	Chile 6% 1925	16	...	...	16/9	7/-	11 1/2 c	11 1/2 c	Fairey Aviation 10/-	14/-	+1/-	9 0 0	+	
72	30 1/2	65 1/2	25	China 5% (1913)	22 1/2	+ 1	...	18/7 1/2	12/4 1/2	5 b	6 c	Ford Motors £1	16/3	...	7 3 6		
86 1/4	58	70 3/4	50 1/2	Czechoslovakia 8% ...	69 1/2	+ 2	5 14 0	15/7 1/2	6/-	17 1/2 b	15 b	Hawker Siddeley 5(-) 1/2	13/9	...	13 10 0		
12 1/2	4	10 1/2	8	Egypt Unified 4% ...	*	...	...	39/4 1/2	21/2	12 1/2 c	12 1/2 c	Lucas, L. £1	78/9	...	6 2 0		
44 1/4	9	75 1/2	4 1/2	French 4% (British) ...	6 1/2	...	...	88/3	28/9	25 c	20 c	Leyland Motors £1 ...	58/9	...	6 16 0		
33 1/8	3	6 1/2	2	German Dawes 5% ...	4	...	...	27/7 1/2	16/9	45 c	40 c	Morris Motors 5/- Ord.	25/-	...	8 0 0		
30	15	24 1/2	12 1/2	Do. Young Ln. 4 1/2%	4	...	...	42 1/2	21 1/2	5 a	15 b	Rolls-Royce £1 ...	31 1/2	+1 1/2 d	5 4 0		
35 1/2	15	25	4	Greek 6% Stab. Ln. ...	6 1/2	-7	...	12/3 1/4	6/-	22 1/2 c	25 c	Standard Motor 5/-	17/6	-3d	10 0 0		
61 1/4	33	65	44	Hungary ...	*	...	...					Shipping					
				Japan 5 1/2% 1930	...	...	...	22/7 1/2	12/3	4 c	5 c	Furness Withy £1 ...	18/6	-6d	5 7 0		
								23/9	13/6	2 a	5 1/2 b	P. & O. Def. £1 ...	21/6	+6d	7 6 0		
								20/-	13/-	5 c	5 c	Royal Mail Lines £1	17/-	...	5 18 0		
								10/9	4/-	Nil	c	Union Castle Ord. £1	8/-	...	Nil		
Prices, 1939	Last two				Price, Nov.	Ch'ge since	Yield Nov. 26										

(a) Of which 2½ per cent. on smaller capital.

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.

‡ Free of income tax.

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

Name	Nov. 26, 1940	Name	Nov. 26, 1940	Name	Nov. 26, 1940
Secnd. Brit. Empire	18/-—18/9	National D.	9/7½-10/7½	Key, Gold	8/3-9/9
New British Invest. Tr.	12/12-12/10½	Scottish	11/-—12/9	Br. Ind. 4th	10/12-11/10½
Bk. - Insur.	7/6-8/6	Univ. 2nd.	9/4½-10/10½	Elec. Ind.	12/7-13/6
Insurance -	8/10-10/4*	Inv. Flex.	11/3-13/-	Met. & Min.	9/6-11/4½
Bank	12/9-14/9	Inv. Gen.	8/6-9/9	Comm. Inv.	12/9-14/3½
R. I. T.	13/6-15/6	Key. Flex.	12/12-13/11½	Producers	9/6-6/8
	9/3-11/3*		8/3-9/9	Dom. 2nd.	4/9-5/6½
					4/5-7/2

* Free of commission and stamp duty.

(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) Annas per share. (i) Yield worked to average redemption—end 1960. (j) Based on redemption at par in 1946. (k) For 15 months to December 31, 1939. Also including bonus of 5% free of tax. (l) Yield on 1·523% basis. (m) Yield worked on a 2½ per cent. basis. (n) Worked on 65% basis. † Free of Income Tax.

SHORTER COMMENTS

(See article on page 672)

Strand Hotel, Ltd.—Net profits for year to September 30th, after reserves for contingencies, £56,000 (£83,000). Interim payment of 2½ per cent. was made on preferred ordinary shares against 7 per cent. Deferred dividend, nil against 23½ per cent. Forward, £34,346 (£29,596).

Johannesburg Consolidated Investment Company, Ltd.—
At the annual meeting of Johannesburg Consolidated, Mr. G. H. Beatty, who presided, drew attention to the strong balance sheet position of the company. Despite a decrease in the market value of the company's investments, depreciation has been provided out of current profits and the general reserve fund now stands at £3,050,000. The company is fortunate in being able to obtain an ample labour supply which has permitted the scale of production to be increased, thus to some extent offsetting higher operating costs. Mr. G. H. Beatty expressed his regret at the death of the late chairman, Mr. Jack Barnard Joel, who is succeeded by his son, Mr. H. J. Joel.

J. Brockhouse and Company.—Net profit, year to September 30th, before taxation, £334,199 (£247,180). Total dividend maintained at 20 per cent.

Lake View and Star.—Profit, year to June 30, £592,159 (£526,459). Taxation, £220,000 (£130,000). Dividend 50 per cent. (same). Special development reserve, £40,552 (£55,180). Depreciation, £45,960 (£45,653). Forward, £19,950 (£24,303).

Kamunting Tin.—Total income, year to June 30th, £442,522 (£167,233). Taxation, £120,500 (£30,500). Depreciation, £78,443 (£55,000). Mine expenditure, £148,022 (£69,740). Net profit £89,897 (£6,814). Ord. div. 17½ per cent. (5 per cent.). Forward, £54,825 (£43,361).

		Nov. 19,	Nov. 26,			Nov. 19,	Nov. 26,
		1940	1940			1940	1940
		Cents	Cents			Cents	Cents
GRAINS (per bushel)——				METALS (per lb.)— <i>cont.</i>			
Wheat, Chicago, Dec.....	89	88 1/4		Spelter, East St. Louis, spot ..	7-25	7-25	
Do., Winnipeg, Dec.....	72	72 3/4		MISCELLANEOUS (per lb.)——			
Maize, Chicago, Dec.....	65	62 3/4		Cocoa, N.Y., Accra, Dec.....	4-76	4-75	
Oats, Chicago, Dec.....	40 1/2	38 1/8		Coffee, N.Y., cash——			
Rye, Chicago, Dec.....	45 1/2	44 5/8		Rio, No. 7	5 1/4	5 3/8	
Barley, Winnipeg, Dec.....	45 5/8	43 3/4		Santos, No. 4	7	7 1/8	
METALS (per lb.)——				Cotton, N.Y., mid. spot	10-41	10-34	
Copper, Connecticut	12-00	12-00		Cotton, Am. mid., Dec.....	10-20	10-14	
Tin, N.Y., Straits, spot	50-30	50-30		Cotton Oil, N.Y., Dec.....	5-95	5-82	
Lead, N.Y., spot.....	5-80	5-80		Lard, Chicago, Dec.....	4-92 1/2	4-65	
				MISCELLANEOUS (per lb.)——			
				— <i>cont.</i>			
				Petroleum, Mid.-cont. crude ..			
				per barrel	102	102	
				Rubber, N.Y., smdk. sheet spot ..	20 3/4	20 5/8	
				Do. do. Nov.-Dec.....	20 5/8	20 1/2	
				Sugar, N.Y., Cuban Cent., ..			
				96 deg., spot	2-80	2-85	
				Sugar, N.Y., 96 deg., No. 4, ..			
				f.o.b. Cuba, Dec.....	0-75 1/2	0-73 1/2	
				Woody's Index of staple com- modities, Dec. 31, 1931 = 100	168-9	167-2	

**BOUND
TO BE
HANDY**

TOTAL IMPORTS (Value C.I.F.)	Month ended October 31		Ten Months ended October 31		U.K. EXPORTS (Value F.O.B.)	Month ended October 31		Ten Months ended October 31	
	1939	1940	1939	1940		1939	1940	1939	1940
I.—Food, Drink and Tobacco—					I.—Food, Drink and Tobacco—				
Grain and Flour	2,923,783	6,515,586	45,375,314	83,084,222	Beverages	1,322,118	1,433,741	11,865,202	17,845,978
Feeding-stuff for Animals	522,898	457,417	7,842,319	7,691,180	Foodstuffs	536,557	459,381	12,543,180	7,970,420
Animals and Meat	758,178	10,863,424	82,702,905	93,212,624	Tobacco	359,920	326,801	3,903,118	4,190,204
Dairy Produce	5,205,891	3,408,674	6,841,148	55,482,909					
Fresh Fruit and Vegetables	2,253,760	1,052,402	29,937,655	38,467,111	Total, Class I	2,218,595	2,219,233	28,311,500	30,060,602
Beverages	2,651,566	4,656,021	30,000,436	58,968,157					
Other Food	7,098,050	4,970,092	48,628,670	57,966,941	II.—Raw Materials and Articles				
Tobacco	1,570,294	683,060	12,401,227	7,866,456	Mainly Unmanufactured—				
Total, Class I	29,806,420	32,606,676	318,789,674	369,719,600	Coal	3,234,512	1,338,751	30,916,771	23,957,272
					Other Raw Materials	599,233	424,808	13,930,857	9,561,739
II.—Raw Materials and Articles					Total, Class II	3,833,745	1,763,559	44,847,628	33,519,011
Mainly Unmanufactured—									
Iron Ore and Scrap	822,480	1,577,496	7,999,453	14,632,125	III.—Articles Wholly or Mainly				
Non-Ferr. Ores and Scrap	1,361,373	1,722,267	13,767,136	20,545,394	Manufactured—				
Wood and Timber	2,375,311	4,285,660	32,450,418	31,582,755	Coke and Manifd. Fuel	328,879	40,022	3,233,448	2,109,054
Raw Cotton and Waste	3,792,547	1,924,556	22,732,332	44,266,218	Pottery, Glass, Abrasives	597,699	744,509	7,492,874	10,151,744
Other Textile Materials	1,005,458	2,671,750	37,189,822	62,601,877	Iron and Steel and Mfrs.	1,901,799	1,748,201	27,905,646	27,463,037
Wool, Raw, Waste and Rags	876,831	3,384,371	25,123,572	41,630,326	Non-Ferr. Metals and Mfrs.	962,764	690,365	11,141,552	11,045,004
Seeds and Nuts	1,826,733	3,392,187	25,123,572	41,630,326	Cutlery and Hardware	431,886	560,836	7,024,044	8,346,550
Hides & Skins, Undressed	511,344	424,310	13,027,500	14,558,240	Elec. Goods and Apparatus	510,038	706,420	9,371,609	11,690,585
Paper-making Materials	1,339,149	875,530	11,671,193	12,062,462	Machinery	2,057,805	2,122,577	40,397,534	32,680,151
Rubber	1,022,027	4,048,622	7,109,659	19,055,017	Wood and Timber Mfrs.	537,111	39,205,481	43,353,418	7,499,189
Miscellaneous Materials	979,119	1,111,679	12,035,445	17,100,169	Cotton Yarns and Mfrs.	2,989,888	2,578,161	5,444,154	6,835,477
Total, Class II	15,913,372	23,418,428	194,885,365	300,275,406	Woolen Yarns and Mfrs.	1,666,773	1,273,700	21,784,034	25,260,750
					Silk Yarns and Mfrs.	323,465	476,229	4,544,154	7,499,189
III.—Articles Wholly or Mainly					Other Textile Mfrs.	835,452	775,123	9,115,573	11,250,337
Manufactured—					Apparel	519,485	449,516	6,740,088	6,835,477
Iron and Steel and Mfrs.	1,081,717	5,857,443	13,497,956	32,003,559	Footwear	154,901	68,816	1,391,906	1,670,138
Non-Ferr. Metals and Mfrs.	2,637,317	6,151,603	31,802,748	48,244,006	Chemicals, Drugs, etc.	1,097,567	1,508,521	18,135,449	24,736,629
Machinery	2,120,760	3,446,813	20,871,078	27,794,112	Oils and Fats, Mfrd.	262,983	164,503	4,127,493	2,678,052
Chemicals, Drugs, etc.	1,031,136	4,463,127	13,056,414	15,097,987	Leather and Manufactures	334,104	144,402	3,316,132	3,318,083
Oils and Fats, Mfrd.	3,245,068	4,463,127	37,308,762	63,340,892	Paper, Cardboard, etc.	330,173	589,541	5,372,876	8,765,075
Paper, Cardboard, etc.	1,449,461	1,269,891	12,854,361	14,770,859	Vehicles	1,362,840	2,406,268	33,654,474	27,383,475
Vehicles	214,656	3,050,773	3,553,989	23,059,652	Rubber Manufactures	70,305	89,741	1,143,575	1,720,143
Miscellaneous Articles	3,935,902	3,414,143	64,637,745	54,478,808	Miscellaneous Articles	1,540,179	1,438,858	22,956,316	28,537,204
Total, Class III	15,716,017	28,628,970	197,563,053	278,789,875	Total, Class III	18,035,032	19,023,440	278,919,025	297,150,576
IV.—Animals, not for Food	223,513	205,385	2,654,188	1,961,551	IV.—Animals, not for Food	73,273	19,495	569,456	771,982
V.—Parcel Post	212,078	236,106	3,347,145	2,978,532	V.—Parcel Post	462,195	364,494	8,676,561	5,547,689
Total	61,871,400	85,095,565	717,275,165	953,724,966	Total	24,322,846	22,226,349	344,224,178	344,985,194

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

REPORT BY THE COURT OF DIRECTORS OF

The ROYAL BANK of SCOTLAND

To the ANNUAL GENERAL COURT OF PROPRIETORS, on Wednesday, 27th November, 1940

The Directors now submit to the Proprietors the annexed Abstract Statement of the Affairs of the Bank at the Second Saturday of October, 1940, with relative Profit and Loss Account, certified by the Auditors.

The Net Profits of the year, after providing for Income Tax, National Defence Contribution and all bad and doubtful debts, amounted to ... £557,359 0 3

Dividend for half-year paid at Midsummer at the rate of 17 per cent. per annum, required ... £361,250 0 0

Less Income Tax ... 135,468 15 0

£225,781 5 0

It is now proposed to pay a Dividend at Christmas for the second half-year at the rate of 17 per cent. per annum which will require ... £361,250 0 0

Less Income Tax ... 153,531 5 0

£207,718 15 0

There has been written off expenditure on Bank Buildings and Heritable Property ... £50,000 0 0

Carried to Pension Reserve Fund ... 30,000 0 0

And added to Inner Reserves against Contingencies, the Balance of ... 43,859 0 3

£557,359 0 3

All the Bank's Investments are valued in the annexed State of Affairs at or under the prices ruling at the date of the Balance.

Lord Catto of Cairnatto, C.B.E., resigned his position as an Extraordinary Director on assuming the post of Financial Adviser to H.M. Treasury. Lord Catto had been an Extraordinary Director since 1933, and during all that time his wide experience was of great assistance and was always readily placed at the disposal of the Bank.

In virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, the Directors elected Mr. Kenneth Morton Oliphant, M.C., W.S., Edinburgh, as an Ordinary Director. Mr. Oliphant holds office until this Annual General Court only, but is eligible for re-election.

The Governor, the Deputy-Governor, the Extraordinary Directors and the Senior Ordinary Director (Mr. Lidstone) all retire at this time, and are eligible for re-election.

The Directors record with regret the death of Mr. J. Maxtone Graham, C.A., who had been an Auditor of the Bank for the long period of thirty-five years. Under the powers of the Royal Bank of Scotland Act, 1907, the Directors appointed his partner, Mr. S. W. Murphy, C.A., Edinburgh, of Messrs. Maxtone Graham & Sime, C.A., an Auditor in his place. Mr. Murphy holds office until this Annual General Court, but is eligible for re-election. Mr. George James Gregor, C.A., and Mr. Murphy offer themselves for re-election.

By Order of the Court of Directors,
WILLIAM WHYTE,
Cashier and General Manager.

ABSTRACT STATE OF AFFAIRS, at 12th October, 1940

LIABILITIES			
1. Deposits with accrued Interest and other Credit balances	...	£75,091,290 10 4	
2. Notes in Circulation	...	3,795,495 0 0	
3. Drafts Outstanding	...	676,892 5 4	
4. Acceptances and Indorsements of Foreign Bills and other Obligations	...	1,902,169 16 11	
		£81,465,847 12 7	
5. Capital	...	£4,250,000 0 0	
6. Rest	...	4,125,965 5 10	
7. Proposed Half-year's Dividend payable at Christmas (less Income Tax)	...	207,718 15 0	
		8,583,684 0 10	
Total Liabilities	...	£90,049,531 13 5	
ASSETS			
1. Gold and Silver Coin, Bank of England Notes, Notes of other Banks, and Cash with Bank of England and other London Bankers	...	£8,808,956 17 5	
2. Money in London at Call and short notice, and Cheques, etc., payable on demand, in hand, and in transitu	...	8,090,054 4 10	
3. British Government Securities and Securities guaranteed by British Government	...	28,899,811 10 4	
4. Indian, Dominion and Colonial Government Securities, Bank of England Stock and Corporation Stocks	...	1,769,155 18 6	
5. Other Securities	...	480,149 15 11	
		£48,048,128 7 0	
6. Williams Deacon's Bank, Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each fully paid	...	3,093,750 0 0	
7. Glyn, Mills and Company £1,060,000 Stock	...	2,800,000 0 0	
8. Bills discounted (of which £1,980,000 British Government Treasury Bills)	...	3,670,027 12 11	
9. British Government Treasury Deposit Receipts	...	2,500,000 0 0	
10. Advances on Cash Credit and Current Accounts	...	25,910,494 10 2	
11. Loans on Stocks and Securities	...	985,609 6 9	
12. Banking Correspondents and other Customers for Acceptances and Indorsements and other Obligations, per contra	...	1,902,169 16 11	
13. Bank Buildings (partly yielding rent)	...	395,722 7 4	
14. Property yielding rent	...	178,629 12 4	
15. Freehold Properties in London (partly occupied by Bank and partly yielding rent)	...	565,000 0 0	
		42,001,403 6 5	
Total Assets	...	£90,049,531 13 5	

PROFIT AND LOSS ACCOUNT

To Expenditure on Bank Buildings and Property written off	£50,000 0 0	By Rest at 14th October, 1939	£4,125,965 5 10
" Pension Reserve Fund	30,000 0 0	" Net profits after deducting expenses of Management at Head Office and 235 Branch Establishments, allowing for rebate on Bills Current and providing for Income Tax, National Defence Contribution and all bad and doubtful debts	557,359 0 3
" Dividend for half-year, paid at Midsummer, less Income Tax	225,781 5 0		
" Dividend for second half-year, to be paid at Christmas, less Income Tax	207,718 15 0		
" Inner Reserves against Contingencies	43,859 0 3		
" Balance, being free Rest or undivided Profits, carried forward	4,125,965 5 10		
	£4,683,324 6 1		£4,683,324 6 1

D. SPEED, Chief Accountant.

AUDITORS' REPORT

As Auditors appointed by the Proprietors of The Royal Bank of Scotland, we have checked the Cash on hand at Head Office, Glasgow and London (City Office), verified the cash with London Bankers, the Securities for money at call and short notice, the Government Securities and other Investments, and examined the details of the other Assets and of the Liabilities set forth in the foregoing Abstract State of Affairs; and we now certify that in our opinion said Abstract State is a full and fair Balance Sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's Affairs, as shown by the books, at 12th October, 1940.

Edinburgh, 11th November, 1940.

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

THE ECONOMIST

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DECEMBER 7, 1940

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War Aims and Peace Aims

IT is easy to understand the Government's reluctance to make an explicit statement of the conditions of peace they will seek in Europe after the victory has been won—a statement, in the current shorthand phrase, of their "war aims." Great Britain finds herself in an obscure and dangerous situation, fighting a lone contest against two of Europe's strongest Powers, threatened by a third Great Power in Asia and a third dictator-state in Europe, and comforted only by the non-belligerent assistance of the United States. This is not a time for antagonising possible friends anywhere, for frightening off any potential allies or for stiffening the resistance of any enemies who may be tiring of the struggle. There is no question of shady bargains; but there can be no bargaining at all if all our cards are put on the table at the start. Too precise a formulation of war aims might well get in the way of the one indispensable condition for their realisation—a British victory.

But this does not dispose of the matter. It is true that many of the arguments that are put forward for an immediate statement of war aims are patently false. The British people do not need to be told what they are fighting for, and there is more practical and definite scope at home than abroad for their legitimate hopes of a better world; "democratic reconstruction" is a better generator of enthusiasm than "world order." But there are more substantial arguments. We cannot afford, during the war, to be put on the spiritual defensive, to let the Nazis have a monopoly in New Orders or to let others be convinced that our only thought is to restore an unsatisfactory *status quo*. And after the Armistice we must not stumble into peace as unprepared as we stumbled into war. We must be ready with some means of preserving the peace if we do not want to have a war every generation.

There is thus much to be said on either side. One upshot would seem to be that we must keep our war aims and our peace aims distinct: we must win by blood and tears be-

fore we can rebuild anything. Another conclusion that is imposed by a perusal of all the manifold proposals for peace aims is that we need to think much more and talk rather less about the problems of the peace. There have been far too many facile assumptions about the "machinery" by which Europe is to be "organised" and far too few attempts to forecast the way in which nations and statesmen will in fact operate that machinery. We can hope that the standard of international conduct will be higher after the war than it was during the long armistice; but we shall be wise to assume that any structure we build will survive only if it is strong enough to contain the naked forces of power politics. It is of no use to build a "stronger" League of Nations or even to erect a Federal Union unless we have first made up our minds what policy Great Britain is to pursue within that machinery. And if we choose the right policy, the details of the machinery matter relatively little. The 1919 League of Nations would have kept the peace if the Great Powers had used it as a vehicle for a policy capable of preserving peace. A Federal Union may need an Abraham Lincoln and a Civil War to preserve it if its members are determined to quarrel.

Before we can state our peace aims, there is one question on which we as a nation must make up our minds. What is to be our attitude to Germany? The problem is a very difficult one, for Germany's military and economic strength dominates the Continent, and will continue to dominate it, to an extent far greater than ever France's did at the height of Napoleon's power. Moreover, Germany seems to have an appetite for aggression. "The real obstacles to peace," Sir Edward Grey wrote in the middle of the last war, "seem to me to be the desire of the German people not to be masters in their own house and not to know anything except what their Government tells them."

There are only two solutions of the German problem—Reconciliation and Repression. The first would involve

treating the German people as generously as possible, taking care to ensure them a position of equality, furthering rather than obstructing their desire for a place in the sun, meeting their need for economic expansion—doing all this in the hope that they will not, after a second defeat, take a third time to war as the only way of breaking the chains that they fancy are throttling them. The policy of Repression would involve doing everything possible to make Germany impotent, to prohibit all military and economic preparation for war and to build round her an iron ring of our confederates. Neither policy, of course, can be carried *à outrance*. It would not be safe to enter upon Reconciliation without some temporary guarantees, nor can Repression be carried to the length of sterilising the German population. But we shall have to choose one or the other.

Both policies, unfortunately, involve appalling risks. Those of Reconciliation are all too obvious. But those of Repression are certainly no less, for this policy, to be successful, involves assuming that the British democracy will stand perpetually on armed guard, that we shall never again have our fits of "appeasement," that we shall stand by every letter of an infinitely severer Versailles, that the iron ring of confederates (all of them small, weak and fearful States) will not be shaken by threats, jealousies, cajolery or propaganda, that no future Hitler will be found clever enough to seize his opportunity for ordering

re-armament or re-occupying the Rhineland. Unless we succeed in all these near-impossibilities, we shall merely be faced, after another twenty years, with another revenge-crazed generation of armed Germans. Anyone who reflects on the German character can be forgiven for concluding that Repression is a much more appropriate treatment than Reconciliation. But the peace treaty, if it is to succeed, must also be moulded to fit the character of a democratic Britain. Which method are we the more likely to be successful, not in imposing at the peace conference, but in administering twenty years after the Armistice? And for which are we the more likely to get that aid and collaboration from across the oceans without which our power to impose anything is very limited?

These questions are terribly difficult. But we shall have to answer them, for if there is one lesson that emerges with indisputable clarity from the history of the 'twenties and 'thirties it is that a Versailles mixture of Reconciliation and Repression is bound to fail. The elements of Repression will brew the desire for revenge, for which the elements of Reconciliation will provide the opportunity. Either alternative carries dreadful risks; a compromise between the two carries the certainty of renewed war.

So the question must be answered, and it cannot be answered without much deeper and more prayerful thought than has yet been given to it. Without an answer, any statement of war aims is likely to be mere beating of the air.

The "Voluntary" Principle

MR BEVIN'S remark, in last week's Parliamentary debate on manpower policy, that he chose to be a leader rather than a dictator, has naturally attracted a great deal of notice. It is an almost perfect example of the politician's technique of diverting discussion from real issues to emotional prejudices. "If you apply compulsion," he said, "you do not get good results. I am certain that this idea of ordering people to do work for which they have never been trained would not be successful. One of the big contributions to the French disaster was the industrial decrees, instituted at the outbreak of war, which failed to get enthusiasm in the workshops behind the productive effort." Mr Bevin did not pause to remark that he was demolishing a case that no one has advocated. He did not wait to explain how he was going to solve the problem of manpower by non-compulsory methods. He drew a picture of overseers standing over the workers and threatening them with punishment if they did not obey; he labelled it the compulsory method and left it at that.

When Ministers confuse issues in this way, it is more than ever essential for the public to make them clear. Let it therefore be agreed that a free man is a better worker than a slave, that the volunteer is better than the conscript, that the methods of Simon Legree are inefficient in modern industry. Let it be agreed that no one can be ordered to work with enthusiasm—just as no one can be ordered to fight with enthusiasm. Let us grant Mr Bevin all his grand generalities; let us give him his reading of British psychology; let us admit that he understands the working man. And when we have done all that, let us ask him if he would kindly address his mind to the problem of manpower.

The elements of that problem are not obscure. Mr Bevin has spoken of a million more workers needed for the munition industries within twelve months. He has also said that "between now and next June there will be another enormous call-up for the Services"; no figure, naturally, was mentioned, but from what is known of the scale of preparations for the Navy, the Army and the Air Force and from the various inspired hints that appear from time to time in the Press about further registrations, the number can hardly be less than a million, and is probably more. If the Government's programme is to be carried out, then at least two million persons must be found for the armed forces and the munition industries in a twelvemonth or less, and more than half of them must necessarily be men.

The finding of these numbers is an imperative necessity, if we are ever to catch up with the armed might of the Nazis and win the war. Armies cannot fight nor industries produce without men. Everything rests on manpower, and it is on manpower, on the numbers we can put to war work and on their superior productivity, that our highest hopes of victory rest.

What, then, are we doing to produce these two million workers and soldiers before the end of 1941? The Services take their men according to a carefully designed plan; Mr Bevin is a dictator as Minister of National Service, though he offers only "leadership" for the industrial million. There are, of course, a number of incentives to men and women to move into the industries that need them. High taxation—specifically the Purchase Tax—and the propaganda of the National Savings Campaign diminish the demand for the products of many industries. But the pressure is not being increased, and there is no evidence that it is resulting in more than a trickle of recruits for the munition industries. The direct soliciting of labour by the offer of excessive wages has—quite properly—been discouraged by the Government, if not completely stopped. But there is only one Government policy directly and specifically adopted with the object of providing manpower—the Board of Trade's Limitation of Supplies Orders, which set maximum quotas for the sale of a wide list of consumption goods. This limitation was intensified at the beginning of the present month, and Mr Greenwood revealed in the House of Commons last week that "these new restrictions will make a contribution to munitions or to the Armed Forces, if that were desirable or necessary (sic), of between 75,000 and 100,000 workers before the end of next May, in addition to what the previous limitations do in that direction" (which, it may be added, has already been made and is therefore not a contribution to the further numbers needed from now on). The new limitations are very severe; many industries are reduced to a 25 per cent. quota, and the average quota is no more than about one-third of pre-war. But this, the only deliberate piece of manpower policy, will solve rather less than one-twentieth part of the problem.

What else has the non-compulsory method to offer? A campaign of propaganda for the Government's training schemes is about to be launched. Those who volunteer for training are to be paid allowances while they are training;

a single man living at home is to be paid 26s. a week, a married man with three children will receive 52s., "which brings a man to a higher standard rate than is being paid in many cases for the lowest grade of labour." (The speaker, surprisingly, is Mr Bevin.) Now who will be attracted by a proposition of this sort? Presumably the 75,000 to 100,000 people who are to be set free by the Limitation of Supplies Order. Presumably also the present "available reserve" of unemployed, whom Mr Bevin puts at 200,000. But is there any reason to suppose that any substantial number of men or women who are now employed will be tempted by offers such as these? Mr Bevin claims that the question of training has been "moved away from the basis of unemployment benefit altogether." But this claim is surely excessive. The conditions of training are still to be those of "less eligibility" than any but the very worst-paid occupations. Training is only just emerging from the state of being regarded as a species of redemption for the hopelessly unemployed.

It is, of course, all to the good that facilities for training are being multiplied. But the training schemes will find the manpower for industry only if the Minister of Labour finds the men and women for the training schemes. Apart from the two or three hundred thousand who are or will be unemployed—*ex hypothesi* not the most promising material—nothing is being done to supply men and women to be trained. Manpower, in the official view, is still something that grows on trees or materialises "voluntarily" out of thin air. Limitation orders and heavier taxation are still apologised for because they create "unemployment"; and workers still cling to their peacetime occupations wherever they can. By these methods the problem will never be solved and the armaments will never be produced. But can Mr Bevin or anybody else suggest any other "voluntary" method? Is it not more likely that, if we continue to recruit the armed forces by compulsion and the unarmed forces by "voluntary" methods, the supply of labour for the munition industries will be reduced rather than increased?

The Press and the War

WHEN the war started, the Press was somewhat apprehensive. While it is an old saying in Fleet Street that war news is a best seller, in this case there did seem to be a number of sound reasons for anxiety. Under the new Defence Regulations, it appeared possible for the Government to suppress news and sterilise views almost to the point of complete frustration. Immediate heavy bombing was expected, and elaborate alternative plans had to be made to produce and distribute the national newspapers in chaotic conditions. Strict rationing of paper was inevitable. Advertisement revenue upon which the financial structure of a cheap Press depends was likely to fall.

Now, fifteen months later, the Press has every reason to be thankful. So far from its worst fears having been realised, it has fared remarkably well. The voluntary censorship has imposed practically no restriction on discussion and criticism. The speed and efficiency of newspaper production in the delayed *Blitzkrieg* have been notable. By ingenious changes in type and layout, the smaller papers required by rationing have been made attractive and reasonably substantial, despite the loss of "sport" and the curtailment of "fashions"; and, although income from advertisements has gone down, it has been found possible, by adjustments in charges and the thinning-out of special rates, to make the monetary loss much less than the actual fall in advertisements.

Nor would it be entirely out of place for the Press to congratulate itself also on the use it has made of this freedom from repression or dislocation. As Mr J. A. Spender said in his presidential address to the Institute of Journalists at the week-end, "the British Press stands almost alone in fighting for the freedom of the Press in Europe";

If the manpower problem is to be taken seriously, we must have done with this petty tinkering. There is only one way by which two or three million men and women can be found within twelve or twenty-four months for the armed forces and the munition industries—by going through the less essential industries of the country and combing out of them every man and woman—but particularly every man—who can possibly be spared or who can possibly be released by any reorganisation or concentration of production. Whether the combing-out is done by telling industries that they must not employ more than, say, 60 per cent. of their pre-war male labour and leaving the employers to choose who shall be dismissed (which would be accepted as a "voluntary" procedure), or whether it is done by selecting individuals for retraining (which would be "compulsory") is immaterial. What is certain is that it is not until something of this sort is done that we can be said to have a manpower policy—and until we have a manpower policy we have no plan for victory. There must, of course, be nothing that savours of the press gang. Enlistment in the industrial army must be made at least as attractive as enlistment in the armed forces, and the recruit, when trained and transferred, must be left to work as a free man. Mr Bevin denies that there is any analogy at all between the Army and industry (his reason is that the capacity of employers is far below that of officers). The analogy is admittedly not perfect; but it is much closer than Mr Bevin would admit, and by far the commonest grumble in the Army is that too much inequality is preserved between the conditions and rewards of service in the workshop and in the field. And, in any case, the analogy is close enough to show that compulsion in recruitment is fully compatible with enthusiastic service by the recruit when transferred and trained. When Mr Bevin is asked to use his compulsory powers to solve the manpower problem, he is not asked to stand over anybody with a whip. He is not asked to become a dictator or abandon leadership. He is merely asked to use the only method that will find the number of recruits that are needed.

its duty is to give voice to the grievances and questionings which trouble the people—in a sensible and responsible way; and its right is that the powers assumed by the Government for the defence of the realm shall be used "wisely and tolerantly." In both major and minor matters, the Press has very often done very well. Last May, most newspapers sensed, with most Members of Parliament, that the war was being mismanaged and underfought, and that Mr Chamberlain's Government lacked either the backing of popular favour or the justification of an efficient programme. The "party line" in Press comment did not crumble easily, it is true, but it was broken, and Mr Churchill came into office with the organs of opinion on his side—like the mass of the people. The treatment of aliens, the construction and supervision of shelters, the care of the homeless, the organisation of the Home Guard, the conditions of serving men, the watch against profiteers, the supply of fuel, the protection of ordinary people against extraordinary and needless burdens—in all these and many other instances the Press has done its part in bringing misdeeds and misgivings to light. The universal support given to Mr Churchill has not been allowed to tie the hands of honest criticism.

The record is not, of course, unblemished. Far from it. The Press has erred most perhaps in the sphere of high policy and statecraft. In the early months of the war, for instance, a powerful section of the Press repeatedly attacked the Government for precisely the wrong reasons—not for doing too little, but for doing too much. Every tentative approach to the restrictions and controls of war economy, like the strict measures taken for air-raid precaution by blacking out lights and building up the civil defence force which has more recently been our salvation,

was carpingly opposed as needless. To a point this attitude did reflect a widespread popular feeling. But it is the responsibility of a free Press, not only to ensure a hearing for complaints, but also to set these grievances in a broader perspective than most individual citizens can conjure up for themselves; and there has been a marked inability among those responsible for newspaper policy to comprehend the true character of this total war. It is not merely a failure to see anything but trees in the wood. Nor is it simply lack of information—for which, in large part, the cautious reserve of timorous politicians may be reasonable. It is rather what can only be called an absence of knowledge and judgment, an inability to examine strategic possibilities or economic exigencies with open eyes and without a veil of prejudice or habit between. Wartime controls and air-raid precautions were hostile to the freedom of action of the business people who constitute the corner stones of the world which some newspapers had come to regard as sacrosanct, just as the institution of an efficient wages and labour policy would offend the political prepossessions of other newspapers. The task of seeing Britain's wartime needs in the round, and of displaying them in the round—however distasteful—to the millions of newspaper readers, has generally proved too much. To say this is not to pillory the Press; but simply to suggest that there has been a lack of statesmanship in Fleet Street matching the lack of statesmanship in Westminster and Whitehall. Nor is it surprising that this should be so. The two ills are symptoms of the same disease. There is a shortage of talent in high places, and an unwillingness to conceive of the solutions to the problems of to-day in terms of to-morrow instead of in terms of yesterday.

Short sight, narrow minds and surface thinking were at their worst during the months of the *Sitzkrieg*. The picture of a Germany collapsing through economic shortages and internal discontent was lavishly portrayed. The defensive power of the Allies was elevated into a myth; and the first successes of the enemy were freely written off as desperate failures. The legend of the blockade, like the legend of the Maginot Line, made comfortable reading; and it was comfortable writing, too, for journalists and leader writers who were unable or unwilling to see for themselves the apparent limitations of the doctrine of "insulation" as a method of making war, either in the economic or military sense. The great virtue of "insulation"—whether by a line of ships or a series of concrete forts—was that it kept the war at a distance, and opened up the vista of a war won without being fought. It was possible in this way to evade the need for drastic changes in the use of industrial resources and manpower, in the direction and distribution of foreign trade and in the consumption of materials and foodstuffs. The statement of the vast resources of the Allies and their Empires, set against the weaknesses of blockaded Germany, made an excellent story, and it pleased the public. The ways and means of translating these resources into power in battle—the ways and means actually being used by the enemy to make the most of his limited supplies—had not the same news value.

The war was not kept at a distance. The fall of France and the beginning of the Battle of Britain gave a rude education, and the newspapers vied with the politicians in facing the facts and outlining the policies needed for safety. This phase has not come to an end; but, although there is much more responsible and informed discussion of economic policy and strategic needs in the Press now than there has been before, the mood has passed its peak. The weaknesses of Germany—and Italy—are taking the lime-light again. Hitler is featured once more as the gambler hesitating before making his last throw; and Mussolini has already been counted out by several papers. The Minister of Economic Warfare is a willing helper; his broadcast picture of a destitute Germany (drawn for American listeners on Sunday morning) was in parts quite in the old style.

Indeed, to blame the Press exclusively for undue complacency would be unfair, at any stage of the war. The superficial judgments that conjured victory out of a table of statistics did not originate in Fleet Street. The cue was given in Whitehall—and Bloomsbury. The fault of the Press has rather been its readiness to echo the soft words

of Ministers in order to please its readers. It is not really war news which is a best seller, but victory news; and it is undoubtedly true that one of the chief contributions the Press has to give is to make the most of real victories. But they must be real. The indictment that can chiefly be laid at the door of the Press is its lack of men with sufficient will and ability to hold this tendency in check—the tendency that won the war in Norway overnight on the basis of reports that no news editor would have accepted if they had related to a domestic murder story and which, even this week, has had to be held back by a semi-official statement that the Greeks have still a great deal to do before they finally triumph.

It is perhaps ironical, in these circumstances, that there should be a defence regulation against spreading "alarm and despondency." It is not likely to be needed—and it is a good thing that this should be the case. There have been notable victories and, in any case, to argue against complacency in the Press is not to advocate gloom. It is only to suggest that, if newspapermen (or politicians) wish to give their public an assurance of victory, they should not try to model themselves on the ostrich or the rooster. There are countless reasons for confidence, but they can only be found by facing all the facts. It is balance and objectivity that are most wanted.

It should, indeed, be the duty of the Press, now more than ever, to convince its readers that there is a sure road to victory. But it must be a real road and not a rainbow. There is a realm of fantasy into which newspapers, especially some of those published on Sundays, only too readily fly. At the week-end, wars are won and lost, Governments are made and unmade, dictators' plots are unmasked, air forces are flung hither and thither across the map—all heedless of the bounds of time and space and truth and credibility. It may be, perhaps, that one day a week there is a place for fiction instead of fact. But, for the rest of the week at least, fact should be the master. A newspaper is a "news paper," and the traditions of accurate reporting and realistic comment are old and valuable. The greatest genuine grievance of the Press in wartime is the shortage of news. In normal times the duty of a news editor is to select material from a mass much too great to use. In wartime his job is rather to collect all he can to fill up. The bias of officialdom is to give out information only reluctantly. Strategic considerations, moreover, often make secrecy imperative.

Thus, the sound journalism based upon a foundation of tested fact is far from easy to produce, and the line of least resistance is tempting. The "story" is the war. It must be. But, in default of the peacetime apparatus of free world-wide news gathering, checked and counter-checked by expert means, it tends to be a fairy story; and the public like it. This is the main danger the free newspaper has to fight against, if its directors believe that the part it has to play in serving the national cause is to be weighed with the very natural desire to sell as many copies as possible.

Compared with twenty-five years ago, the modern Press is more powerful but less authoritative. There are fewer newspapers now, with much larger circulations. Their art is that of suggestion rather than of presentation—as it then was; it is built round the headline and the caption, rather than argument. They are quoted more often, but more uncritically; and they have the vices of their virtues. In the collection and dissemination of news, their first job, they are hampered—if anything, unduly. In the spreading of views, they are not hampered from without at all. They are free, and as such they form with Parliament our greatest safeguard, against incompetence as well as oppression; they have played an able part. But from within they have been hampered—by their desire to please, by their wish to keep outworn banners flying, by their reluctance to face the long and wearying facts of a war for existence, by their slowness to see the necessities of total war in strategy and economics, by their fondness for short cuts. The popular Press must indeed be popular; but it must be competent as well. It must reflect, not just the prejudices or the wishful thinking of the ordinary man, but his shrewdness, his endurance and his thirst for truth. The way to victory is not easy, but it is sure if it is seen straight.

NOTES OF THE WEEK

The Albanian Front

The week continues the chronicle of Greek victories. In the northern sector, after days of hard fighting during which Italian resistance was stiffer, the Greek troops entered Pogradets and are already pushing forward towards Struga and Elbasan. In the central sector, heights in the Ostravitz have been stormed, while a fierce struggle has developed for the possession of Argyrocastro. Earlier in the week reports stated that Greek advance units had entered the town. Either these reports were premature or the Italians have counter-attacked with success. They are known to be bringing up reinforcements by aircraft carrier. However, Greek artillery is in place in the mountains above Argyrocastro, and the road from Santi Quaranta is under fire. It does not seem likely that the Italians will be able to hold out in this, the most southern, port much longer. They are already almost encircled. The Greeks have every reason to be proud of their brilliant achievements. They now occupy more territory in Albania than the Italians ever achieved in Greece, even at the moment of their furthest thrust. But whether the advance can be carried on at the same rapid pace is an open question. The Italians are retreating towards their bases. Their lines of communication have been shortened. The Greeks are farther from theirs, and a wilderness of barren mountain upon which the winter snows are falling makes easy reinforcement impossible. Already supply columns are having to cut their way through the passes. On the other hand, as the Allies have bitter reason to remember, lengthening lines of communication have not so far in this war proved any very serious obstacle to an army's advance. Perhaps the disadvantages of "falling back to prepared positions" will continue to be operative even when it is the turn of the Axis to retreat. The crucial question is probably one of morale. If the Italian will to fight is thoroughly broken, it will be difficult to reform a defensive line anywhere. There is as yet no evidence of a complete rout, but the Fascist armies are obviously and infectionously depressed.

Bombs and Torpedoes

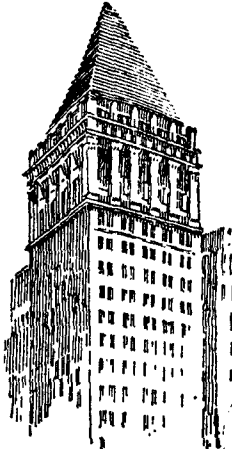
For the second time in a generation, Germany—though plainly outmatched at sea—is making its greatest challenge by action on—and under—the water. Last week's naval action off the coast of Italy, in which seven of the fleeing Italian vessels were damaged, and the brush between German and British light forces in the Channel, in which the enemy ships raced for safety after a British destroyer had been hit, accurately reflect the balance of sea-power. The bombing of Taranto harbour has been followed by raids on Leros and Tripoli. The torpedo-throwing planes of the Fleet Air Arm have added new strength to the Navy. Supply ships have been sunk in both German and Italian waters. Docks, ship-building yards and naval bases have been heavily raided all along the Western shores of Europe. But the biggest threat

to British power is still at sea. When Mr Greenwood, a week ago, compared the present shipping position with that of April, 1917, in one sense he exaggerated. German sinkings in April, 1917, totalled 881,000 tons, whereas in the month ended November 24th this year they amounted only to 323,000 tons, British and Allied. But in April, 1917, our trump card had not been played; there was no convoy system. This time convoys were instituted as soon as war began, and while it is true that the chief difficulty now is shortage of escort vessels—in 1918 French, Italian, American and Japanese destroyers were being used to help our own—the fact remains that the old-style convoy is not proving so successful as it did against the new style submarine attack, based on ports more westerly than our own and aided by aircraft.

It is an error to believe that there is a pause in Germany's war effort—commonly put down to Hitler's inability to decide where to turn next. A very determined and heavy offensive, as yet without any decisive effects, despite the damage done, has been launched against British supplies and production, and the enemy's targets are our ships, our ports (Southampton and Bristol) and our centres for war manufacture (Coventry and Birmingham). The hub of Britain's life in London, with its long lines of traffic and supply, is still assailed. The danger to the "material aid" which the United States is now freely selling us is being increasingly seen by Americans. The British Government has placed orders there both for the construction of new ships and for the acquisition of old ones, and there is even talk, among a minority, of further naval aid. In time, American shipbuilding yards can certainly double or even treble our weekly increment of new ships. But no new construction can compensate for the loss of valuable war equipment which may be lost by sinking. And while the general cry that the Navy's first duty now is to batter Italy may be soundly based, it is unquestionable that its duty to defeat the menace of the submarine and the raider—and the bomber—remains unalterably vital.

The State of the Blockade

Last week-end, the Minister of Economic Warfare spoke encouragingly about the progress of the blockade in a broadcast to North America. His talk had three purposes: first, to dispel the view that the conquest of Western Europe by the Germans had broken the blockade; secondly, to counter the demand made in some quarters in the United States that the blockade should be slackened—to supply the conquered peoples; and, finally, to show ways in which the United States could aid the blockade. Germany, Dr Dalton said, had used up the stocks of oil, rubber and copper taken in the captured countries. To abate the blockade in any way would be to Germany's advantage only; the Reich itself claims to



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have "ample reserves" of food. Blockade was a war-winning weapon, and it would not be unreasonable for the United States, already giving direct material aid to Britain and co-operating in the navicert system, to help further by denying financial facilities to Germans, or to firms trading with Germany, by immobilising German ships in American waters and by refusing work or refuge to known blockade runners. There is no reason in logic why the United States should not, in these ways, shear off the loose ends in the economic offensive against Germany, any more than there is any reason why American aid should not be given, in ships or escort aid, in the defence against Germany's counter-attack on Britain—which is primarily directed against supplies from the United States. Dr Dalton did not mention the question of credits—which has since been discussed by President Roosevelt and his Ministers and advisers. The atmosphere is genial. The chairman of the Federal Reserve Board is reported to have suggested a loan against a five years' lien on the Empire's gold production. The Federal Loan Administrator has said that Britain is a "good risk"; and Sir Frederick Phillips, of the British Treasury, has arrived in Washington to discuss the matter with Mr Morgenthau.

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The Minister's plea was possibly based too squarely on an optimistic reading of the position of blockaded Germany, which yet again may prove to be overstated. It was probably on expert advice that he claimed that the captured stocks of oil, rubber and copper had now been used, but not all experts would agree that Germany is within a few months of actual oil scarcity. And the rubber and copper stocks which have been used up, like the reserves which were drawn upon between September, 1939, and May, 1940, have presumably been converted into war equipment which has not yet been seen in battle. The restriction of supplies by blockade, combined with the bombing of production and transport centres, is a potent weapon. But it will not bring about the enemy's surrender until we are in a position to strike much heavier blows against him in battle than we are now. By now the defences against shortage which have been organised in the German war economy, and extended to all German Europe—rationing, priorities and control—should be well known; and it is even doubtful whether any acute scarcity can be forced on by blockade alone, so long as the enemy's supplies are not being used up in large-scale warfare.

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A Stitch in Time

It is a wise precaution on the part of the Government to decide to cut down the quantity of imported food. Imports of meat, bacon, butter, fruit and feeding stuffs are to be reduced. Apart from oranges for making marmalade, practically no fresh or tinned fruit will be brought in during the next few months; and the meat, butter and bacon rations are to be lowered. There is even a report that in one large area the supply of butter to troops has already been entirely stopped—a discrimination which it is perhaps not easy to justify; military rations, which were once much above the rations for civilians, are not so now, and the soldier is confined to the rations supplied, with no variety of unrationed articles to make up his diet. For civilians the forthcoming restrictions are accompanied by certain concessions. The price of sugar has been lowered; the apparatus of rationing has been simplified; and in the week beginning December 16th extra rations of tea and sugar will be available. No definite statement has been made about bread. There is to be no "standard" loaf of an approved mixture of ingredients to eke out cereals and fats, but supplies to bakers

are restricted, and a discussion is now going on about whether the bakers should be allowed to make their materials up into two loaves, one with normal constituents at the present price, the other with extra fat, milk and malt at a higher price. The device of a richer "rich man's loaf" is surely not to be commended. Already the loaf's ingredients vary greatly from district to district according to local taste, and on dietetic grounds there is some dispute between the wholemeal loaf and the vitaminised white loaf. It is reasonable for differences in taste and in stomachs to be recognised (wholemeal is said by some to contain too much roughage for weak digestions), but it is wholly unreasonable to employ price discrimination in the distribution of food values. The nation's very comfortable diet can stand the proposed cuts without any hardship at all—provided the food which is physically available is financially available. The loss of fruit is a pity, but not calamitous, though, in view of the place of tinned fruit in the diet of the lower and middle classes, it is a little surprising to find that the Minister of Food is disinclined to set a limit to the prices at which stocks can be sold when imports cease. Possibly the reason is that, without actual rationing, the short supply of tinned fruit would simply disappear from the shops, almost overnight, if prices were fixed low. Blows at sea have forced the Government nearer to the war economy of food, which for general reasons might have been instituted much earlier. What is chiefly needed now is a sounder appreciation of the complementary rôles of price-fixing and rationing in fair distribution.

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Swinging the Axis?

There is still no reason to suggest that Hitler means to go directly to Italy's aid. The Balkan tension has eased sufficiently for Prince Paul to proclaim Yugoslavia's "unshakable will to independence" and the Yugoslavs are looking with extreme caution at offers of a *rapprochement* between Yugoslavia and Hungary which come from Budapest. The Hungarians are far too firmly caught in the net of Axis diplomacy for their neighbours to have much faith in their freedom of action. Hitler's attention is centred elsewhere, in the concentrated attack upon Britain's ships and cities and, although here we are on more uncertain ground, on the negotiations with Vichy. Recent events have tended to confirm the growing impression that Hitler is toying with the idea of a new configuration of the Continental kaleidoscope. Britain must be beaten both in the Atlantic and the Mediterranean. For the former arena of war, Italy was clearly unfitted from the first. For the latter, she is rapidly proving her incompetence. If, while outnumbering the British fleet in every category, she could not even risk a naval engagement, she is less and less likely to do so as Britain gathers strength and Italian resources shrink with the blockade. And the spectacle of Italians fleeing before Greeks has done the prestige of the Axis no good at all. Italy, too, has pressed for rewards before rendering any particular military service. In a word, she is proving a thoroughly unsatisfactory ally. Although it appears on the face of it incredible that Hitler should expect more efficient aid from France, there are a number of favourable factors from the German standpoint. Strategically, France is well placed for an Atlantic and a Mediterranean war. Germany already possesses France's Atlantic bases. These would be even more valuable if Germany could count on the French fleet as well. M. Laval has no objection and the Germans may hope that if the ludicrous plan of transferring Marshal Pétain to solitary splendour at Versailles while the Government remains at Vichy is carried out, the aged leader may be gulled into a more acceptable compliance. Hitler would have all the more hope of using the French fleet were the North African colonies to remain loyal to Vichy. Italian and not German claims are the obstacle here; thus there is yet another reason for cultivating the French at the expense, if need be, of the Italians.

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M. Chiappe

There is little regret in this country at the strange passing of M. Chiappe. The Italian claim that a British fighter shot down the plane is as easy to substantiate as our counter-claim that an Italian fighter mistook the Tricolour for British markings. The truth is that those who fly through air battles must take the risk of being shot down by either side—or both. As for M. Chiappe, he was an avowed enemy not only of this country but of very nearly everything for which this country stands. His record in control of the police of Paris was efficient, perhaps, but it had in it the seeds of the Gestapo—which is also an efficient body and with whose

leader Chiappe had a long-standing arrangement covering the exchange of information, co-ordination of police methods and other matters generally grouped together under the innocent heading of "Anti-Comintern activity." The understanding was sufficiently close for Himmler to receive the dossiers of all the German refugees on his arrival in Paris after the French retreat. Another of M. Chiappe's activities, his newspaper connection, was also after the Germans' heart—anti-Liberal and anti-Semite. *Gringoire* bears more single responsibility for the embittering and fanaticising of French politics than any other single news-sheet, and that in a country where politics are as a general rule conducted with extraordinary—and traditional—verbal violence. It was thanks to men of the Chiappe type and thanks to the papers edited by him and his like that the unhappy Third Republic never achieved that measure of moral unity without which the maintenance of freedom becomes a well-nigh impossible task. It is with this background in mind that we can assess the importance of Chiappe's mission to Syria. That his aim was to suppress a serious local sympathy for the Free French is undoubted. It is more uncertain whether his intention was to bolster up the authority of the second Italian Armistice Commission, which, after the failure of the first, has been despatched to Beirut. The choice of a notorious pan-German and of an authoritarian *enragé* to represent France's claims in Syria suggests that here, as elsewhere, Hitler's plans for the French empire do not coincide with those of the Duce. Nevertheless, from the point of view of the Allied cause, the loss of M. Chiappe is pure gain.

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Anarchy in Roumania

The consequences for the social system of allowing the dissolvent forces of Nazi nihilism to work unchecked upon it are obvious enough even in Germany, where a strong military tradition and a vast economic machine provide some substitute for social stability. The consequences of adapting a similar philosophy to a weak and comparatively primitive state can be studied in the events in Roumania in the last week. After days of assassination sufficiently widespread to merit the name of massacre, order has been very precariously restored, mainly, it appears, by the intervention of the German troops which are policing Bucharest and have strong detachments in the oil wells, where the disturbances were particularly brutal. The reason for the murders—apart from a general and appalling collapse of social order—has been variously described as an Iron Guard revenge on Leftists and Liberals, as a breach between Transylvanian and Bucharest Iron Guardists and as an exasperated attempt at a *coup d'état* on the part of the Extremist Wing of the Iron Guard against their more moderate leaders who have been co-operating with General Antonescu and with the German authorities. That their extremism is connected with the loss of Transylvania is perhaps shown by General Antonescu's references to recovering the lost province—evidently designed to have a conciliatory effect. At the same time, the General is endeavouring to strengthen his Government by including representatives of the army. This is not popular, even with the more moderate members of the Iron Guard. Ultimately, the General's authority rests on Germany alone, and Germany will decide what measure of anarchy is inconsistent with regular deliveries of grain and oil. Given the measure of Nazi control, it is no coincidence that a new Ten-Year Plan for German exploitation of Roumania's resources has coincided with General Antonescu's decision to expropriate all foreign oil and shipping interests. Hitler has no stomach for competitors in his "new order."

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The Nanking Treaty

It is difficult to see why Mr Wang Ching-wei had to conduct preliminary negotiations for nearly a year and carry them on for five months more before agreeing to "the treaty of basic relations between China and Japan" which was signed in Nanking on November 30th. He could not have given away much more, had he negotiated only a week. The length of the talks must therefore be taken as an index of Japan's rapacity. It has been necessary to negotiate for a year to reduce her claims even to their present immoderation. Under the Treaty, Japan is to continue to station troops in Inner Mongolia and North China, naval units are to remain, direct and indirect control by Japan over raw materials "required for national defence" is to be main-

tained and Japan will virtually control China's foreign trade. Japan will surrender her "extraterritorial rights" and her Concessions, but since the Japanese are to be free to trade and settle anywhere in China, particular rights and Concessions are no longer necessary. China is to be one vast concession. Japan will withdraw her troops two years after "general peace" has been restored, but the garrisons specified in the Treaty will remain. Chungking treats the agreement with the contempt it deserves. And \$100,000 has been offered as a reward for the arrest of Mr Wang Ching-wei. But as the campaign enters its fourth weary winter, it is encouraging for the Chinese Government to know that the manoeuvrings at Nanking command no respect outside Axis countries. America's credits plan, announced simultaneously with the Nanking Pact, which amounts to \$100 millions—for general purposes and currency stabilisation—is a gesture of faith in General Chiang Kai-shek and his cause which will not fail to impress other Powers interested in the fate of Free China, and not least the Soviet Union.

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The Home Office and Internment

The bottle-neck in the Home Office's administration of its internment policy is now so great that Mr Morrison has had to announce the establishment of a priority system. There are at present still in internment 19,500 persons, of whom 4,000 come in Category A, that is, unfriendly towards this country. In considering the remaining 15,500, the Home Secretary is giving priority to those who apply for release under Category 19, that is, people who claim to have shown active opposition to the Nazi cause. Moreover, an expert business consultant has been brought in to investigate the organisation of the aliens department of the Home Office. A belated attempt is also being made to right the blunder of internment overseas, and a Home Office official is to go to Canada to select applicants for release under the various categories and also to facilitate the immigration into the United States of those who have obtained visas. But it was quite clear from the adjourned debate on Tuesday that neither the House of Commons nor public opinion is satisfied that the muddles are at an end. Fascists and anti-Fascists, Nazis and anti-Nazis, are still herded in the same camps. The establishment of mixed camps for families is, apparently, to be deferred until the last case for release has been considered; so, too, is any attempt to give the internees some occupation. There are also cases, even now, of internees being moved from one camp to another without any reason, and losing, as a consequence, their place in the queue of Category B which is slowly being reconsidered by a tribunal. Until a Category B alien has been placed in Category A he cannot be considered for release under any of the categories of the White Paper, so that his transfer means an indefinite postponement to the consideration of his case. There is evidently no end to the blunders that the Home Office can make in the administration of its internment policy.

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London's Schoolchildren

Compulsory school attendance has been in force in this country for fifty years, but it has been consistently flouted, both by parents and the authorities, ever since the war began. It is true that by this summer attempts had been made in vulnerable, neutral and reception areas to give all children some schooling at least, though in many cases it was only part-time. But the bombing has caused another big setback, and there are now many thousands of children who are not attending school at all. In London, the L.C.C. area alone now has 83,000 unevacuated schoolchildren, of whom only 23,000 are attending school, though there are 365 schools open, with shelters, which could accommodate the whole 83,000. In East and West Ham, there are about 9,000 schoolchildren; of these, 2,000 in West Ham are attending the 36 open schools, while in East Ham no schools are open yet, though enough schools to accommodate all the children in the area will reopen shortly. Obviously, no steps can be taken to enforce school attendance so long as there is no accommodation available, but it is scandalous that only now, after three months of bombing, is an attempt being made by the L.C.C. to compel the parents to send their children to school. They have this week been warned that the necessary legal steps will be taken to enforce attendance. In the meantime, the National Executive Committee of the Labour Party has passed a resolution in favour of compulsory evacuation of children from danger areas, with provision for "contracting out." In Southampton there has been a substantial demand for compulsory measures. If the billeting and schooling arrangements in the reception areas were anything like adequate, compulsory evacuation, or at least compulsion to stay put when once evacuated, would probably be the best solution. But it cannot be tried until those who have gone of their own free will are properly housed and cared for.

* * *

Scuttling Law

The Court of Appeal on Monday of last week delivered its judgment on the insurance of cargo in those German steamers which scuttled themselves at the outbreak of war or sneaked back to a home port. The judgment of the lower court was reversed and the underwriters who wrote the war risk on the cargo are now liable to pay. This reversal will cause no surprise, for it was widely felt that the underwriters would be lucky if they climbed all the way to the Lords without having the first judgment upset. It will be remembered that Mr Justice Hilbery found for the underwriters on the strength of the frustration clause in the policy which frees them from liability for any claim based on the loss of the venture. That clause was drafted over twenty years ago and it is believed that one of the Lord Justices in the Court of Appeal had a hand in the drafting of it in the far off days when he was a practising silk. If that is so, then their Lordships' judgment on the meaning of the clause comes (if the phrase may be used of their Lordships in its most respectful sense) straight from the horse's mouth, and adds weight to judgments which in themselves are sufficiently impressive. Both the judgments delivered follow the same line—that the merchants were deprived of the physical possession of their goods by the action of the German Government which converted them to its own use and when the need arose destroyed the goods to avoid capture. What happened was exactly what happens when a burglar is caught with the jewellery on him and drops it over a bridge to prevent the police from getting it. If that is not covered by a policy, what is? As Lord Justice Mackinnon observed, the policy, on the underwriters' interpretation of its meaning, would be a contract into which no sane man would ever think of entering.



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

THE MALAYAN INFORMATION AGENCY
MALAYA HOUSE, TRAFALGAR SQUARE, LONDON, W.C.2

Shorter Notes

The position on the Thai-Indo-China frontier is very obscure. The Thais declare that they were wantonly attacked by the French and that there is anarchy in Indo-China. The French claim that they have thrown back Thai troops after an equally wanton invasion of their territory. And from neutral sources come rumours that there has been no heavy fighting at all.

*

The annual cost of the 11 Civil Defence regional headquarters in England and Wales is at the rate of £401,778 for salaries, £45,778 for rent, rates and maintenance, £29,850 for telephone services and £50,050 for travelling and other incidental expenses. The Home Secretary, in giving these figures in answer to a question in the House, said that he considered the regional system to be one of the most valuable services in the country.

*

In a circular to rating authorities, the Minister of Health suggests that, where premises are completely destroyed or have to be demolished, rate liability should cease from the date of destruction. Where they are temporarily made uninhabitable, by reason of structural damage, destruction of essential services, or unexploded bombs, they should be void for rating purposes for the whole of the period for which the occupier is deprived of their use, provided that the period exceeds seven days.

*

The Ministry of Food announces a reduction of 1d. per pound in the price of sugar from December 16th. Any measure which tends to keep down the cost of living helps to slow down the spiral of inflation, but it is difficult to see the force of the suggestion that this concession will balance the rise of ½d. per pint in the price of milk. With the sugar ration at its present level of half a pound a week, that would imply a consumption of milk of only one pint per week per head of that section of the population which pays for its milk.

*

Even a war has not been enough to remove the original Special Areas from the map of Great Britain; those of them that are coal mining districts have been thrown back into depression by the fall of France. The Government has, therefore, decided to continue the Special Areas Act till March 31, 1942. Up to October 31st this year payments by the Special Areas Commissioners amounted to £13,675,000 in England and Wales and £3,300,000 in Scotland.

*

Mr Geoffrey Shakespeare is investigating billeting conditions in the reception areas. Some idea of the size of the dispersal problem may be obtained from the following figures of evacuation given by Mr MacDonald:—From the L.C.C. area 370,000 schoolchildren and 181,000 children under five years, leaving behind 80,000 and 39,000 respectively, and from East and West Ham 51,000 schoolchildren and 22,000 under fives, leaving about 9,500 and 17,000 respectively. In addition, 9,000 aged, infirm and chronic sick have been moved from London to hospitals and homes in reception areas. Altogether, there are, excluding private evacuees, about 1,500,000 evacuees, children and adults, in reception areas, which on top of all this have to provide accommodation for about 1,000,000 soldiers.

*

Turkey has given yet another proof of her determination not to be absorbed into Germany's "new order." A new trading agreement between Britain and Turkey has been concluded under which Britain will buy more of Turkey's agricultural exports and will provide her in return with manufactures, cotton, wool and other commodities.

*

A Note on page 674 of *The Economist* last week commented on the strange divergences between the reports in the Press and in Hansard of an answer given by Major Lloyd George to a Parliamentary question. One phrase in this Note has been read as conveying the implication that the Hansard report had been "corrected" after Major Lloyd George spoke. It need hardly be said that no such implication was intended.

THE WORLD OVERSEAS

America's Economic Background

(From Our New York Correspondent)

IN the autumn of 1940, the index of manufacturing activity stood higher than at any previous time. It topped the best figures of the brief 1936-37 boomlet; it topped the best figure established a decade ago. To be sure, this record was that of a new index released only during the election campaign; and there was a slight effort to make political capital of that fact, for the old index made a materially less favourable comparison of 1940 with 1928-29. But the deficiencies of the old index were well known; all statisticians had long been aware that, owing to changes in our industrial structure, it was a distinct under-statement of industrial activity; and most were agreed that the new index gave a better measure than the old. The first element of the economic background was the presence of an industrial boom, absolutely exceeding that of 1928-29; and production per head of the population equalled or exceeded the banner months of the New Era.

The second element in this economic background related to the question of employment and unemployment. It is commonly said that, although more people are obviously employed than in the depths of the depression, the number of unemployed has not been materially reduced. There are no "official" figures of unemployment; but the commonly accepted estimate—usually in the vicinity of 10 millions—supports that view. It was used continuously by the Republicans during the campaign, as an evidence of the state of industry, and was never refuted by the Democrats—for both parties had access to the same statistics. On many occasions in the past this Correspondence has expressed its want of faith in our unemployment figures—or at least in the interpretation placed thereon—and it reaffirms that disbelief. It would indeed be difficult to reconcile an industrial boom with a major and urgent problem of unemployment. The difficulty of reconciliation, especially in comparison with the 1928 boom, is increased by the fact that the working week has been shortened to 40 hours, from a prevailing conventional week in the neighbourhood of 48. Much has been made of technological change in the form of the introduction of labour-saving machinery in the past decade; but there has been no convincing supporting data. Indeed, the absence of capital funds in the past decade lends colour to the surprising statement that in no decade in American history since the Industrial Revolution has there been so little replacement of men by machines as in the past 10 years. These considerations do not lead to a denial of the accuracy of the accepted estimates of unemployment; they do lead to questions as to their accuracy, and the conclusion logically imputed to them—that in the autumn of 1940 there was a major problem of industrial unemployment. On the whole, this Correspondence inclines to the view that, in the autumn of 1940, the urban industrial population was employed roughly in the proportion suggested by the index of manufacturing, and that relatively full employment (not full employment) was part of the economic background of the autumn of 1940 in urban industrial centres.

The State of Agriculture

As for the agricultural background, one can perhaps speak less positively. There is an obvious boom in urban industry, and there is an *ipso facto* presumptive level of urban industrial employment. But no one has intimated that agriculture is booming in the autumn of 1940. On the other hand, the statistics indicate a relatively satisfactory level of farm income, and support the inference that the farmers are prosperous. Your Correspondent has motored extensively over considerable distances in rural America. The rural regions do not give an impression of prosperity; they give an impression of poverty—not of initial poverty, but of dilapidation from a more prosperous past. This does not mean acute or critical depression; it rather suggests the absence of the visible indices

of recovery comparable either to the statistics of agricultural income or even remotely comparable to the existing industrial boom. To this general impression of farming, one major exception came within observation: in parts of the South, where sudden industrialisation has taken place in a former purely agricultural region, a local prosperity or even boom is obvious. For example, in the western mountains of North Carolina, which a few years ago was a distinctly poor farm region, the rapid introduction of the rayon industry has sharply lifted the local economy. A similar transformation is observable in the area of the T.V.A., and no doubt elsewhere. As was said above, personal observations are necessarily limited and should be accepted cautiously when they conflict with more generalised statistical data. Nevertheless, generalising on an all too narrow basis, it is hard to avoid the conclusion that, as part of the economic background of the autumn of 1940, agriculture (at least outside the South) was not only not booming, but was far from prosperous.

To sum up, the economic background of the autumn of 1940 does not by any means present a uniform picture. Urban industry is booming, with manufacturing activity at the highest levels ever reached, and at *per caput* levels never before maintained over any extended period of time; the agricultural areas (with the possible exception of the South) give no conspicuous evidence of prosperity.

November 11th.

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SIGNIFICANCE OF INCREASED DEMAND FOR COCOA IN WARTIME

*Homely and popular food drink
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RECENT investigations have revealed an almost phenomenal rise in the daily demand for cocoa in Britain since the war began. Two reasons are advanced for this.

One factor is undoubtedly the reduction in the price of cocoa. Cocoa is the one food which actually costs less than before the war — a unique price reduction at a time of rising food costs that has naturally proved a signal help to housewives struggling with increasing budgets. Cocoa has begun to appear more and more on

family menus, especially at the evening meal, where its sustaining warmth makes it of particular value.

FOOD VALUE OF COCOA

This brings us to the second point. In wartime people choose foods for the nourishment and sustenance to be obtained from them. From experience they know that, among all food drinks, penny for penny, cocoa

gives most food value and most staying power. When cocoa is analysed and compared with other foods, it is found to have a valuable content of iron, phosphates and other substances vital to health and sometimes lacking in a wartime diet.

The rise in cocoa's popularity can with justification be said to be a helpful contributor towards maintaining the national health.



It will be seen from the comparative table on the right that the nutrient value of cocoa is very high. These figures dramatically bear out the popular statement that 'a cup of cocoa is a cup of food'.

Nutrients in various staple foods (GRAMS PER LB.)					
Nutrients	BREAD	POTATOES	MILK	EGGS	COCOA
PROTEIN	32.5	10	15	56	82
FAT	0.9	0.4	16.5	51	120
CARBOHYDRATES	217	82	22	—	164
MINERAL SALTS	8.2	7.7	3.2	5	35
FOOD VALUE (Calories per lb.)	1040	378	303	734	2126

COCOA
is helping to feed the country

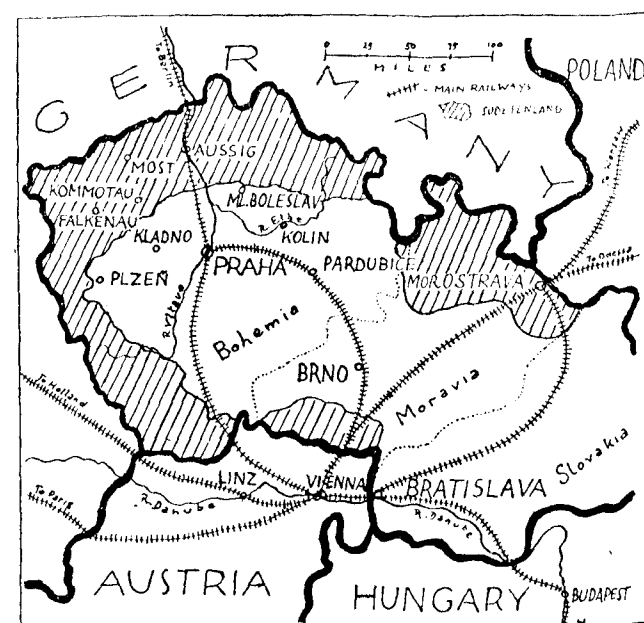
Czechoslovakia's Vulnerability

[BY A CZECH CORRESPONDENT]

MANY people in this country believe that the "Skoda" works in Plzen are the only vulnerable point of the Protectorate and that the former Czechoslovak industries are crippled by the bombing of these plants. It is well worth remembering that the "Skoda" works decentralised their plants a long time ago. One of their most important factories is not at Plzen at all, but in Mlada Boleslav. Here, underground, motor-cars, light and heavy lorries and tanks are produced.

There are, however, many other valuable military objectives in Czechoslovakia, many of them in the Sudeten area. In the western corner of Bohemia there is a very important power-station at Falkenau on the River Eger, which supplies the western part of Bohemia. There also are the newly built "Ferrosilicon" works, which produce other chemicals besides this necessary alloy for steel.

The Czech brown coal territory, again, is mined under peculiar conditions, and landslides are not infrequent. Some years ago the hot water of the nearby spa, Teplitz-Schönau, suddenly dried up. It was found that the landslides were the cause, and it is believed by some experts that explosive bombs on the coal basin of Most might have grave consequences. Brown coal is important to Germany, as it is valuable for the carbide industry. Most is also the centre for high-class (round) steel, used for tool manufacturing.



In Komotau there are the famous "Mannesmann" works, which relieve the factories in Düsseldorf. They are known all over the world for tube pressing and drawing. All kind of tubes for military purposes, for petrol pipe lines, oxygen containers, and for further manufacturing are produced here by 10,000 workers.

The key point in Bohemia, however, is Aussig, on the Elbe (Usti nad Labem). In this town of about 40,000 inhabitants are the largest chemical factories in the country (Vereinigte Aussiger Chemische), now co-operating with the "I.G. Farben," where most of the chemicals needed for the war are produced, explosives included. The town has a big river harbour, which ranges next to the biggest German centres. The river is, however, rather narrow there and is crossed by a railway bridge, the destruction of which would hamper all the railway communications between Central Germany, the Protectorate, and the Balkans. Enormous stocks of chemicals, coal and cereals are waiting for transport to Germany in the big warehouses and on the barges on the river. Blocking of the Elbe would create considerable chaos which could not easily be repaired; to hit some of the cranes would impair the efficiency of the harbour for a long time. Apart from this there are said to be large stores of vegetable and other fats for the big "Schicht Werke" in Strekov (Schreckenstein), which provide the whole country with margarine, soap, etc. In Strekov, which lies only two

miles south of Aussig, the "Schicht Werke" and a large power-station are extremely vulnerable points.

Very important industries are, of course, to be found in Praha (Prague) itself. Most of them are concentrated in the suburb of Vysočany. There are the machine factories of "Breitfeld and Daněk," and the "Česko-Moravská-Kolben-Daněk," a firm that has just built an aircraft factory which is producing gliding machines. They also, like the "Skoda" works, are now producing small tanks for two people, intended to serve for the invasion of Great Britain, which it is hoped to carry there by plane. In the centre of the town, factories have been established for the production of aircraft accessories, which now employ 7,000 people.

Ten miles south of Praha lies a modern power-station at Vrané, and eight miles to the north-west the pyrotechnical factory "B. Hajek," in Premisleny, where flares and smoke screens are being produced. In the coal town of Kladno are the "Poldihütte" steel works, a very big source of war materials. The "Prager Eisen" steel and iron works are also in this town.

There are two other places of great importance in Bohemia: Pardubice, with the "Fanto" oil refineries and large petrol stores, and Kolin with the biggest chemical concerns after Aussig.

In Moravia are two world-famous centres of industry: Moravská Ostrava, and Brno, the capital. In Moravská Ostrava, together with Witkovice, with which it is connected by a bridge over a small valley, there is a heavy industry of international reputation. Furnaces and stoves are to be seen for miles. A speciality is the production of armour-plate. Large stocks of manganese ore, chemicals and other materials are stored in these towns. The biggest cement factory of Czechoslovakia is in the vicinity, in Hruschau, where chemical factories are also producing sodium and other chemicals for Germany's war effort. Power-stations, zinc rolling mills (in Oderfurt), cable factories (in Oderberg) are to be found in this area.

In Brno are well-known armament factories, the "Zbrojovka," where the "Brenn" gun was produced, and a few miles to the north, in Königsfeld, great machine factories for the iron manufacturing industries.

Bratislava, the capital of Slovakia, can be called a vulnerable point, not only because of its cable factory, but mainly because it is now one of the principal ports on the Danube, where the barges from Roumania and Bulgaria are unloaded, where oil, cereals and food stores are waiting for further transport by rail, where hundreds of barges and tankers are concentrated. This Danube harbour is much more important than Vienna, and not nearly so well defended as the Austrian capital.

These are the outstanding vulnerable spots in the highly industrialised territory of the former Czechoslovak Republic. Were they attacked, it would not only be a severe blow for Germany, but also a sign for the Czechoslovak nation, which is forced to toil in this workshop for the Nazis, that the hour of liberation is at hand.

December 2nd.

Canada's New Session

[FROM OUR OTTAWA CORRESPONDENT]

THE Federal Parliament of Canada reassembled on November 5th, and the immediate prorogation of the session was followed two days later by the opening ceremony of a new session. The Speech from the Throne was abnormally brief, and did not outline any specific programme of legislation beyond a forecast of measures necessary "for the prosecution of the war to the utmost of our strength." The Government will make no attempt to curtail the debate on the Address; but it does not intend to bring down any important legislation before Christmas, and, once the debate is finished, there will probably be a long adjournment until the end of January. The leaders of the Conservative and C.C.F. parties have both intimated that they propose to demand detailed information from Ministers about the war programme, and they will have considerable criticism to offer upon certain aspects of it. Ministers will have to answer complaints, voiced in a letter to the Press by Major-General J. H. Elmsley, a distinguished Canadian soldier, that they are willing to divert manpower and material, which should be reserved for assisting Britain, to schemes, concocted in collaboration with the United States under the mutual defence pact, for stiffening the coastal defences of North America.

Parliament may be called upon to deal this session with

the problem of constitutional reform, as the King Government, which has had in its hands for nearly a year the report of the Sirois Commission on Dominion-Provincial relations, has, owing to pressure by influential papers for early action, abandoned its original intention of shelving any discussion of the report until the war ended. When the session opened, Mr Mackenzie King made public a letter which he had written to all nine provincial Premiers; in it he announced that his Government had accepted the findings of the Commission in their entirety and invited the Premiers to attend a conference with Federal Ministers early in 1941, to try to reach an agreement on co-operative action to fulfil the main recommendations of the report. In his letter he expressed the view that such an implementation was necessary to enable the country to produce the maximum war effort and to lay a foundation for sound post-war reconstruction. All the provincial Premiers have accepted the invitation, but Premier Hepburn of Ontario has intimated that he would have preferred a postponement of action on the report until the war was finished, and it is expected that he and Premier Aberhart of Alberta will oppose some of its recommendations.

November 9th.

Books Received

The Cambridge History of the British Empire. Vol. II., The Growth of the New Empire, 1783-1870. (London) Cambridge University Press. 1,068 pages. 50s. net.

America Our Ally. By H. N. Brailsford. (London) Gollancz 120 pages. 2s. 6d. net.

Men, Money and Markets. By M. D. R. Leys. (London) Longmans Green and Company. 266 pages. 6s. net.

City of Manchester, Abstract of Accounts, 1939-40. (Manchester) Henry Blacklock and Company, Limited, Albert Square. 629 pages. No price stated.

The Internment of Aliens. By F. Lafitte. (Harmondsworth, Middlesex) Allen Lane. Penguin Specials. 256 pages. 6d. net.

THE ROUND TABLE

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THE BUSINESS WORLD

The Post-War Gold Problem

IN all its external aspects the problem of gold and, in particular, of its international distribution, has shown no change during the current year. The world production of the metal continues to expand while the stream of gold movements is still flowing strongly to the United States, not merely taking with it the whole of the current production but steadily eroding what remains of the monetary gold reserves in other countries. The monetary gold stocks of the United States have reached the total of \$21,775 millions, an increase of \$4,131 millions since the beginning of this year. In 1939 the increase in these reserves amounted to \$3,132 millions, the largest up till then recorded in any one year. That record accretion has already been left well behind. From holding about 70 per cent. of the total monetary gold reserves of the world at the end of 1939, the United States is likely to control some 80 per cent. by the end of this year.

But beneath the monotony of this international flow of gold the character of the movement has changed fundamentally over the past twelve months. From being primarily a reflection of massive movements of capital to the United States, it has become largely the result of commercial transactions. The strict control of the capital markets, applied in all belligerent countries where such control was not already operative on the outbreak of the war, immediately dammed by far the greater part of the flow of capital into the United States. The German occupation of the neutral countries of Western Europe completed the process. Some capital investment in the United States is admittedly being made on the initiative of the British Government, and some erection and extension of industrial plant is being financed from this side. But the amount involved is much less than the total of the flow of gold or even than the proceeds of sales of dollar securities made on British account in the United States. On capital account, therefore, the non-American world is almost certainly realising its past investments in the United States rather than sending fresh capital there; without a control of capital the inflow of gold into that country would have been even greater during the past year than it has in fact been.

This change in the character of the gold inflow is of great importance in assessing the problem of the ultimate international redistribution of that gold. For gold that makes its way to the United States against an export surplus has gone there on a single ticket. It is not necessarily there permanently, but it will need an altogether new set of transactions—whether commercial or financial—to send it on its return journey. On the other hand, the gold which has accrued to the United States Treasury as a result of the movement of capital to the United States has taken its return ticket with it. In so far as foreign capital remains on deposit in the American banks or is invested in realisable American securities, it might always be tempted back by the re-establishment of stable conditions in Europe, the emergence of a favourable differential in interest rates or a better prospect of appreciation in value, all of which, we must hope, are post-war possibilities.

These return-ticket possibilities should not be left out of discussion of the gold problem. From the beginning of 1935, when the United States Treasury began its computations of the international capital transactions of the United States, until the end of last June (the latest available figures) the net inflow of capital into that country has amounted to \$5,377.3 millions, which may be set against net imports of gold of \$12,734.5 millions in the same period. Of this total inflow of capital, \$2,716.6 millions was due to an increase in foreign banking funds in the United States. Nearly half the inward movement of capital was thus represented by the most volatile type of funds whose departure may, and given the necessary conditions will, occur with the same alacrity as their arrival. For the rest, another \$1,092.0 millions represented foreign purchases of dollar securities. In addition

there was, over this period, a decrease of \$684 millions in United States banking funds abroad, while foreign securities were sold by United States investors to the tune of \$785.7 millions. There is thus, in the volume of foreign capital at present invested in the United States, a factor potentially capable of remedying a considerable part of the existing uneven distribution of gold.

There is another important factor which, in normal times, might help to redress the balance. As long as the bulk of the gold inflow in the United States was the counterpart of a movement of capital there was no inherent deflationary or inflationary virtue to be found in it. Admittedly, the monetary reserve increased, and the excess member bank reserves tended to follow suit. But the inflow of gold gave rise to no increase in the total stream of demand for goods in the United States, and the level of dollar prices obstinately refused to obey the dictates of the Quantity Theory. The history of the past decade in the United States has provided the most complete refutation of the mechanistic crudities of that theory. Indeed, in so far as gold-producing countries such as Canada sold their output to the United States and utilised the proceeds to repay United States dollar debt, the inflow of the metal provided a vehicle for disinvestment and was a positively deflationary force. Hence, the steady accumulation of gold in the United States failed altogether to create that automatic corrective of a rising price level, a discouragement of exports and an encouragement of imports, which the classical theory of foreign exchanges prescribed. But the present inflow represents a surplus of exports; it is a net addition to the effective internal purchasing power of the United States and might be expected, in normal times, to have the classical effect.

Both these reasons for hoping for a self-correction of the present gold position, however, are increasingly academic in wartime. Most of the foreign capital in the United States belongs to Allied countries who will be using it, and perhaps using it up, in purchases of munitions. Any tendency towards rising prices in America is likely to be outbid by the soaring prices of the belligerents. And even if this were not so, there can be no question of "discouraging" American exports when they are needed to win the war. If the war were to stop to-day and stable conditions in Europe to be instantly restored, there would undoubtedly be a return flow of gold. By the time the war does actually come to an end, with or without the immediate restoration of normality, the reasons for a further flow will have exhausted themselves.

There will, then, be a "gold problem" of peculiar severity to meet after the war. So far as we can now judge, it will be very difficult indeed for any currency to "look the dollar in the face." American industry will almost inevitably improve its competitive position during the war, and there will be many things needed or desired for the restoration of peacetime life that America alone will be able to supply. At the same time, we may well be faced with large accumulated surpluses of some raw materials and, in the others, the weakness of prices that will follow when an expanded capacity is suddenly bereft of the wartime demand that has created it. The longer the war lasts and the greater the destruction in Europe, the more insistent will be the demand for what America sells, and the weaker the markets in the things she buys. Thus, on trade account alone, it will be difficult to balance the accounts. As for capital account, the restoration of conditions in which Europe will seem as attractive a field for the investment of capital as the United States is likely to lag by several years behind the conclusion of peace; freedom of movement for capital would, in all probability, lead to a renewed westward flow, accentuating the difficulties created by the purely commercial position.

The restoration of the freedom of the international exchanges is one of Great Britain's war aims; assurances have

been given to the United States Government to that effect. But the fact must be faced that an immediate restoration of exchange freedom would probably lead to an insatiable demand for dollars. Such portions of the world's gold reserves as are not already in America at the end of the war would flow there immediately. It is difficult to resist the conclusion that, at least for a transitional period, some control of exchanges will have to be maintained after the war. To restore the freedom of purely commercial transactions—the payment for current visible and invisible imports—is perhaps an attainable goal; but the movement of capital will, in all probability, have to continue under some restraint. If this is so, there will inevitably be a tendency towards the creation of a number of currency blocs, grouped round each of the major currencies—a sterling bloc and a dollar bloc, for example, with substantial freedom within each bloc, but not between them. This will be in no way a desirable solution; but if the foregoing analysis of the probable state of affairs is correct, it will be unavoidable.

If all the world's gold is concentrated in the United States, and if the world is divided into currency blocs, with the balance of transactions within each bloc settled in currency and transactions between the blocs subject to control, does this mean that there will be no rôle for gold to play as the international settling medium? There are really two questions to be answered here: first, will there be any need for an international settling medium, and secondly, will gold remain the first choice for the job? It is very difficult to imagine a world—or at least such a world as an Allied victory would create—that could dispense with a settling medium. It is virtually impossible to impose exchange control with such completeness that there are no balances to settle. Even the Nazi exchange control, with its endless complication and its savage penal sanctions, has not succeeded in exactly balancing Germany's external accounts, let alone her accounts with each individual country, and there would certainly be no desire to enter on that path. Moreover, it has been suggested that commercial transactions might be substantially liberated, and they will give rise to balances requiring settlement. If exchange control is continued in any form after the

war, it will not be with the object of producing an exact balance, but with that of reducing the balance to manageable proportions. There is a distinction between exchange control, which regulates and canalises a flow, and exchange clearing which aims to stop the international flow of money altogether.

But if there is to be an international settling medium, will it be gold? The answer must be that it is difficult to see what else it could be. Gold has had to bear the odium of a situation that would have afflicted any alternative medium. We talk of a "gold problem," but what we really mean is a "dollar problem," and it is not any peculiar characteristic of gold that has led to its concentration in one country. If cowrie shells had been the international settling medium, then four-fifths of the world's cowrie shells would by now have accumulated in the United States. With all the prejudice against gold that undoubtedly exists, there is certainly no other substance that is likely to be as universally acceptable in payment of debts, without tariff barrier or limitation of amount, as gold. (To suggest that the dollar itself could serve this purpose is, of course, pure confusion of thought: you cannot use dollars to meet a shortage of dollars.) Furthermore, there are powerful interests involved in retaining gold, whose value depends entirely on the monetary demand for it. The United States will not want to throw away such a fabulous investment; the British Commonwealth and Soviet Russia will not want to devalue a substance of which they are the largest producers. The Nazis have recently paid lip-service to the rôle that gold is to play in their New Order and their assiduous cracking of vaults on the Continent has perhaps restored some vested interest in gold even in their case.

We have perhaps seen the end of the gold standard—that is, of a fixed relationship between an ounce of gold and a unit of money—unless, as is not inconceivable, it is ultimately reintroduced as a means of stabilising the exchanges between the different currency blocs (though even such a restricted restoration seems very remote). But there is no reason to suppose that the world will not continue to find it convenient and necessary to make use of gold's services as the international precious substance.

Prospects for Steel Shares

THE investment status of iron and steel shares has for some time suffered from doubts as to the post-war position of the industry. These doubts have more powerfully affected prices than has consideration of the undoubtedly good wartime prospects of heavy industry, with the result that iron and steel shares have, since the outbreak of war, provided generous dividend and earnings yields. Owing largely, however, to the growing realisation that the iron and steel trades will have a leading part to play in an extensive and lengthy post-war reconstruction programme, the shares have lately attracted more attention. Even after the recent improvement in prices they have not regained the higher levels reached in the short-lived "boomlet" of last spring and remain in some cases conservatively valued. Despite the heavy burden of the Excess Profits Tax at 100 per cent., current rates of dividend distribution should, in most cases, not fall during

the war period. Though the armament demand for iron and steel products will necessarily fall heavily on the conclusion of hostilities, a very large part of that demand should be diverted into manufacture for constructive purposes. Assessment of the outlook for the iron and steel industry automatically falls under these two heads.

Neither of these can be adequately considered, without some reference to the course of events in the years prior to the present war. Undoubtedly the iron and steel trade embarked on wartime production equipped as never before in its long and somewhat chequered history. The financial tangle in which the industry became involved shortly after the war of 1914-18 was gradually unravelled in a series of capital reconstruction schemes. These involved drastic writing down of capital, a lightening of the weight of debenture and loan indebtedness and the introduction of new money,

Name of Company	Earned and Paid on Equity												Present Price	Div. Yield Per Cent.
	1935		1936		1937		1938		1939		1940			
	Earned	Paid	Earned	Paid	Earned	Paid	Earned	Paid	Earned	Paid	Earned	Paid		
Babcock and Wilcox	11.6	8.0	13.1	10.0	14.8	10.0	14.6	12.5	16.4	11.0	...	...	39/3	5.6
Baldwins	12.1	7.5	15.5	10.0	17.6	10.0	12.8	10.0	13.6	10.0	...	...	4/6	8.9
Beardmore	...	Nil	...	Nil	...	Nil	39.0	3.5	72.6	10.0	...	...	18/3	11.0
John Brown	...	...	29.9	16.3	20.4	15.0†	22.2	17.5	22.1	17.5	16.8	15.0	26/-	5.9*
Cammell Laird	3.3	3½	10.8	5.0	16.8	8½	19.7	10.0	20.3	10.0	...	...	6/6	7.7
Colvilles	13.4	Nil	11.1	7.0	14.5	8.0	13.5	8.0	7.2	8.0	...	...	19/4‡	8.3
Dorman Long	8.3	Nil	24.9	6.0	23.3	10.0	23.4	10.0	10.1	10.0	7.0	7.0	18/9*	7.5
Guest, Keen	...	...	7.7	5.0	8.9	6.0	11.6	7.5	10.2	6.0	10.5	6.5	22/6	5.8*
Hadfields	14.7	7.5	29.5	23.4†	32.0	22.5	34.3	22.5	37.8	22.5	...	...	22/3	10.1
Pearse and Partners	...	...	Nil	Nil	16.0	5.0	31.9	10.0	17.8	12.5	18.6	10.0	9/10‡	10.1
Stewarts and Lloyds	9.7	5.0	13.9	7.5	28.0	12.5	25.9	12.5	20.3	12.5	...	...	40/4‡	6.2
John Summers	5.0	5.0	6.1	6.0	7.6	7.5	8.8	Nil	{ 612.8 c12.9	{ 8.5 4.5	...	...	15/6	11.0
Swan Hunter	9.5	5.0	4.4	7.0	10.8	9.0	25.8	12.0	30.8	15.0	...	...	28/3	10.6
Tube Investments	...	...	24.2	17.5	27.9	23.4	30.6	23.4	35.5	23.4	35.2	23.4	86/3	5.5
United Steel	...	...	10.3	7.5	10.5	8.5	11.9	10.0	8.7	8.0	14.6	8.0	20/9	7.7
Vickers	16.0	8.0a	15.9	10.0	21.5	10.0	22.0	10.0	21.0	10.0	...	...	14/7‡	6.8

* Free of tax.

† And capital bonus of 66½ per cent.

‡ Including special bonus of 10 per cent.

x Ex dividend.

(b) On "A" ordinary shares. (c) On "B" ordinary shares.

(a) And capital bonus of 50 per cent.

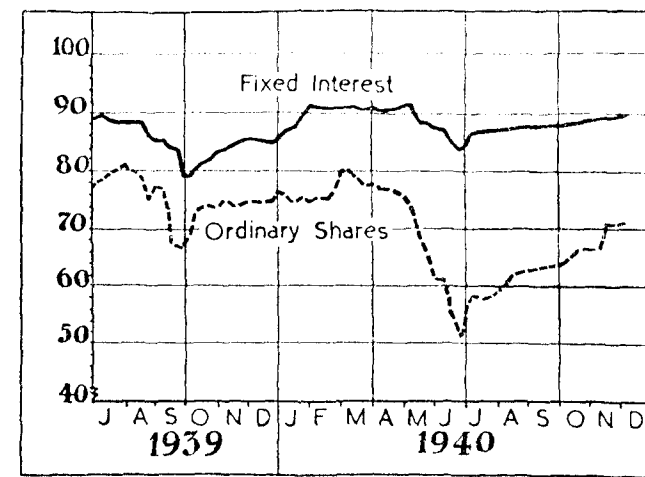
Investment

Reinvestment and the Funds

The factors which it has been indicated in recent weeks would shortly cause the stock markets to enter on a new phase have definitely been in operation during the past few days, but are, as yet, far from fully developed. Broadly speaking, a host of uncertainties have combined to offset, in large measure, the good effects of the progress of the war in the Mediterranean upon equities, rendering such rises as continue in those sections much more selective, while the pressure of Government disbursements on requisitioned stocks, and more recently of the War Loan dividend, involving some £33,000,000 gross, is causing a rise in the Funds. To date, the latter movement reflects as much a marking-up of prices in anticipation of demand, which experience suggests is likely to be largely for gilt-edged stocks so far as the dividend is concerned, as it is to actual reinvestment, for the volume of business remains very moderate. So far as the proceeds of requisitioned stocks are concerned, past experience has varied. Some part of the money released must inevitably go into securities which give a higher yield than those of the Consol market, but what the proportion will be depends largely on the estimate formed by investment trusts and the like of the relative prospects of different

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.



groups of investments. They will not be slow to see that any rise in the Funds must, through its operation on the general rate of interest, be followed with a larger or smaller margin by a rise in all other securities. It remains one of the most difficult of problems to decide how great these margins will, in fact, be. Even despite the strong evidence that the market is actually in a new phase, it is not yet established that the process of adjustment of yields, following the crisis of May-June, is yet complete. Apart from the opinion of the market and of investors, so far as they are articulate, opportunity of making a survey of the progress so far is afforded by the monthly figures of *The Actuaries' Investment Index* and by the accompanying chart of the indices prepared by *The Financial News*. The latter showed a rise week by week in fixed interest prices, while a partial reaction in equities in the fourth week of the period was almost made good in the fifth. Nevertheless, the actual figure on the last day of the month was only 70.3, compared with 71.7 for a fortnight earlier. In the five-week period, the margin between the two figures has been further reduced, but the narrowing occurred in the earlier weeks. Taking the figures of *The Actuaries' Index*, the yield of 2½ per cent.

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Consols fell from 3.35 to 3.31 per cent. on the month, that on Home Corporations from 3.72 to 3.66, and that on all classes of industrial equities from 7.08 to 6.69 per cent.

Five Months of Recovery

This is a very marked recovery, larger in fact than any since the months of July and August, when, however, marking-up was a much more potent factor even than recently. It has the appearance of reaching a climax, for it is hardly to be expected, in the absence of a fresh and startlingly favourable development, that the rate of recovery can be increased or even maintained. The yield of 6.69 on all classes of equity compares with one of 9.01 per cent. in June, but with only 5.71 in the previous February when equities were at their peak. Compared with this, 2½ per cent. Consols yield a shade less than in February, and the margin between the yield on that stock and each of the main classes of industrial equity has widened by just about a point. In view of the fact that E.P.T. was raised from 60 to 100 per cent. toward the end of May of this year, some widening of the margin is, of course, inevitable, and it will perhaps be conceded by most authorities that, while the extent to which the rise in the impost will affect dividends is not susceptible of exact calculation, something of the order of one point is not an unreasonable assessment of its effect when it is remembered that some allowance has to be made for the substitution of moral for legal dividend limitation. It is to be remarked, however, that, as against February, the margin between 2½ per cent. Consols and Home Corporations, as exemplified by the very gilt-edged list covered in the *Actuaries' Index*, has widened by one-tenth of a point, while the corresponding figures for

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)			Yields per cent.		
	Nov. 28, 1939	Feb. 25, 1940	June 26, 1940	Nov. 28, 1939	Oct. 29, 1940	Nov. 26, 1940
Fixed Interest						
2½% Consols	120.4	132.0	126.2	3.71	3.35	3.31
Home Corporations (4)	118.9	128.2	123.0	3.92	3.72	3.66
Industrial Debentures (44)	103.2	110.1	103.7	4.60	4.57	4.50
Industrial Preference (101)	89.1	97.0	82.3	8.68	4.97	5.19
Ordinary Shares						
Insurance (10)	96.2	101.3	66.8	4.32	5.22	4.95
Aircraft (5)	60.5	59.1	28.4	47.1	11.82	14.31
Electric Light and Power (16)	100.0	110.3	76.9	88.7	5.51	6.22
Electric Manufacturing (13)	111.5	123.4	87.0	6.01	6.57	6.08
Motors (7)	28.1	28.6	19.4	27.0	7.24	7.85
Total Productive (90)	59.7	65.0	40.8	51.9	6.68	7.31
Shipping (7)	14.8	15.5	9.9	13.3	3.85	4.42
Total Distributive (28)	42.7	45.6	28.7	34.6	5.17	6.78
Breweries (20)	108.8	103.4	72.3	90.7	6.17	7.19
Total Miscellaneous (40)	66.1	66.7	45.0	57.9	5.68	6.78
TOTAL INDUSTRIAL (158)	56.9	60.6	38.9	49.1	6.16	7.08

industrial debenture stocks and preference shares are rather over ½ and a little under two-thirds respectively. Evidently the last two of these make some allowance for the effects of bombing, of rising costs and the possibilities of falling demand for certain classes of product, all of which—in so far as they apply at all to any given company—apply with added force to the position of ordinary shares. On the whole, it would seem that the rise in the latter is too great relative to that in the preference issues. Turning to the recovery in individual industries since the collapse of June, there are now only two which have failed to make their contribution, namely, investment trust shares and gas stocks. The weakness of the former is also to be found in the debentures and preference shares of the trusts. Distributive shares and those of cotton companies show a relatively slight improvement, for reasons which are readily apparent, and the greatest improvements are to be found in such sections as aircraft, building materials and electrical manufacturing. The largest movements of the past month are in the first and last of these three, in shipping shares, which have gone up 10 per cent., and in such items as insurance shares, electric power stock and breweries. The last-named rise, and an improvement of modest dimensions in stores and catering, are the only changes to which exception can be taken on grounds of

national policy. Even after these advances, aircraft shares still yield 12.37 per cent., home rails 9.15 and coal mining 8.71 per cent. Virtually all the other sections give returns between 6 and 7½ per cent., with banks and insurance companies returning just over and a trifle under 5 per cent. respectively, and shipping in a class by itself with a yield of a mere 4.11 per cent. There appears still room for minor adjustments apart from any effect produced by the not improbable further appreciation in the Funds.

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Canadian Guaranteed Stocks

A statement made by Mr. Ilsley, Minister of Finance, to the Canadian House of Commons last week has received less attention than it appears to merit. It disclosed that the Canadian Government had agreed to purchase and hold the Grand Trunk Consolidated Debenture stock which the British Treasury has just taken over. This marks a further welcome step in the co-operation of the two countries, with important implications, since it will guarantee a supply of Canadian dollars without imposing on the authorities on either side of the Atlantic the task of finding a market for these sterling securities. Nor is that all, for Mr. Ilsley went on to say that the British authorities would probably be asked not to sell other Canadian Government-guaranteed railway securities involved in the repatriation plan except to institutions owned by the Canadian Government. This not only very strongly suggests that a similar procedure is to be adopted with regard to the stocks mentioned, but reveals, for the first time, that there is in fact a formal plan between the two Governments. In some measure, it also disposes of the doubts of holders of other Canadian Government-guaranteed stocks who have been somewhat mystified by the decision to requisition the Consolidated debentures, which are an irredeemable stock expressed in sterling. It may now perhaps be assumed as probable that in due course all securities for which the Dominion authorities are financially responsible will be transferred. In view of the speed with which our dollar resources must be passing into the hands of the United States and Canada, the problem of reinvestment is one which should be considered without delay. The amount of money involved is substantial, including, *inter alia*, some £36 millions of Canadian Government stock, and a sum of £45 millions in guaranteed railway stocks. Not all of these are standing at or near par, while some are substantially above that figure. Whether or not, at some future date, it might also be possible to take over loans of the Provinces and those carrying their guarantees is a matter which should be kept in mind.

Company Notes

Lower Steel Dividends

The reduction in the *Dorman Long* ordinary dividend from 10 to 7 per cent., which was discussed in *The Economist* of November 23rd, is followed by the halving of the 12 per cent. ordinary dividend paid in the previous year by *South Durham Steel*. A parallel decline means that holders of "B" ordinary receive nothing. The management of *Allied Iron-founders*, moreover, postpone consideration of an interim payment—2½ per cent. was distributed in 1938-39—until the end of the industrial year at March 31st next. These disappointments have had a somewhat discouraging effect on the prices of heavy industrial securities. *South Durham* £1 ordinary dropped by 7s. 6d. from 27s. 6d. on November 27th to par on November 28th. Later a moderate recovery took place, but a number of other shares, including *Baldwins*, *Guest Keen and Colvilles*, eased a few pence in sympathy. Disappointing to shareholders as are the results of *South Durham* and *Dorman Long*, and vulnerable as the net earnings of iron and steel companies must prove to the combination of E.P.T. and high depreciation allowances, there is no reason to regard these two results as typical. *South Durham* is hampered by the unsatisfactory results of its subsidiary, *Cargo Fleet*, while *Dorman Long*, as was pointed out in *The Economist* of November 23rd, can derive no very certain income from the shipping of coal in war time. A rise in operating costs is, of course, general to all iron and steel companies. The full accounts of *Dorman Long* add little to the information contained in the preliminary statement. The following table provides an analysis of three years' trend of profits:—

	Years ended September 30		
	1938	1939	1940
Total profit	1,498,517	1,481,395	1,395,029
Depreciation	300,000	300,000	275,000
Fees, pensions, etc.	28,038	25,702	27,000
Taxation	245,896	429,640	426,850
Debt service	232,709	233,972	240,304
1st and 2nd pref. divs.	238,803	238,803	238,803
Surplus	453,071	253,278	187,072
Preferred ordinary:—			
Paid	92,374	92,374	76,978
Earned %	31.3	18.2	15.0
Ordinary shares:—			
Paid	158,115	158,115	110,680
Earned %	23.3	10.3	7.0
Paid %	10	10	7
General reserve	200,000	...	...
Carry forward	154,712	157,501	156,915

† Equal in 1937-38 and 1938-39 to 8 per cent. preferential plus 10 per cent. further dividend; in 1939-40 8 per cent. plus 7 per cent.

The most striking development is, of course, the fall of nearly £100,000 in gross profits last year from £1,481,395 to £1,395,029. The surplus available for preferred ordinary and ordinary dividends fell from £253,278 to £187,072, at which level it just failed to cover the respective 15 and 7 per cent. payments. Thus, the carry-forward declined slightly from £157,501 to £156,915. The balance-sheet position, which shows little change on that of the previous year, remains one of considerable strength. General reserve stands at £1,505,240, against £1,455,942. Stocks are up from £1,823,277 to £2,183,678, a rise which has been financed by a decline in cash from £1,617,014 to £1,265,365 and the liquidation of investments in short-dated securities valued at cost at £415,304. Both creditors and debtors show normal increases. The company's £1 ordinary shares now stand at 18s. 9d. ex dividend, yielding £7 9s. 5d. per cent. The £1 ordinary shares of *South Durham* are quoted ex dividend at par.

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B.A.G.S. Reduce Costs

In the circumstances, the improvement in total profits of *Buenos Aires Great Southern*, the second of the leading Argentine railways to issue its report for the year to June 30th last, from £2,820,072 to £2,888,213, must be considered highly satisfactory. Operating receipts fell from £10,515,187 to £10,493,421 and the final improvement was achieved through a reduction in operating costs of more than £100,000, to £7,735,115, being a reduction in the expenses ratio from 74.63 to 73.71 per cent., despite generally rising prices. The management points out that expenditure on renewals, fire insurance and claims has been met out of current income. Had these items been charged to reserve, as in the previous year, total profits would be £212,889 higher. With a fall in exchange loss from £1,240,868 to £1,086,661, the surplus earned for fixed charges amounts to £1,198,221 against £1,006,975, being only slightly below the 1937-38 total. Debenture charges are met in full, but as in 1938-39,

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no payment is made on preference capital. After placing to reserve double the amount taken from it last year, the carry-forward is higher at £61,103 against £47,961. Three years' trend of profits are analysed below:—

	Years ended June 30		
	1938	1939	1940
Operating receipts	10,879,900	10,515,187	10,493,421
Operating expenses	7,730,277	7,847,405	7,735,115
Total profit†	3,339,781	2,820,072	2,888,213
Exchange loss (net)	1,311,043	1,240,868	1,086,661
Renewals, etc.	227,750	...	...
Working agreements	580,674	572,229	603,331
Earned for deb. service	1,220,314	1,006,975	1,198,221
Deb. service paid	1,085,079	1,085,079	1,085,079
Prof. divs. paid	80,000	Nil	Nil
General reserve.....	...	Dr. 50,000	100,000
Carry forward	76,064	47,961	61,103

† Operating profit plus dividends received, etc.

There is no doubt of the wisdom of the directors in conserving surplus earnings. It is pointed out in the report that export of meat to Great Britain, which was well maintained during the greater part of 1939-40, received a severe setback on the entry of Italy into the war and the collapse of France, with consequent prejudice to gross receipts. Moreover, bad weather in the last quarter of the year to June 30th has damaged fruit crop prospects for the present season. These developments are already responsible for a drop of a million and a half in peso receipts, a sufficient reason for conservative treatment of earnings, without consideration of wider questions of rising costs and replacement of equipment. The balance sheet shows a substantial increase in the sterling value of cash holdings from £867,888 to £1,064,641. Rises in debtors and creditors have, substantially, offset each other and stores are slightly lower at £3,808,648 against £3,994,898. The 4 per cent. debenture stock at 40 yields £10 per cent.

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Crompton Parkinson Dividend

The admirable fullness of the Crompton Parkinson preliminary statement for the year to September 30th provides a very fair picture of the distribution of last year's profits. After depreciation and fees, net earnings amount to £400,514, against £404,903, a figure which was struck after deduction also of £1,500 for capital issue expenses. The company is allocating the usual £5,000 to central benevolent fund. Thus, after meeting the 8 per cent. first and second preference dividends, £351,856 is available for ordinary dividends, against £357,745, representing an actual increase in the rate of earnings from 34 to approximately 34.9 per cent. The previous year's 15 per cent. dividend plus 5 per cent. bonus on ordinary and "A" ordinary shares is repeated. In the absence of an allocation to general reserve, the carry-forward amounts to £187,360, against £81,392 in 1938-39, when £100,000 was placed to reserve. The income received by Crompton Parkinson from its subsidiary, British Electric Transformer, is down by £30,000 net, more than accounting for the decline in net profits. As these are reached after an undisclosed tax provision, there is every reason to assume that gross receipts have shown a highly satisfactory improvement in the past year. The preliminary statement of British

Electric Transformer for the same period shows a fall in profits from £79,736 to £52,533. It appears that since this figure is struck after tax, the rise in the standard rate is, here too, mainly responsible. The ordinary dividend is reduced from the 70 per cent., tax free, distributed in the past three years to 40 per cent., tax free. The 5s. ordinary stock of Crompton Parkinson at 17s. 3d. yields £5 15s. 9d. per cent.

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Electric and Musical Industries

The full accounts of Electric and Musical Industries for the year to September 30th provide some encouragement for shareholders after the previous year's sudden drop in earnings. Profits of the operating companies, amounting to £38,048, have replaced a loss of £131,968, while total gross revenue for the year amounts to £120,919, against a loss of £42,125. The directors state that the profits figure is struck after meeting special A.R.P. expenses and providing additional reserves for trade debtors and extra depreciation. It is unfortunate that shareholders are not informed of the extent of these provisions, for the report as it stands conveys little impression of the actual improvement in earnings which has apparently taken place during the past year. General expenses have declined from £86,701 to £79,403, and after meeting directors' fees and the 6 per cent. cumulative dividend there is a surplus for ordinary capital of £21,660, which replaces the previous year's deficit of £150,426. The surplus is placed to carry-forward, which is thus raised from £147,992 to £169,652. The profits of all three operating companies, two of which made losses in 1938-39, have permitted the reduction in the reserve in respect of previous losses in the company's balance sheet to be written down from £131,968 to £93,920. The consolidated statement, as at June 30th last, reveals that a bank overdraft of £50,736 has been incurred. The assets side of the account shows a reduction in amounts owed by foreign and empire subsidiaries from £88,535 to £65,322, while investments in these subsidiaries are up from £302,825 to £312,544. The separation of empire and foreign investments would be welcome in view of the questionable present value of European assets. The directors, however, give an assurance that the value of assets outside Europe, as shown by the latest balance sheets of the operating companies, exceed the value of empire and foreign assets shown in the consolidated statement. Cash holdings have declined from £402,084 to £105,456, an amount which is, however, held exclusively outside continental Europe. The future of the company is, of course, prejudiced by the Board of Trade restrictions on the manufacture of gramophones and wireless sets and by shortage of raw materials. It is probable that the purchase tax will also have a considerable effect in restricting purchases of records. Electric and Musical Industries is an enterprise with essentially peacetime prospects, and it is evident that peace alone can restore an adequate profit level. The 10s. ordinary shares now stand at 7s. 9d.

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Truck and Lorry Earnings

The reports of two commercial vehicle producers for 1939-40, those of *Dennis Bros.* and *Guy Motors*, make encouraging reading. In neither case can the trend of gross profits be traced, since the last year's accounts show total earnings after tax, but it must be assumed that in both cases gross receipts have shown a very considerable improvement. This is obvious in the case of *Guy Motors*, whose total profits, after tax, have risen from £71,310 to £98,941. The apparent decline in the earnings of *Dennis Bros.* from £146,045 to £145,095 is accounted for by the fact that in 1938-39 the total profit figure was shown before the allocation of £30,040 to tax reserve. Last year's transfer to factory and plant renewals account amounts to only £25,000, and the difference between this and the above-mentioned transfer of £30,040 for taxes more than accounts for the decline in the profit figure. It is significant of the expansion which both companies appear to be enjoying that *Guy Motors* also has increased the depreciation and renewal provision from £20,359 to £53,080, a rise which occasions a decline in the surplus available for ordinary capital from £35,411 to £28,582, representing a rate of 25.1, against 30.6 per cent. The report points out that the allowance given by the Inland Revenue is entirely inadequate. After maintaining the 15 per cent. ordinary dividend, placing £10,000, against £17,000, to reserve and writing £17,129 off patents and designs, the carry-forward is considerably reduced at £6,380, against £22,031. *Dennis Bros.* has also permitted a small draft on the carry-forward, which has fallen from £166,920 to £166,443 in view of the increase in ordinary distribution from 116½ to 133½ per cent., an increase which was not fully

covered by the rise in equity earnings from £98,058 to £99,688. The following table provides an analysis of profits of the past two years:—

	Dennis Bros.		Guy Motors	
	Years to Sept. 30	1940	Years to June 30	1940
	1939	1940	1939	1940
Total profits*	146,045	145,095	71,310	98,941
Depreciation	12,066	38,419†	20,359	53,080
Taxation	30,040	...	...	...
Fees, etc.	5,881	6,988	3,600	5,900
Debenture and pref. interest	...	...	11,940	11,379
Ordinary capital:—				
Earned	98,058	99,688	35,411	28,582
Paid	87,644	100,165	17,382	17,104
Earned %	138.0	132.6	30.6	25.1
Paid %	116½	133½	15	15
Reserves	...	...	17,000	10,000
Carry forward	166,920	166,443	22,031	£6,380

* Shown after taxation for Guy Motors and in 1939-40 for Dennis Bros. † Of which £25,000 is a transfer to factory and plant renewal account. ‡ After £17,129 written off patents and designs.

The management of *Guy Motors* state that the company has been fully employed during the past year, and indeed the balance sheets of both companies indicate that resources have been worked to capacity. The *Guy Motors* statement shows an inevitable rise in debtors and creditors, from £109,830 to £204,223 and from £117,760 to £182,642, respectively. The balance sheet of *Dennis Bros.* shows a similar movement though with a less considerable appreciation of creditors and debtors. Cash holdings have declined from £254,180 to £155,157, but £50,000 has been loaned free of interest to the Treasury. Stocks are higher by more than £100,000 at £467,829. The 1s. ordinary stock of *Guy Motors* at 1s. 6d. yields £10 per cent. *Dennis Bros.* 1s. ordinary shares, now quoted at 16s. 6d., yield £8 1s. 7d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

A STEADY rise in the gilt-edged market has provided the main feature in Stock Exchange dealings since the end of last week. Pre-weekend dullness in most sections of the industrial market has gone unrelieved. Interest in home rails was at a low ebb and rubber shares failed to respond to news of the increase in the quota. Oil shares did not prove attractive and dealings in mining issues were on a small scale. The market treated political developments with reserve, and trading was cautious throughout.

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December 1st disbursements of War Loan interest and the repayment of re-quisitioned Canadian securities promoted a demand for leading investment stocks in the gilt-edged market, which continued from the end of last week until mid-week, when prices tended to fall back. The market was led by 3½ per cent. War Loan, which on Wednesday touched a new high level since 1938 of 103½ ex dividend, but subsequently reacted to 102½. There was a good demand for 3½ per cent. Consols, and, on version and 2½ per cent. Consols, and, on Monday, Indian stocks were well supported. A rise of 5 points was staged by Bank stock at the beginning of the week. In the foreign bond market, the strength of Chinese securities provided the chief feature of interest. Last Friday, Chinese 4½ per cent. bonds of 1908 rose 2 points, and on Monday the 5 per cent. issues of 1912 and 1913 were both well supported. Egyptian Unified gained 2 points on the same day, reflecting optimism as to the outcome of the Middle Eastern campaign.

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There was little interest in home rails, although the senior issues were mainly firm and a few isolated rises took place, mainly among Berwick preference issues. Ordinary stocks were sold on Monday, when Great Western ordinary and Southern preferred lost ½ and L.M.S.

ordinary ½. Argentine rails gave a mixed display, with some speculative support for Central Argentine.

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In the industrial market, turnover was on a small scale. The iron and steel section was depressed by the reduction in the South Durham dividend. South Durham itself rallied 1s. 3d. on Friday after slumping 7s. 6d. to 20s. on the previous day, but no general improvement took place until Tuesday. Then a large number of issues, including John Brown, Guest Keen, and Babcock and Wilcox, rose a few pence. Breweries remained firm, with steady gains for Benskins and some selling of Distillers. The tobacco leaders were a weak spot and, in the stores group, Marks and Spencer eased 1s. 3d. on Tuesday. Among general industrials, there was support for Murex, Harrisons and Crossfield and Wall Paper Manufacturers.

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Last week's subdued tone in the Kaffir market found little relief. Steady selling of Sub Nigel was corrected on Tuesday, when sentiment rallied slightly, and Rand Mines, City Deep and Daggas were also bought. Prices of rubber shares remained almost unchanged, despite the increase in the quota to 100 per cent. At the end of last week, United Sua Betong gained a few pence. In the oil market, Trinidad issues were depressed by the size of the

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Nov. 28 ...	1,867	3,670	70.3	124.1
" 29 ...	1,665	3,550	70.3	124.3
Dec. 2 ...	2,330	4,065	70.0	124.5
" 3 ...	1,691	3,625	70.0	124.5
" 4 ...	2,035	3,670	69.8	70.0

* 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).

Trinidad Leaseholds

Total profits of Trinidad Leaseholds for the year to June 30th show a highly satisfactory improvement from £901,779 to £1,511,659, if not a record, the highest level for more than a decade. This rise of 68 per cent. in revenue is largely accounted for by the increased turnover, including disposal at the outbreak of war of certain oil stocks held by the company in Great Britain. It would, therefore, be optimistic to expect last year's high level of earnings to be repeated in 1940-41, although there is every reason to expect that normal income will be adequately maintained provided the rise in wages and prices is kept within bounds. Depreciation provision has been increased by nearly £20,000 to £288,678, and the company inevitably has to face a considerably higher tax charge, amounting to £1,000,000 against £421,000. After writing off £69,018 against shares in and loans to subsidiary companies, the surplus available for dividends is actually lower than the previous year's total, at £138,460 against £238,491. The 15 per cent. dividend is maintained, leaving the carry-forward reduced from £128,003 to £120,049, despite the inclusion of £10,233 provided in the 1938-39 accounts for the Trinidad Cocoa Levy, but not now required. With regard to the future, the directors point out that the higher wage and other costs, for which the outbreak of war is responsible, were operative only during part of the year under review. It must be expected that these will take a higher toll of gross earnings in the current year. In the balance sheet, a fall in oil stocks from £440,852 to £194,248 gives, perhaps, a measure of the heavy disposal of stocks at the outbreak of war. Stores in hand have increased from £353,797 to £716,195, and cash holdings have more than doubled at £1,484,879, while both creditors and debtors are substantially higher, the former largely owing to the increased tax provision. Net capital expenditure is rather lower at £300,366 against £378,557. The company's £1 shares, which have risen in price in recent weeks, now stand at 65s. ex dividend, yielding £4 12s. 5d. per cent.

Trinidad Leasehold tax provision. Shell Transport eased ½ on Friday and Monday, but the next day an improvement was provided by rises in Anglo-Iranian ordinary and preference issues.

New York

RECENT movements on Wall Street were governed almost exclusively by technical factors. The trend was irregular, with steel issues prominent in both buying and selling movements, and price changes were narrow. Last Friday's rally was short-lived, though gains were partially held the next day, and after the week-end markets opened firm, dealers being encouraged by the steady flow of steel orders during November. Later in the week prices eased, and in midweek sentiment was depressed by prospects of higher taxation, although news of financial aid for Britain was favourably received.

The Iron Age estimates steel mill activity at 97 per cent. of capacity, as in the previous week.

STANDARD STATISTICS INDICES (1926 = 100)

	1940		Nov. 13, 1940		Nov. 20, 1940		Nov. 27, 1940	
	Low June 5	High Jan. 3						
347 Industrials	80.9	111.4	99.1	95.6	94.0			
32 Rails	20.7a	30.7	29.0	27.7	26.9			
40 Utilities ...	71.2a	89.4	80.2	78.4	77.6			
419 Stocks ...	69.9	94.8	84.7	81.9	80.5			
Av. yield*	6.61%	4.30%	5.60%	5.95%	6.20%			

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS						
Nov. 21	Nov. 22	Nov. 23	Nov. 25	Nov. 26	Nov. 27	
Closed	105.00	105.00	105.10	104.90	103.00	

1940 High: 123.7, January 3rd. Low: 86.7, June 10th.

(Continued on page 712)

RISE IN VALUES

All Fire Insurances effected at pre-war, pre-purchase Tax figures, should be increased.

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Industry and Trade

The Machinery of Restricting Consumption

Details are now available, in an explanatory memorandum, of the machinery by which the Limitation of Supplies (Miscellaneous) (No. 5) Order is to be worked. As before, manufacturers and wholesalers of controlled goods are to register for each class of such goods in which they do business. There will be no restriction on the flow of any class of goods between persons registered in respect of that class, or between registered persons and export markets. Each person who is registered in a given class of goods must restrict his aggregate sales of that class of goods to retailers and other unregistered persons to the prescribed percentage, but it is not intended that he should restrict his individual unregistered customers in a uniform degree. This elasticity is intended to allow for changes in the location of demand consequent upon evacuation. Further allowance for such changes is made in a provision for the transference of quotas from one registered person to another, subject to the consent of the Board of Trade. In giving such consent the Board may attach conditions with a view, for example, to increasing supplies in reception areas. Unregistered persons whose stocks are damaged or destroyed by enemy action may have them replaced without their counting against the supplies quota. Certain "special consumers," for example, hospitals, local authorities, the W.V.S., N.A.A.F.I., and many of the recognised charitable organisations which engage in relief work, may be supplied with specified classes of restricted goods without restriction. All restricted goods may be supplied without limitation for the execution of Government contracts. A registered person who uses controlled goods of a class in which he is registered for the purpose of producing non-controlled goods must count against his quota the goods so used. Registered persons who also act as agents are, for the purposes of the Order, "supplied" with goods invoiced to them in the course of their agency and become responsible for applying the prescribed restrictions when these goods are passed on to unregistered persons.

The case of a person who carries on both business requiring registration and business which does not require it, as, for example, a manufacturing firm which has retail shops, presents complications, as by becoming a registered person he involves his retail business in the restrictions on sales and the freedom from restriction on deliveries which are consequent upon registered status. To deal with this, two provisions have been made. Where the businesses not requiring registration are carried on under a separate name

they may be excluded from registration, provided they have kept separate accounts and records. Where they are branches carried on under the same name, provided, again, that they have kept separate accounts and records, restriction may be applied to the controlled goods acquired by them instead of to the goods they sell. This means that, although, because the branches are the property of a registered person, other registered suppliers may supply goods to them without restriction, the owner assumes the obligation to restrict in the aggregate the controlled goods reaching them, from whatever source. Under this arrangement, all these supplies to the branches, whether from other parts of his business or from outside, are treated as though they had been supplied by the owner to an unregistered person, while the stocks held by the branches at the date of the Order are released from control.

Coal-Mining Difficulties

In 1938, the last year for which details are available, we consumed at home 175 million tons of coal, while we sent abroad 50 million tons, either as cargoes or for the use of steamers. Of the 36 million tons of crude coal shipped as cargoes, no less than 30½ million tons were sent to the Continent and to countries bordering the Mediterranean. The greater part of this trade was lost as a result of the collapse of France and by the extension of the blockade, while the scope for replacing the Continental market was strictly limited. Although the loss of trade represents only a comparatively small proportion of our total output, the fact that it had to be borne chiefly by South Wales, Durham, and other exporting coalfields caused a good deal of distress in these areas. Nevertheless, it would seem that the past five months have provided ample opportunities for adjusting the coal-mining industry to the new conditions. But very little has in fact been done. A scheme for sharing the loss of trade by a redistribution of markets was turned down. A further plan providing for compensation for loss of trade out of a levy of 6d. per ton on production to be financed by consumers is still hanging fire as the colliery owners and the Mines Department appear to hold different views on the conditions of compensation. Now, a joint committee of the labour and trade union movement is to be set up "to examine the situation in the mining industry, where unemployment in some districts and congestion in other coalfields have produced a difficult situation." A detailed investigation should have been made last summer by the Mines Department in

collaboration with the colliery owners and the unions. Since the sharing of the shrunken market is likely to be an uneconomic solution, output should have been concentrated on the most suitable pits, while the remainder should have been put on a care-and-maintenance basis. Miners in redundant pits should have been transferred (not in a trickle, as they have been) either to other collieries or to other useful occupations, while owners of closed pits should have been given assistance for the purpose of maintaining their pits in good conditions, but not for the coal that they do not raise. The delay in dealing swiftly and decisively with the situation created by the loss of markets is just another instance of inefficiency on the economic front.

Extension of Cotton Control

When control was first imposed upon part of the cotton industry in January this year by fixing yarn prices, it was announced that such control would be gradually extended. A major step in this extension was taken when the new futures contract for raw cotton came into force at the beginning of this month and it is now expected that cloth prices will shortly be standardised. The price of cotton cloths is an important factor in the effort to extend cotton exports. Overseas buyers have been increasing their offers for cloth since Britain's military position improved and it became obvious that goods could and would be delivered to foreign countries, but the prices asked for the cloths have frequently been too high and the volume of actual business has suffered accordingly. Sir Percy Ashley, the Cotton Controller, has been considering a scheme for fixing prices with trade experts for some time; details are now being completed and are expected to be announced shortly. The desire to cut down the prices of cloth to encourage exports affects cotton in all its stages and in the new contract merchants' profit on raw cotton was cut from the 10 per cent. originally proposed to 5 per cent. It is expected that the standard prices will be net and cloth agents, who obtain their remuneration from the difference in discounts, are likely to be eliminated from business. If buyers have to pay commissions out of standard rates they are much more likely to deal direct with manufacturers whenever possible. The same problem faced yarn agents when yarn prices were fixed, but they are still operating and cloth agents are now meeting to try to find some way out of their difficulty.

Canadian Tariff Changes

Exports from this country to Canada should be facilitated by the Canadian Government's latest move to conserve foreign exchange. The Canadian Finance Minister this week announced an increase in excise duties, drastic curtailment of luxury imports and a substantial reduction or even abolition of customs duties on many commodities from the United Kingdom. Imports of certain articles, including passenger cars, sports goods, clothing and manufactured foods, are prohibited from non-sterling countries, except Newfoundland, while others, including motor vehicles other than passenger cars, will be imported from non-sterling countries only under licence. Many of the commodities prohibited or licensed can be exported from this country; customs duties have been removed from cotton, artificial silk, bituminous coal and furniture. The Chairman of the Cotton Board said that the removal of the duties would enable Lancashire to secure orders that have recently been passing it by. The pre-war cotton trade with Canada amounted to some 65 million square yards of cloth and 4 million lb. of yarn. Canada also intends to encourage domestic production, and the licences granted for imports from non-sterling countries will be withdrawn as other sources of supply can be found, while powers will be taken by the Government to assist certain enterprises in order to encourage exports.

Control of Greek Shipping

Before the war Greece's merchant fleet included 1,500,000 gross tons of ocean-going vessels. Some 400,000 gross tons of these were on charter to this country when Italy launched her attack upon Greece, while the remainder was engaged in the home trade and in commerce between neutral countries. The Greek Government has now decided to bring about closer collaboration between that country's merchant fleet and the Ministry of Shipping to ensure the employment of all vessels in the interest of the Allies. On November 28th it was announced that full powers of

control, including requisitioning powers, over all Greek ships outside the Eastern Mediterranean and over vessels of more than 4,000 tons deadweight inside that area have been conferred by the Greek Government upon its shipping committee in London. This move will appreciably strengthen the Allies' shipping position at an opportune moment, for some 80 per cent. of the Greek merchant fleet consists of cargo ships of the tramp type.

Record Steel Production in America

During the month of October the United States produced almost as much crude steel as this country can produce in six months. The actual output amounted to 6,462,000 tons, equivalent to no less than 75,851,000 tons per annum. The course of production since the beginning of the year is shown below:—

	Output (Thous. tons)	% of Capacity		Output (Thous. tons)	% of Capacity
January	5,655	84.1	June	5,533	85.0
February	4,409	70.2	July	5,595	83.4
March	4,265	63.4	August	6,033	89.7
April	3,975	62.0	September ..	5,895	90.7
May	4,841	72.0	October	6,462	96.1

True, output in October—the highest ever recorded—reached almost the limit of the industry's capacity; but it was substantially in excess of the peacetime capacity of the whole of Continental Europe. The increase in the demand for steel is the best indication of America's rapidly expanding industrial activity. And the size of the output is the measure of America's potential superiority over the Nazis in the output of munitions.

Rubber—America Wins

America has, after all, gained her point, and at the meeting of the International Rubber Regulation Committee on November 27th the export quota for the first three months of 1941 was raised to 100 per cent. The delay in the Committee's meeting, pending Sir John Hay's return from the United States, suggested that the American viewpoint was to be of paramount importance and the market had already discounted an increase so that the announcement had little effect on prices. Nevertheless, such a large increase was unexpected, and some of the producers are not altogether pleased. In the first place, the producing capacity on which the quotas are based amounts to 1,554,700 tons in 1941, against 1,541,550 tons in 1940 and there were some who felt that a continuation of the permissible exports at 90 per cent. of an increased amount should leave enough rubber available for the United States. The average quota for 1940, at 83½ per cent., released about 1,291,000 tons; including those from

CHANGE IN RUBBER QUOTAS SINCE 1937

	1937	1938	1939	1940	1941
Total Basic Quota 1,000 long tons	1,298.5	1,335.3	1,519.0	1,541.6	1,554.7
Permissible Export:—					
First Quarter per cent.	75	70	50	80	100
Second Quarter "	80	60	50	80	...
Third Quarter "	90	45	60	85	...
Fourth Quarter "	90	45	75	90	...
Year's average "	83½	55	58½	83½	...

non-regulating countries, total net exports are expected to reach 1,386,000 tons. It is estimated that world consumption this year will reach 1,054,000 tons, thus leaving an apparent excess of exports of 332,000 tons, but after making provision for the abnormal re-stocking demand—the increase in trade stocks in America, the barter stocks, and the reserve to be built up in the United Kingdom—it is possible that rubber exports will not in fact be equal to requirements in 1940.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

(Continued from page 711)

New York Prices

Total share dealings:—Nov. 27, 850,000;
Nov. 28, 470,000; Nov. 29, 530,000;
Nov. 30, 340,000; Dec. 2, 480,000;
Dec. 3, 450,000.

	Close	Close		Close	Close
	Nov. 26	Dec. 3		Nov. 26	Dec. 3
1. Railroads	166 1/4	166 1/4	Celanese of A.	27 1/2	27 3/4
Balt. & Ohio	4	3 3/4	Chrysler	77 1/4	76 3/4
Gr. Nthn. Pk.	29 3/8	29 3/8	Gen. Elec.	33 1/2	33
Illinois Cent.	7 5/8	7 1/2	Gen. Motors	49 7/8	49 1/2
N.Y. Cent.	14 1/8	13 7/8	Inland Steel	85 1/2	86 1/4
Northern Pac.	6 3/4	6 1/2	Int. Nickel	54 1/2	54 3/8
Penn. R.R.	22 7/8	21 5/8	Liggett Myers	95 1/2	93 1/4
Southern	13	12 1/4	Nat. Dairy	13 1/2	13 1/4
2. Utilities, etc.			Nat. Distillers	22 3/4	23
Amer. Tel.	166 1/4	166	Nat. Steel	67 3/4	65 1/2
Amer. W'ks.	7 1/8	7	Proct. Gamble	55	54 1/2
Pub. Light	36 1/4	37	Sears Roebuck	75 1/2	75 1/2
Ed. Gas	26 1/2	26	Shell Union	9 1/2	10 1/4
3. Commercial and Industrial			Socoy Vac.	8 1/4	8 1/4
Amer. Metal	18 1/2	19 1/2	Stan. Oil N.J.	34 3/8	33 1/2
Am. ROLL. M.	15 3/4	15	20th Cen. Fox	5 7/8	5 3/4
Am. Smelting	44 1/4	44 1/4	U.S. Steel	69	67 3/8
Anacosta	27 1/8	27 1/8	West'hae El.	105 1/2	103 3/4
Briggs	24 1/4	23 3/8	Woolworth	33 3/4	32 1/4
			Yngstn. Sheet	41 1/4	40

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
December 7, 1940			
To the Public	Nil	...	Nil
To Shareholders	200,000	...	200,000
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	225,000	...	218,125
Nat. Savings Certs.	6,054,779	...	6,054,779
3% Defence Bonds	5,330,700	...	5,330,700
2 1/2% Nat. War Bonds	16,240,175	...	16,240,175
† Week to November 26, 1940.			† Week to November 26th, making total since June 25th, £353,512,805.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	1,334,074,269	980,818,236
1939 (New Basis)	1,321,071,163	109,581,221
1940 (Old Basis)	1,318,342,549	964,850,587
1939 (Old Basis)	80,186,802	58,756,723

Destination (Conversions Excluded)	U.K.	Brit. Emp. ex U.K.	Foreign Countries
Year to date			
1940 (New Basis)	979,475,594	1,342,642	Nil
1939 (New Basis)	81,962,205	25,373,284	2,245,732
1940 (Old Basis)	964,708,131	142,456	Nil
1939 (Old Basis)	42,596,632	15,840,091	320,000

Nature of Borrowing (Conv. Excl'd.)

Year to date	Deb.	Prof.	Ord.
1940 (New Basis)	964,244,605	1,887,130	14,686,501
1939 (New Basis)	53,336,645	8,831,629	47,412,947
1940 (Old Basis)	963,508,955	332,500	1,209,132
1939 (Old Basis)	45,908,921	2,688,459	10,159,343

"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.—Recent brewery results show a general improvement in gross earnings, but net profits are mainly lower. ASSOCIATED BRITISH MALTSTERS earned a rise in gross revenue from £120,080 to £150,996 and net profits were also higher at £70,839 against £64,378. The 10 per cent. dividend is maintained. BENSkins WATFORD have maintained the 18½ per cent. dividend, despite a fall in net earnings from £227,009 to £208,847. Gross income is, however, some £50,000 higher at £553,844. FREMLINS have reduced the

(Continued on page 722)

The 100 per cent. quota for the first quarter of 1941 will release 388,675 tons from the restricting areas which will be insufficient to allow both the United States and the United Kingdom to accumulate all the stocks they wish to hold so that it is unlikely that the percentage will be much reduced at the end of the quarter. In addition, it is unlikely that all the producing areas will be able to export the full amount permitted to them. That was the argument of the consuming interests which has triumphed over that of the producers. The latter argued that a yearly surplus of about 100,000 tons should result from a 90 per cent. quota and allow the United States to accumulate stocks without harming the producers, who fear that once the strategic reserve has been attained demand will fall off. Many of them hold that to supply large surpluses now will necessitate excessive tapping, which would mean depletion of capital, while the additional earnings would have to be paid to the Government in E.P.T. instead of being earned at a steady rate in the future. It is doubtful whether the producers' fears of a severe fall in demand are very firmly based, for consumption, as opposed to stock accumulation, is showing an upward trend; rubber is an important war material and after the war it is likely to be in demand for the extensive reconstruction that will be necessary and for the use of countries now under German domination.

COMMODITY AND INDUSTRY NEWS

The value of retail sales in October, as given in this week's *Board of Trade Journal*, was 6.8 per cent. higher than in October, 1939. Retail sugar prices are to be reduced by 1d. per lb. from December 16th, but supplies to manufacturers are to remain at the present level. When coal prices were raised recently Durham was still under consideration, and a further 1s. per ton has been added to the pithead price this week. A census of domestic poultry keepers is to be taken so that feeding stuffs may be fairly distributed.

Cotton (Liverpool).—At the beginning of this week trading began in the Liverpool cotton market in the new futures contracts, and although at the start there was some uncertainty as to the position, the revised conditions are now working smoothly. As business was possible on broader lines, a larger turnover has taken place in futures than for several weeks back, and prices have advanced, especially for distant positions. The object of the Controller is to prevent prices in Liverpool rising above world prices, but the local conditions cannot be ignored. Some uncertainty exists as to the effect of the institution of official prices based on the prices ruling in the United States markets and Alexandria, but this system is not likely to become operative until towards the end of the month, and there will be no possibility of a squeeze of near positions.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Nov. 22, 1940	Nov. 29, 1940	Dec. 1, 1939	Nov. 29, 1940
American	13.9	11.9	428	365
Brazilian	8.8	14.1	132	126
Peruvian, etc. ...	1.4	2.4	79	49
Egyptian	5.9	4.9	114	82
Sudan Sakel	1.6	2.6	69	12
East Indian	3.9	5.2	103	101
Other countries ..	6.6	6.8	69	100
Total	42.1	47.9	994	835

Source: Liverpool Cotton Association's Weekly Circular.

Tin.—The price of standard cash tin declined 10s. per ton on the week, but that of three months forward increased by 5s. per ton. According to one authority there was a net decrease in the total visible supply of tin on the month to 39,807 tons at the end of November. Stocks of tin in the United Kingdom were 4,035 tons against 4,252 tons at the end of October.

Grains.—There is some expectation in America that the Anglo-Spanish agreement announced this week may lead to a renewal of grain exports to Spain, and

Canadian wheat options showed a firmer tendency in consequence. Quotations in South America are nominal owing to the scarcity of the freight available. Maize prices have declined from the higher levels reached a week ago.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Nov. 16, 1940	Nov. 23, 1940	Nov. 25, 1939	Nov. 23, 1940
N. America	529	585	7,583	6,116
Argentina, Uruguay ..	133	268	7,194	3,642
Australia	...	...	6124	...
Russia	...	20	114	20
Danube and district ..	...	...	2,333	182
Other countries	...	...	296	...
Total	662	873	18,132	9,960

* Unobtainable. † Incomplete. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Nov. 16, 1940	Nov. 23, 1940	Nov. 25, 1939	Nov. 23, 1940
Argentina	75	50	11,810	5,764
Atlantic America	142	144	1,023	2,609
Danube Region	...	...	1,109	678
S. & E. Africa	...	...	2,667	1,117†
Indo-China, etc.	...	...	1,160	91
Total	217	194	17,769	10,259

* Not received. † Incomplete since October 26th. Source: The Corn Trade News.

Oils and Oilseeds.—The official maximum prices of controlled vegetable oils and animal fats in operation during November are to be continued to December.

THE ECONOMIST SENSITIVE

PRICE INDEX (1935 = 100)

	Nov. 28, 1940	Nov. 29, 1940	Dec. 3, 1940	Dec. 4, 1940
Crops	101.7	102.0	101.9	101.2
Raw materials	165.9	165.9	165.5	165.8
Complete Index	129.8	130.1	129.8	129.5

	Mar. 31, 1937*	Aug. 31, 1939	Dec. 3, 1939	Oct. 28, 1940	Nov. 27, 1940
Crops	147.9	92.2	117.5	102.2	101.7
Raw materials	207.3	122.9	131.8	165.9	165.4
Complete Index	175.1	106.4	124.5	130.2	129.7

* Highest level reached during the 1932-37 recovery.

Sisal's Difficulties

The East African sisal trade has been severely affected by war conditions. During the past ten years East Africa's production has almost doubled, and in 1938 it amounted to 130,000 tons. The United Kingdom is the only large market left open to the plantations in Kenya and Tanganyika, for the United States consumes chiefly Mexican sisal (Henequen) and Japan prefers manila hemp; the European mainland, which absorbed about 135,000 tons of sisal from all sources in 1938, is, of course, cut off by the British blockade. In 1938 Great Britain absorbed 26 per cent. of East Africa's shipments of sisal, her share amounting to 35,000 tons. Our wartime requirements of this product are probably considerably in excess of our peacetime consumption. Thus, while the British Government's intention to purchase 100,000 tons of sisal from Kenya, Uganda and Tanganyika is of great importance since this purchase will absorb the greater part of the material at present available, it may not be possible to repeat it, since it amounts to more than the United Kingdom's requirements. Sisal requires four or five years to mature in East Africa, and cannot therefore be easily regulated to current demand. In the past five years the area under sisal in British East Africa has substantially increased, and growers may be faced by many difficulties so long as European markets are denied to them.

ber 28th without change. Supplies generally are still satisfactory, priority in the case of edible oils being given to the requirements of the manufacturers of margarine and cooking compounds. The outlook for future supplies of linsed continues good. The United States crop is being gradually absorbed into the mills, though it is reported that a surprisingly small proportion of the North-Western yield has moved to market and that seed continues to linger in the country because the price is low in comparison with former years and with wheat and maize.

RETAIL FOOD PRICES

	Average price per lb. at			Per cent. increase since Sept. 1, 1939
	Sept. 1, 1939	Oct. 1, 1940	Nov. 1, 1940	
Beef, British:—	s. d.	s. d.	s. d.	%
Ribs	1 2 1/4	1 3 3/4	1 3 3/4	10
Thin flank	7 1/2	9 1/2	9 1/2	26
Beef, chilled or frozen:—				
Ribs	9 1/2	1 0 3/4	1 0 3/4	34
Thin flank	4 1/4	6	6	22
Mutton, British:—				
Leks.	1 3 1/2	1 5 1/4	1 5 1/4	12
Breast	7 1/2	8	8	8
Mutton, frozen:—				
Leks.	10 1/4	1 0	1 0	15
Breast	4	4	4	24
Bacon	1 3	1 6 1/2	1 6 1/2	56
Fish	1 1 1/2	1 1 1/4	1 1 1/4	-1
Flour (per 7 lb.)	8 1/4	8 1/2	8 1/2	3
Bread (per 4 lb.)	2 4	2 6	2 6	7
Tea	3	5	5	64
Sugar (granulated) ..	6 1/4	8	8	18
Milk (per quart)	1 4 1/2	1 6 3/4	1 6 3/4	24
Butter, fresh	1 3 1/4	1 1	1 1	29
Butter, salt	10	1 1	1 1	29
Cheese				
Margarine:—				
Special	6 1/2	9	9	12
Standard	2	3 1/4	3 1/4	98
Eggs (each)	6 1/2	8	8 1/4	28
Potatoes (per 7 lb.) ..				
Index, All foods, weighted (July, 1914 = 100)	138	169	172	25

Source: Ministry of Labour Gazette.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927 = 100)

	Mar. 31, 1937*	Aug. 30, 1939	Nov. 28, 1939	Nov. 19, 1940	Dec. 3, 1940
Crops	101.7	102.0	101.9	101.2	101.3
Raw materials	165.9	165.9	165.5	165.8	165.8
Complete Index	129.8	130.1	129.8	129.5	129.6

	Mar. 31, 1937*	Aug. 31, 1939	Dec. 3, 1939	Oct. 28, 1940	Nov. 27, 1940
Crops	147.9	92.2	117.5	102.2	101.7
Raw materials	207.3	122.9	131.8	165.9	165.4
Complete Index	175.1	106.4	124.5	130.2	129.7

* Highest level reached during the 1932-37 recovery.

COMPANY MEETINGS

MITCHELLS AND BUTLERS, LIMITED

HEAVY TAXATION BURDEN

TEETOTAL PROPAGANDA EXPOSED

MR ARTHUR MITCHELL'S ADDRESS

The fifty-third annual general meeting of the ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on the 5th instant, under the presidency of Mr Arthur Mitchell.

The Chairman, in moving the adoption of the report and accounts, after paying a tribute to the late Mr Herbert William Bainbridge, said: We have now had the benefit of a full year's trading by our subsidiary, The Highgate-Walsall Brewery, which under the efficient supervision of Mr A. Schofield has proved a satisfactory addition to our business.

Our output has shown an increase notwithstanding the enforced advance in prices to our customers, which proves that the quality of our goods is appreciated. This advance in prices has been forced on us by increased taxation imposed by the three Budgets that have operated during the past financial year.

Notwithstanding continual rises in the cost of labour and materials, especially barley, and after making provision for A.R.P. expenditure, the trading profit has shown a satisfactory increase. The drop in net profit is entirely due to the heavier burden of taxation. For the second year in succession an increased trading profit has been converted into a decreased net profit by added taxation.

RESERVE FOR WAR DAMAGE

You will have noticed that we recommend that £100,000 of our undivided profits be placed to property reserve account. This reserve was created in 1937 as a fund out of which the managing directors would be able to write off unremunerative capital expenditure on properties. At that time war damage to our properties was not contemplated, but it is now clear that we shall have to face the cost of rebuilding some of the company's properties, and although the Government are contemplating a compulsory national scheme of insurance, it may be necessary to spend on reconstruction more than the Government award. Bearing this in mind and the likelihood of the cost of such work increasing considerably as time goes on, the directors have thought it prudent to recommend a substantial addition to the property reserve, so that it may be available for the above purposes.

It has been the consistent policy of your Board to maintain ample liquid resources to meet the many demands that may arise, and though the resources now available may appear large, I can assure you that they are not more than adequate in view of the heavy increases in beer duty and other taxation. I would remind you that beer duty involves a large payment in cash every month. Our payments for Government duties and taxes last year amounted to no less than £4,200,000.

BURDEN OF TAXATION

The Government apparently regard the brewing trade as a never-failing source of revenue, to which it may legitimately turn at any time. Nevertheless, when it is realised that the substantial drop in our net profit is entirely due to the heavy additional taxation imposed in the last three Budgets, we think it should give the Chancellor of the Exchequer reason to pause and consider whether the taxation of the trade has not already been extended to the extreme limit.

In concluding my remarks on the accounts I would like to remind you that the auditors' fees were settled 20 years ago, since when our company has been considerably extended; their work, consequently, has become greater and the cost of carrying it out has increased with the rising cost of salaries of staff. We therefore recommend to you that their joint fees shall be increased from £2,250 to £3,150, and that a resolution embodying this will be submitted to you later in the proceedings. We are fortunate to have the skilled and valuable services of Messrs Duffield and Smith and C. Herbert Smith and Russell.

TEETOTAL PROPAGANDA

At our last annual meeting I referred to the campaign of organised teetotal propagandists. Using the war as a means to an end,

they still persist in worrying the Government. Such conduct in exploiting the national emergency is reprehensible.

As Captain the Hon. Quintin Hogg, M.P. for Oxford, rightly said in reply to the Oxford Temperance Council a few weeks ago: "The national emergency is not a moment to introduce temperance propaganda under the cloak of national necessity."

At the moment these agitators are concentrating on bringing about a reduction of the use of materials for brewing, such as barley, and the shortening of the permitted hours of sale in licensed houses.

It would be grossly unfair to farmers who grow malting barley to cut down supplies to brewers, for they would be forced to sell their malting barley at the price of feeding barley, which on this year's figures would have been about one-half its value.

Our opponents charge the Government with indifference towards what they are pleased to term the misuse of foodstuffs, but the Government, recognising that beer is necessary for the public, for some time have been regulating the supply of barley and other materials, to ensure the brewing of the requisite quantity of beer where it is required.

The Government know only too well the serious unrest, discontent, loss of working time and interference with the output of munitions which was caused in the last war by the too drastic curtailment of the supply of beer.

In announcing the increase in barrerage, the Government of that day were compelled to concede, the then Home Secretary, the Rt. Hon. Sir George Cave, stated in the House of Commons:—"The Government are taking this step for serious reasons connected with the conduct of the war, and for no other reason, and they believe that these reasons compel them to take it."

QUESTION OF CLOSING HOURS

Not content with demanding that the quantity of beer brewed should be curtailed, these agitators go further, and still using the war as an argument, urge that also the sale in licensed houses should cease at an earlier hour in the evening.

Surely nothing could be more ill-conceived. Beer is the national beverage. It is part of the diet of working people who in these trying times find it more than ever necessary. They are working long hours which frequently extend late in the evening, and after a long day's toil facilities for refreshment and relaxation must not lightly be further restricted.

I consider any curtailment of the permitted hours of sale absolutely unnecessary and undesirable. We in the trade know what the public need and expect better than any teetotal propagandist, and we are certain that any shortening of the present evening hours would fill working people with irritation and resentment as it did in the last war.

Speaking in regard to the representations made to the Birmingham Licensing Justices that licensed houses should be closed earlier at night, Mr G. A. Bryson, the chairman, according to the Press, said that he would be reluctant to do anything which might tend to separate the working man from his mug of beer. No one has a better knowledge or has devoted closer attention to licensing questions, or better understands the needs of the people for whom licensed houses are provided. And in publishing the decision of the licensing justices in regard to earlier closing he stated they had come to the conclusion that in the absence of any legislative action by the Government, and having regard to all the circumstances it did not appear to be desirable for them to intervene at present.

As an instance that this cry for earlier closing at night is all wrong, the experiment was tried in Manchester, but it had to be discontinued. The chairman of the justices is reported to have frankly admitted that they had to revert to 10 p.m. because of the inconvenience suffered by people working late being unable to get refreshment.

At any rate, the responsibility of the licensed trade is to cater for the public, and the permitted hours during which alcoholic beverages can be purchased is a national question to be decided by the Government, and under present circumstances the Govern-

ment evidently consider there is no necessity to amend the law. Perhaps we have never had to face such difficulties as now present themselves, but I can assure you they are being met with confidence by the co-operation of the managing directors, staff and workpeople.

Dr Harold Thwaite seconded the resolution, which was carried unanimously.

SINGAPORE PARA RUBBER ESTATES, LIMITED

The thirty-first ordinary general meeting of the Singapore Para Rubber Estates, Limited, was held, on the 3rd instant, in London.

Mr R. B. Bannon (the chairman), who presided, said that the past year had been more favourable for rubber companies owing to the increased export allowance coupled with an advance in prices. That improvement in the situation was reflected in the accounts. During 1938-39 the exportable percentage had been 46½ per cent., during which period they had exported 602,916 lb. realising an average sale price of 8½d. per lb. gross. During 1939-40 the exportable percentage was 71½ per cent., this permitting them to export 597,114 lb., which had realised an average price of 10½d. gross. Their profit for the year amounted to £14,675, and they recommended a dividend of 10 per cent.

Dealing with their manuring programme, a total of 965 acres had received treatment during the year. Next year's programme provided for the manuring of 827 acres, but they might be forced to make some modification in view of the present difficulty in obtaining fertiliser. Replanting had continued to receive their attention and had called for an expenditure of £2,471. They had a total replanted area of 437 acres and they proposed to replant a further 150 acres next year. They would endeavour to continue their policy of replanting suitable areas, but the extent to which they might be able to do so must depend upon the future course of events.

With regard to the current year, the exportable allowance had been increased to 100 per cent. for the first quarter of 1941 and, if there was no material change in the existing price level, he thought they might look forward to a satisfactory year.

The report was unanimously adopted.

RHOKANA CORPORATION, LIMITED

INCREASED TRADING PROFIT

The eighteenth annual ordinary general meeting of Rhokana Corporation, Limited, was held, on the 4th instant, in London.

Mr Francis L. Gibbs (deputy chairman), who presided, said that the profit and loss account showed that before charging debenture and loan interest and making appropriation to the depreciation reserve account and the development reserve account, the trading profit was £2,846,838, as against £2,107,062 in the previous year. They had received a gross dividend from Mufulira Copper Mines, Limited, of £177,668, as compared with £217,149, and the balance carried to appropriation account was £2,773,801, as compared with £2,116,398. The appropriation for taxation for the year was £1,650,000, which was an increase of £900,000.

For the purpose of estimating their liability to excess profits tax, the computation of their pre-war standard had to include the results of a period when they had not yet completed their main programme of development and equipment. They had submitted to the authorities all the relevant facts which in their opinion rendered such a method of computation inequitable, but the authorities had been unable to grant them any relief in that respect. The result was that on their present estimates of tax liability, despite an increased operating profit of over £730,000, the reserve the directors found necessary to make for taxation left less profit available for distribution than in the previous year. It had been necessary for the directors to recommend that the final dividend distributable should be reduced from 25 per cent. to 15 per cent., bringing the total dividend for the year to 40 per cent., as compared with 50 per cent. last year.

Since in some quarters a dividend of 40 per cent. was interpreted as showing that shareholders were receiving 40 per cent. on the money invested, he would refer to the fact that whereas the issued amount of the ordinary capital was £2,500,000, the capital raised and employed was just under £18,000,000. The distribution, therefore, of £1,000,001 by way of dividend represented a return of 5½ per cent.

The report was adopted.

LAKE VIEW AND STAR, LIMITED

SATISFACTORY DEVELOPMENT WORK

MR D. CHRISTOPHERSON'S SPEECH

The thirtieth ordinary general meeting of Lake View and Star, Limited, was held, on the 5th instant, at 49 Moorgate, London.

Mr D. Christopherson, C.B.E. (the chairman), in the course of his speech, said:—The company made a profit of £592,159, which is £65,700 in excess of the previous year. Unfortunately, from your point of view, this additional profit is more than absorbed by the Excess Profits Tax, which is estimated at over £95,000. For the year in question we have to pay 60 per cent. on three-quarters of the excess profit and 100 per cent. on the remaining quarter. The large amount involved is due to the company's standard profit for Excess Profits Tax purposes being based on its average assessable profit for the years 1935-36 and 1936-37. Next year we shall have to pay 100 per cent. of any excess profit, but until we have agreed our standard profit with the Inspector of Taxes it is not possible to give you any forecast of the effect of our liability for Excess Profits Tax on next year's accounts.

Your directors fully appreciate that in times such as these the Government should receive all the financial assistance possible, but we have to bear in mind that in a business like ours profits are earned from a wasting asset and, whilst we have no intention of curtailing our operations, the Government, by taking the full 100 per cent., gives no encouragement to increase profits when they are derived at the expense of the company's principal asset.

DIVIDEND PAYMENTS

The directors have decided to recommend the payment of a final dividend of 12½ per cent., making the total distribution for the year 50 per cent. This will leave £19,950 to be carried forward. An interim dividend of 12½ per cent. has been declared on account of the current year's operations.

Development work has again been satisfactory and we conclude the year with an increase in the ore reserve position of just under 190,000 tons. The success of the continued development of the No. 2 Lode and Minor Lodes is again shown by the production figures, over 50 per cent. of the total ore treated having come from these sources. The measure of our dependence on these particular lodes will perhaps be clearer when I mention that out of the 2,695,700 tons of positive and broken ore in the mine, 1,691,100 tons, or over 62 per cent., is comprised in these lodes. Among them the Morrison West Lode in the Hannan Star Lease has not lived up to expectations, as values have apparently decreased in depth below the 1,700 ft. level. On the other hand, the New Lode on the boundary between the Ivanhoe and Horseshoe sections has opened out better than anticipated, and this year more than 320,000 tons of positive ore has been included in the reserves from this source. We have also partially developed one or two new shoots which give promise of material tonnages in the future, and the latest discovery of good values in the Lake View section at the 2,670 ft. horizon gives promise of some exceedingly interesting developments in the succeeding months when we have been able to test this ore from our present lowest level at 2,300 feet.

INCREASED ORE RESERVES

Total ore reserves again show an increase notwithstanding the record tonnage of 692,122 tons milled during the year. At June 30, 1940, reserves stood at 3,854,500 tons, averaging 5.39 dwt., representing an increase of 189,700 tons and a decrease of 0.17 dwt. in value over last year's figures. It is very gratifying to note that of the total reserve, positive ore at 2,816,000 tons has increased by 192,800 tons and broken ore at 691,200 tons by 138,100 tons. Broken ore is thus only 1,000 tons short of the total tonnage treated during the past year.

In the Chaffers plant, 692,122 tons, averaging 5.11 dwt. per ton, were treated for an extraction of 89.31 per cent. This is slightly less than last year's figure of 89.5 per cent., but on the lower grade treated it is very satisfactory. At the Associated retreatment plant, 602,904 tons of residues were treated, of which 369,068 tons were from the Associated Dump, which is now finished, and the remainder purchased mainly from the North Kalguri and Trafalgar Companies. Total working costs at 20s. 3.22d. show a reduction of about 3d. per ton, due mainly to plant improvements and to further expenditure underground for facilitating haulage and improving ventilation.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended November 30, 1940, total ordinary revenue was £25,473,000, against ordinary expenditure of £91,145,000 and issues to sinking funds of £145,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,670,044,000, against £530,639,000 (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 Dec. 2, 1939	Apr. 1, 1940, to Nov. 30, 1940	Week ended Nov. 30, 1939	Week ended Nov. 30, 1940
ORDINARY REVENUE					
Income Tax...	510,500	95,393	161,303	4,385	4,553
Sur-tax...	83,000	11,890	18,417	470	700
Estate, etc., Duties	86,100	52,370	52,171	1,390	916
Stamps	19,000	11,440	9,378	200	...
N.D.C.	70,000	17,340	14,017	560	470
E.P.T.	...	...	36,972	560	1,239
Other Inland Revenue	1,000	480	310	10	20
Total In. Rev.	769,600	188,913	292,598	7,015	7,898
Customs	309,350	179,910	201,012	3,772	3,689
Excise	213,550	87,520	123,974	1,502	1,421
Total Customs and Excise	522,900	267,430	324,986	5,274	5,110
Motor Duties P.O. (Net Receipt)	35,000	9,683	12,825	...	206
Crown Lands Receipts from Sundry Loans	13,291	6,454	8,300	Dr 800	1,900
Misc. Receipts	1,150	940	800	...	150
Total Ordinary Revenue	1,360,191	489,685	657,705	12,290	25,473
SELF-BAL. Post Office and Broadcasting	86,222	52,146	55,500	2,300	3,700
Total	1,446,413	541,831	713,205	14,590	29,173

Expenditure	Estimate, 1940-41	Issues out of the Exchequer to meet payments (£ thousands)			
		Apr. 1, 1939, to Dec. 2, 1939	Apr. 1, 1940, to Nov. 30, 1940	Week ended Nov. 30, 1939	Week ended Nov. 30, 1940
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	176,462	161,985	2,261	515
Payments to N. Ireland	9,400	4,962	5,188	90	430
Other Cons. Fund Serv.	7,600	3,803	3,770	24	67
Total	247,000	185,227	170,943	2,375	1,012
SELF-BAL. Supply Serv.	321,970	828,385	214,991	5,548	9,013
Total Ordinary Expenditure	568,970	1,013,612	385,934	7,923	10,025
SELF-BAL. Post Office and Broadcasting	86,222	52,146	55,500	2,300	3,700
Total	655,192	1,065,758	441,434	10,223	13,725

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £128,867 to £2,554,118, the other operations for the week (no longer shown separately) raised the gross National Debt by £66,364,650 to about £10,618 millions.

FIVE WEEKS CHANGES IN DEBT

NET INCREASES (£ thousands)	NET REPAYMENTS (£ thousands)	4½% Conv. Loan	60
Treasury bills	97,702	412	60
Nat. Sav. Certs.	18,100	...	...
3% Def. Bds.	20,260	...	...
2½% War Bds.	86,500	...	...
"Other debt"	923	...	...
Ways and Means	10,670	...	...
Treasury depts.	70,000	...	...
Total	304,155	...	60

OTHER ISSUES AND RECEIPTS (£ thousands)

P.O. and Telegraphs	350
Overseas Trade Guarantees	37
Anglo-Turkish Armaments Agreement	32
Total	419

AGGREGATE ISSUES AND RECEIPTS

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

Ordinary Exp.	Misc. Iss. (net)	Inc. in balances	Ord. Revenue	Gross Borr.	Net borrowing
2,320,862	8,515	159	657,705	1,678,718	1,671,831
2,329,536	...	...	2,329,536	...	...

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of Eng.	Treasury Deposits	Total Floating Debt
1939						
Dec. 2	700.0	697.5	56.2	...	...	1,453.7
1940						
Aug. 31	836.0	1042.6	60.7	...	30.0	1,969.3
Sept. 7	836.0	...	...	...	...	...
" 14	836.0	...	...	...	...	...
" 21	836.0	...	...	...	...	...
" 28	836.0	1085.1	91.5	...	124.0	2,136.7
Oct. 5	836.0	...	...	...	...	...
" 12	836.0	...	...	...	...	...
" 19	836.0	...	...	...	...	...
" 26	840.0	1145.9	69.0	7.7	119.5	2,262.2
Nov. 2	845.0	...	...	...	...	...
" 9	845.0	...	...	...	...	...
" 16	845.0	...	...	...	...	...
" 23	845.0	1238.6	87.5	...	269.5	2,410.5

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939					
Dec. 1	65.0	105.9	65.0	23 10 21	42
1940					
Aug. 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
" 27	65.0	131.9	65.0	20 6 33	81
Oct. 4	65.0	122.5	65.0	20 4 63	42
" 11	65.0	127.0	65.0	20 4 60	37
" 18	65.0	129.8	65.0	20 4 61	36
" 25	65.0	135.3	65.0	20 4 41	30
Nov. 1	65.0	147.3	65.0	20 4 11	25
" 8	65.0	139.6	65.0	20 4 36	31
" 15	65.0	140.8	65.0	20 4 56	32
" 22	65.0	131.8	65.0	20 5 15	41
" 29	65.0	152.2	65.0	20 5 23	20

On November 29th applications at £99 14s. 11d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following day, were accepted as to about 20 per cent. of the week were accepted for and applications at higher prices amount applied at £99 15s. for bills to be paid in full. Applications at £99 15s. for bills to be paid for on Monday were accepted in full. £65.0 millions of Treasury bills are being offered on December 6th. For the week ending December 7th 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
Oct. 22	2,723	3,435	25,604
" 29	3,878	2,971	9,539
Nov. 5	3,028	3,086	18,440
" 12	3,071	3,475	17,521
" 19	5,332	4,112	14,913
" 26	6,055	5,331	16,240
Dec. 3	...	...	26,411
Totals to date	186,410*	183,220*	379,924†

* 53 weeks. † 24 weeks. Interest free loans received by the Treasury up to December 3rd amounted to £10,696, of a total value of £24,089,452. From the beginning of the campaign up to November 30th, principal of Savings Certificates to the amount of £25,272,000 has been repaid.

BANK OF ENGLAND RETURNS

DECEMBER 4, 1940

ISSUE DEPARTMENT

Notes Issued	In Circulation	In Bank Deposits	Govt. Debt	Other Govt. Securities	Other Secs.	Silver Coin
£	£	£	£	£	£	£
598,250,958	31,990,617	11,015,100	615,189,766	3,783,597	11,537	...
630,000,000	241,575	630,241,575	...	...	...	...

BANKING DEPARTMENT

Props. Capital	Rest	Public Depts.	Govt. Secs.	Other Secs.	Discs., etc.	Securities
14,553,000	3,253,772	21,953,186	139,827,838	3,858,661	29,445,632	...
105,789,492	51,606,866	157,396,358	24,304,293	31,990,617	1,033,568	...
197,156,316	...	...	197,156,316	...	...	...

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

THE WEEK'S CHANGES (£ thousands)

(£ thousands)			
Both Departments	Amt. Dec. 4, 1940	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES	598,251	+ 4,905	+ 64,375
Note circulation	21,953	+ 5,158	+ 25,188
Deposits: Public	105,789	+ 5,040	+ 19,501
Bankers'			
Others	51,607	+ 1,296	+ 11,783
Total outside liabilities ..	777,600	+ 3,997	+ 70,472
Capital and rest	17,807	27	61
COMBINED ASSETS	766,033	+ 2,413	+ 74,826
Govt. debt and securities ..	3,859	+ 3,083	+ 1,541
Discounts and advances ..	24,229	+ 3,381	+ 2,152
Other securities	12	+ 3	+ 648
Silver coin in issue dept. ..	1,275	+ 80	74
Coin and gold bullion			
RESERVES			
Res. of notes and coin in banking department... "Proportion" (reserve to outside liabilities in Bankg. dept.)	33,024 - 18.4% -	4,825 - 1.7% -	24,141 - 9.5 -

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, of June 15th; Java, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 5th; International Settlements, Estonia, and Portugal, of October 26th; Argentina of Nov. 9th; Hungary, of Nov. 16th; Mellie Iran, Sweden and Turkey, of Nov. 23rd; U.S. Reporting Member Banks, Australia, Bulgaria, Egypt, India, Lithuania and Roumania, of Nov. 30.

SOUTH AFRICAN RESERVE BANK

Million £'s				
ASSETS	Nov. 1939	Oct. 1940	Nov. 1940	Nov. 1940
Gold coin and bullion	29.73	39.36	39.84	40.17
Bills discounted	7.14	0.75	0.67	0.79
Inves. & other assets	20.28	36.47	36.81	34.38
LIABILITIES	Nov. 1939	Oct. 1940	Nov. 1940	Nov. 1940
Notes in circulation	19.98	21.10	20.96	23.49
Deposits: Government	2.71	4.83	8.56	4.34
Bankers'	25.61	41.57	38.79	37.52
Others	4.95	4.53	4.99	5.11
Reserve ratio	55.5%	54.5%	54.5%	58.0%

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Nov. 1939	Nov. 1940	Nov. 1940	Nov. 1940
Gold certifi. on hand and due from Treas.	14,966	19,324	19,492	19,545
Total reserves	15,297	19,712	19,807	19,856
Total cash reserves	321	308	305	299
Total U.S. Govt. secs.	2,552	2,254	2,231	2,204
Total bills and secs.	2,572	2,267	2,243	2,216
Total resources	18,681	23,042	23,045	22,981
LIABILITIES	Nov. 1939	Nov. 1940	Nov. 1940	Nov. 1940
F.R. notes in circn.	4,845	5,643	5,670	5,703
Excess nr. bank res.	5,140	6,800	6,800	6,930
Mr. bank reserve dep.	11,620	14,052	14,127	14,292
Govt. deposits	441	404	310	199
Total deposits	12,836	16,144	16,185	16,176
Total liabilities	18,681	23,042	23,045	22,981
Reserve ratio	86.5%	90.5%	90.6%	90.8%
BANKS AND TREASURY RESOURCES	Nov. 1939	Nov. 1940	Nov. 1940	Nov. 1940
Monetary gold stock	17,347	21,637	21,716	21,755
Treas. and bk. currency	2,947	3,062	3,066	3,069
LIABILITIES	Nov. 1939	Nov. 1940	Nov. 1940	Nov. 1940
Money in circulation	7,462	8,395	8,436	8,465
Treas. cash and dep.	2,800	2,615	2,498	2,381

BANK OF JAPAN.—Million yen

Million yen				
ASSETS	Oct. 1939	Sept. 1940	Oct. 1940	Oct. 1940
Coin & bullion: Gold	501.3	501.3	501.3	501.3
Other	46.5	22.9	24.2	25.6
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts and advances	452.5	924.8	808.0	795.5
Government bonds	1773.3	2551.4	2680.7	2672.3
Agencies' accounts	217.5	298.6	264.1	278.7
LIABILITIES	Oct. 1939	Sept. 1940	Oct. 1940	Oct. 1940
Notes issued	2458.8	3556.2	3498.1	3446.5
Deposits: Government	576.1	713.6	757.5	846.9
Other	72.4	126.7	95.5	95.4

NATIONAL BANK OF JUGOSLAVIA

Million dinar				
ASSETS	Sept. 1939	Sept. 1940	Sept. 1940	Sept. 1940
Gold	1,987	2,368	2,371	2,330
Other foreign exchange	582	516	538	518
Discounts and advances	2,494	1,616	1,622	1,632
Govt. adv. and credits	2,400	3,073	3,073	3,073
Def. bonds discounted	...	5,025	5,024	5,155
LIABILITIES	Sept. 1939	Sept. 1940	Sept. 1940	Sept. 1940
Notes in circulation	9,108	12,158	12,118	12,403
Sight liabilities	1,095	2,597	2,648	2,464

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s				
ASSETS	Oct. 1939	Sept. 1940	Sept. 1940	Sept. 1940
Gold and stg. exch.	8.14	12.56	13.02	12.79
Advances to State	21.66	26.76	27.29	23.02
Investments	3.81	2.53	2.55	2.55
LIABILITIES	Oct. 1939	Sept. 1940	Sept. 1940	Sept. 1940
Bank notes	16.89	20.00	20.03	20.12
Demand liab.: State	1.80	4.78	5.54	5.57
Banks and others	13.20	15.06	14.68	15.71
Reserves to sight liab.	25.5%	31.5%	30.8%	30.8%

BANK OF CANADA.—Million Can. \$

Million Can. \$				
ASSETS	Nov. 1939	Oct. 1940	Oct. 1940	Nov. 1940
Reserve: Gold	225.7	379.9	579.5	575.7
Other	48.8	36.2	45.1	65.2
LIABILITIES	Nov. 1939	Oct. 1940	Oct. 1940	Nov. 1940
Notes in circulation	225.0	334.3	332.6	334.7
Deposits: Dom. Govt.	43.9	39.3	61.1	67.6
Chartered banks	223.4	233.0	218.2	221.5

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between November 28th and December 4th. (Figures in brackets are par of exchange).

U.S. \$ (4.852) 4.02½-03½; mail transfers, 4.02½-03½. Can. \$ (4.862) 4.43-47; mail transfers, 4.43-47. Sw. fcs. (25.22½) 17.30-40. Sw. kr. (16.59) 16.85-45. 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. Bol. Congo Fr. (176½) 176½. Portuguese Esc. (110) 99.80-100.20. Panama, 84.02-04; mail transfers, 4.02-04.4. Philippine (peso), 8.09-12; mail transfers, 8.09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 34 cent. pm-par. Canada, 12 cent. pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Batavia, 1½ cents pm-par.

MARKET RATES

London on	Par of Exchange per £	Nov. 28, 1940	Nov. 29, 1940	Nov. 30, 1940	Dec. 2, 1940	Dec. 3, 1940	Dec. 4, 1940
Budapest, Pen.	27.82	191½	191½	191½	191½	191½	191½
Belgrade, Din.	276.32	155*	155*	155*	155*	155*	155*
Sofia, Lev.	673.66	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Alexandria, Pst	97½	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pt.	25.22½	315*	315*	315*	315*	315*	315*
Istanbul, L.T.	110	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Athens, Dr.	375	510*	510*	510*	510*	510*	510*
Bucharest, Lei	811.8	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
India, Rup.	†18d.	1715½	1715½	1715½	1715½	1715½	1715½
Kobe, Yen.	†24.58d.	137½-14½	137½-14½	137½-14½	137½-14½	137½-14½	137½-14½
Hongkong, \$	†	147½-151½	147½-151½	147½-151½	147½-151½	147½-151½	147½-151½
Rio, Mil.	†5.899d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol. (s.)	17.38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	†51d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	†28d.	281½-5½	281½-5½	281½-5½	281½-5½	281½-5½	281½-5½
Shanghai, \$	†	3½-4½	3½-4½	3½-4½	3½-4½	3½-4½	3½-4½
Bogota, Pes.	...	6½	6½	6½	6½	6½	6½

* 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. (d) Special account.
(e) 90 days. (f) Trade payments rate.

Canadian Pacific Railway.—Gross earnings, October, 1940, \$16,892,000 (\$16,608,000). Net earnings, \$5,471,000 (\$5,845,000). Aggregate earnings, January to October, 1940: Gross, \$138,740,000 (\$122,112,000) net, \$25,761,000 (\$18,550,000).

British North Borneo (Chartered).—Surplus on Borneo account nine months to September 30th, before debenture interest, depreciation, etc., £213,054 (£142,944). Surplus in London, £10,771 (£11,080).

Dominion Bank.—Profit, year to October 31st, after all taxation, \$958,000

\$802,000 previous 10 months). To pension fund, \$35,000 (\$62,500). Written off premises, \$150,000 (\$125,000). Carry-forward increased by \$23,000. Dividend 10 per cent., as before. Public deposits, \$121,697,000 (\$123,313,000). About \$21,000,000 was withdrawn by depositors for subscriptions to new Canadian War Loans.

Berger (Lewis) and Sons.—Profits, year to July 31st, before taxes, £165,734 (£156,417). Ordinary dividend unchanged at 13 per cent.

Witbank Colliery.—Profit, year to August 31st, £96,650 (£109,938). Expen-

diture on capital account, £72,412 (£23,000). To taxes, £11,948 (£79,959). Dividend remains at 17½ per cent. Carry-forward, £114,852 (£168,983).

Butler Machine Tool.—Net profit, year to September 30th, £61,198 (£69,442), after deduction of £18,000 (£14,000) for E.P.T. and N.D.C. To income tax, £13,868 (£4,500). For additional taxes, £12,000 (£15,000). For possible obsolescence, £3,000 (£3,500). Ordinary dividend reduced from 17½ to 12½ per cent. Carry-forward, £16,877 (£15,802).

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	%	
Breweries													
Assoc. British Maltsters	Aug. 31	150,996	10,689	70,839	100,443	39,562	17,250	10	...	+ 14,027	120,080	64,378	10
Benskin's Watford	Sept. 30	553,844	...	208,847	386,561	19,500	168,720	18½	25,000	- 4,373	506,453	227,009	18½
Freemans, Ltd.	Sept. 30	99,243	...	52,409	89,297	26,250	26,250	7½	...	- 91	113,839	58,441	9
Green (J. W.)	Sept. 30	191,374	7,882	73,499	111,152	20,240	37,825	19	15,000	+ 434	180,037	79,319	19
Hewitt Brothers	Sept. 30	190,186	...	43,445	68,822	6,975	31,062	15	5,000	+ 408	172,999	51,203	15
Preston Breweries	Sept. 30	1,813	96	Dr. 1,343	Dr. 4,800	...	...	...	...	- 1,343	2,671	Dr. 1,309	12
Tetley (Joshua) and Son	Sept. 30	330,830	...	198,255	289,300	40,000	108,000	12	50,000	+ 25	301,885	148,434	12
Yates's Castle Brewery	Sept. 30	102,407	...	33,971	47,559	7,500	26,250	17½	...	+ 22	94,175	38,533	17½
Younger (Robert)	Sept. 30	17,699	...	17,699	38,759	5,000	10,000	12½	3,000	- 301	17,289	17,289	12½
Iron, Coal and Steel													
Dorman Long and Co.	Sept. 30	1,395,029	275,000	425,875	583,376	315,781	110,680	7	...	- 586	1,481,359	462,081	10
Donsward Iron, etc.	June 30	66,939	9,000	33,781	48,245	5,500	24,500	14	...	+ 3,781	45,669	19,317	10
Motor, Cycle & Aviation													
Dennis Brothers	Sept. 30	145,095	13,419	99,688	266,608	...	100,165	133½	...	- 477	146,045	98,059	116½
Guy Motors	June 30	98,941	53,080	1,870	23,900	417	17,103	15	...	- 15,650	71,310	35,882	15
Rubber													
Anglo-Johore	June 30	22,475	887	6,498	6,805	...	6,218	7½	...	+ 280	8,214	1,047	Nil
Glen Muir	July 31	17,920	753	7,443	10,118	...	6,240	5	...	+ 1,203	5,520	Dr. 285	Nil
Hevea Johore	June 30	16,100	1,020	7,079	9,542	334	6,677	6	...	+ 68	2,580	361	Nil
Permas	June 30	6,055	...	1,127	2,805	...	1,725	4	...	- 598	2,124	Dr. 188	Nil
Rim (Malacca)	June 30	33,147	...	8,242	20,391	...	8,073	10	...	+ 169	31,730	6,151	10
Tanjong	June 30	29,367	...	17,189	47,146	...	18,750	7½	...	- 1,561	22,352	12,184	5
Trusts													
British and Continental	Sept. 30	5,579	...	1,348	2,281	...	9,125	...	...	+ 1,348	6,023	1,668	2½
Third Edinburgh	Nov. 5	95,564	...	35,878	130,874	13,266	4,683	2	5,000	+ 1,438	86,048	32,613	6
Trans-Oceanic	Oct. 31	65,422	...	25,808	34,127	...	...	...	...	- 1,438	63,524	27,257	2
Other Companies													
Albion Drop Forgings	Sept. 30	56,640	4,117	10,023	12,526	...	8,925	12½	...	+ 1,098	28,848	19,530	17½
Argentine Sthn. Land	June 30	181,576	...	33,252	56,110	...	33,8						

720 THE ECONOMIST December 7, 1940 LONDON ACTIVE SECURITY PRICES AND YIELDS

Table with multiple columns: Prices, Year 1939, High, Low, Name of Security, Price, Dec. 3, 1940, Yield, Dec. 3, 1940. Includes sections for British Funds, Foreign Governments, Corporations, and various bonds.

December 7, 1940 THE ECONOMIST BRITISH WHOLESALE PRICES

Table with multiple columns: Nov. 26, 1940, Dec. 3, 1940, Nov. 26, 1940, Dec. 3, 1940. Includes sections for CEREALS AND MEAT, OTHER FOODS, TEXTILES, MINERALS, MISCELLANEOUS, and PETROLEUM PRODUCTS.

Table with multiple columns: Nov. 26, 1940, Dec. 3, 1940, Nov. 26, 1940, Dec. 3, 1940. Includes sections for AMERICAN WHOLESALE PRICES, METALS, and MISCELLANEOUS.

Table with multiple columns: Nov. 26, 1940, Dec. 3, 1940, Nov. 26, 1940, Dec. 3, 1940. Includes sections for EXCHANGE RATES (Monthly Tables), CENTRAL AND SOUTH AMERICA, AUSTRALIA AND NEW ZEALAND, SOUTH AFRICA, and OVERSEAS BANK RATES.

SHORTER COMMENTS

(Continued from page 712.)

ordinary dividend from 9 to 7½ per cent. in view of a fall in gross income from £113,839 to £99,243 and in net profits from £58,441 to £52,409. JOSHUA TETLEY has suffered a fall in net income from £38,553 to £33,971 although gross revenue is some £8,000 higher at £102,407. The 17½ per cent. dividend is maintained. ROBERT YOUNGER has realised a rise in net income from £17,289 to £17,690 and is repeating the 12½ per cent. tax-free dividend. The considerable rise in the gross revenue of J. BROCKHOUSE from £328,917 to £396,363 has not been sufficient to prevent a decline in net profits from £142,180 to £109,201. The 20 per cent. dividend is, however, maintained. BUTLER MACHINE TOOL has suffered a moderate fall in gross income and a drop in net earnings from £42,645 to £32,330. The ordinary capital is to receive 12½ against 17½ per cent. EAST KENT ROAD CAR is paying nil against 8 per cent. in view of a sharp fall in net profits from £58,214 to £22,248. DUNSWART IRON has earned a highly satisfactory rise in gross income from £45,669 to £66,939 and in net profits from £19,317 to £33,781. The ordinary distribution is raised from 10 to 14 per cent. ARGENTINE SOUTHERN LAND has also raised the ordinary payment from 4 to 6 per cent. Gross profits are £181,576 against £103,100 and net income is up from £19,124 to £33,252.

MISCELLANEOUS

Prince Line, Ltd.—Net profit, year to June 30th before depreciation, £216,497 (£144,637). Ordinary dividend 2½ per cent. as before. To depreciation, £110,000 (£125,000). To fleet replacement, £75,000 (nil). Carry forward, £14,204 (£15,632).

Tanganyika Concessions.—Net loss for year to July 31st, £24,722 offset by £9,028 brought in and £15,694 written off reserve. Net profit 1938-39, £139,487.

British Industrial Plastics.—Trading profit, year to September 30th, £163,069 (£110,290). Net profit, £24,397 (£22,404), after taxation £56,500 (£20,000). General expenses, £43,572. Research, £11,882. Depreciation, £15,377, and other expenses, £7,670. Ordinary dividend 8 per cent. (same). Forward, £5,680 (£3,917).

Australian Mercantile Land.—Profit for year ended June 30th, £137,890 (£29,200) after Australian and Argentine taxation. British taxation, £50,000 (£6,500). Investment reserve, £32,012 (£27,209). Carry forward, £65,748 (£62,370). Dividend 6 per cent. (2½ per cent.).

Central Uruguay Railway.—Gross receipts for year to June 30th, £1,142,873 (£1,080,666). Working expenses, £918,762 (£786,951). Net revenue, £224,111 (£193,715). Income tax, £24,609. Renewals, £226,741. Forward, £16,806 (£17,920).

Canadian Bank of Commerce.—Net profit, year to October 31, 1940, \$3,006,000, after Government taxes, \$1,525,000, against a profit of \$2,938,000 after taxes \$988,000. To pensions, \$254,000. Written off premises, \$350,000. Dividend 8 per cent., as before. Carry forward, \$785,000 (\$783,000).

Albion Drop Forgings.—Final ordinary dividend 7½ per cent., making 12½ (against 15 per cent.) for the year ended September 30th. Net profits, before tax, £51,023 (£24,831). Taxation reserve, £41,000 (£12,000). Forward, £3,601 (£2,503).

Anglo-Burma Tin.—Final dividend of 15 per cent., making 25 per cent. for the year ended June 30th (against 15 per cent. for 1938-39). Net profits, £23,327 (after

reserving £12,000 for taxation). Net profits for previous year £16,370 with no tax reserve.

Bank of Montreal.—Annual statement for year to October 31, 1940, shows total assets \$961,000,000 (\$1,026,000,000). Deposits, \$848,000,000 (\$914,000,000). Profits, \$3,435,000 (\$3,462,000). Dividend 8 per cent., as before. \$500,000 put to bank premises, \$55,900 added to profit and loss, bringing it to \$1,321,000.

Indian Iron and Steel.—Net profit Rs. 50,07,845, year to March 31st (against Rs. 42,19,004 for 1938-39). Dividends totalling 20 per cent., have been paid (against 15 per cent.), leaving Rs. 4,53,614 to be carried forward (against Rs. 5,17,193). Production of pig iron 668,106 tons (530,348 tons). Coke, 710,929 tons (521,535 tons).

Round Oak Steel Works.—After reserving £38,000 (against £35,000) for income tax the net profit for year to June 30th, £24,831 (£31,945). Pref. div. met and £20,000 (against nil) is transferred to war contingencies reserve. No ord. div. (6 per cent.). To reserve, nil (£10,000). Forward, £16,545 (£15,315).

Brown Bayley's Steel Works.—Net profit, after tax, year to July 31st, £135,991 (£128,784). Ordinary dividend 15 per cent., tax free, as before.

British Industrial Plastics.—Trading profit, year to September 30th, £163,069 (£110,631). To taxes, £56,500 (£20,000). Net earnings, £24,398 (£22,404). Ordinary dividend 8 per cent., as before. Forward, £5,681 (£3,917).

Associated British Maltsters.—Income tax charge, year to August 31st, £60,410 (£39,431). Net profit, £84,028 (£76,198). Ordinary dividend 10 per cent., as before. To war charities fund, £2,500. To properties reserve, £10,689. Carry forward, £43,631 (£29,604).

THE ECONOMIST

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DECEMBER 14, 1940

No. 5077

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TERRITORY OF SOUTHERN RHODESIA

SALISBURY MUNICIPAL LOAN

ISSUE OF £100,000 FOUR AND A-HALF PER CENT. BONDS TO BEARER OF £100 EACH

NOTICE IS HEREBY GIVEN that in accordance with the conditions on which the above Loan was issued the following BONDS were on the third of December, 1940, drawn for redemption at par on the thirty-first December, 1940:—

BONDS NUMBERED

41, 45, 71, 88, 99, 103, 214, 256, 273, 434, 493, 593, 617, 664, 680, 705, 797, 800, 825, 923.

Viz.: Twenty of £100 each.

Present—John E. R. Casey, Notary Public, of the firm of Cheeswright, Casey, Duff, Watts and Company, Notaries, St. Dunstan's Buildings, London, E.C.3.

The Bonds and all Interest Coupons not then due must be left at the office of the Standard Bank of South Africa, Limited, 10 Clement's Lane, E.C.4, three clear days for examination. Payment of principal will be made on and after thirty-first December, 1940, from which date the Bonds will cease to bear interest.

In addition to the above, Bonds amounting to £80,200 have previously been purchased and drawn.

For The Standard Bank of South Africa, Limited.

RALPH GIBSON, Manager.

3rd December, 1940.

AUELING - BARFORD LTD.

At a Meeting of the Board of Directors held on Tuesday, the 3rd December, 1940, the following resolutions were passed:—

1.—It was Resolved that Dividends be paid on the 28th December, 1940, on the 100,000 5½ per cent. Cumulative Preference Shares of £1 each at the rate of 5½ per cent. per annum for the six months from the 28th June, 1940, to 27th December, 1940, and that the Preference Share Transfer Books of the Company be closed from the 14th to 27th December, 1940, inclusive.

2.—It was Resolved that an Interim Dividend be paid on the 28th December, 1940, on the 800,000 Ordinary Shares of 5s. each at the rate of 5 per cent. (Free of Tax) Actual, and that the Ordinary Share Transfer Books of the Company be closed from the 14th to 27th December, 1940, inclusive.

By Order of the Board,

E. ODDS, Secretary.

Grantham, 3rd December, 1940.

Badoglio Resigns

THIS has been a black week for Italy. The whole Italian army in Albania is in retreat and the Greeks are advancing on Valona. In Egypt, Sidi Barrani has fallen to the British Army, thousands of prisoners have been captured, bases and harbours in Libya as well as enemy troop concentrations have been heavily bombed, while the R.A.F. has accounted for over 30 Italian aircraft in three days. Meanwhile the British Navy is shelling Italian positions along the coast. The memory of Taranto is fresh and there was a half-submerged Italian destroyer in the harbour of Santi Quaranta to greet the Greeks on their arrival.

It is, therefore, hardly surprising that this disastrous week should have been accompanied by wholesale changes in the Italian High Command. Marshal Badoglio, Chief of the General Staff, and General de Vecchi, Commander and Governor of the Dodecanese Islands, have resigned "at their own request" and will be replaced, Badoglio by General Cavellero and de Vecchi by General Bastico. From the Admiralty go the Chief and Deputy-Chief of Naval Staff, and a young man, Squadron Admiral Angelo Iacchino, is appointed Commander-in-Chief of the Navy. After the disgrace of Taranto and the Italian Fleet's dismal record of non-combatancy, the changes at the Admiralty may have no political significance. Marshal Badoglio's departure is another story.

The Marshal is not a Fascist. He has been a soldier all his life, and his relations with the regime have been correct rather than cordial. He was not entrusted with the Abyssinian campaign, and was only called in to restore the situation when De Bono's plans were going badly. His resignation at this point confirms the general belief that the wars both against Britain and against Greece are politicians' wars, for neither of which sufficient military preparation was made. Now that the wars have turned into grim earnest, the politicians are rounding on the soldiers and blaming them for the miscarriage of their plans for easy victory. And the soldiers are not prepared

to take the blame. It is significant that the new Commander-in-Chief, General Cavellero, is very much the Duce's man and has not had an exclusively military career.

Marshal Badoglio's resignation thus fits into a background of general discontent and apathy, the details of which are becoming fairly familiar. The lack of preparation for war is felt in every sphere, military, civil and psychological. In the matter of war supplies, Italy's shortage of crude oil is likely to become acute. Her Roumanian deliveries are dependent upon Germany's good pleasure, and the imports from Albania may be cut off if the Greeks reach Valona, the end of the Albanian pipeline—in which case the refineries at Bari might as well close down. The R.A.F., by bombing Naples and Bari, have added to the problem. Petrol reserves depend on the amount shipped to Germany during the months of non-belligerency, but for full campaigning there cannot be much more than six months' store. So far, the Italians have not waged war with any intensity. Even in Albania air support has been desultory and, on the whole, ineffective. Reserves may in these circumstances last. But Italy may also lose the war for lack of fighting.

On the civil front, food rationing is becoming more serious, for it has been found necessary to ration *pasta*—all the various kinds of macaroni which is the staple diet of all Italians. Four meatless days a week mean very little. Two days without *pasta* strike at every home. The fat ration is not very generous either, and fuel is 20 per cent. of last year's consumption, soap half a pound a month. These are nagging, exasperating shortages. They will make themselves felt everywhere.

Psychologically, the cry of quick victory and much booty has had its inevitable reaction. And recent measures such as the order that all Italians must listen to war communiqués standing to attention suggest a propaganda machine that is running blind. It smacks of Bedlam to ask

the sceptical, laughter-loving Italians to rise to their feet and listen respectfully to an account of the fall of Sidi Barrani.

And behind the immediate distress and uneasiness of the war there is the German menace. It is unlikely that Badoglio resigned on the Albanian issue alone. His resignation has come within a few weeks of his last colloquy with the German General Staff and it is possible that it is the policy of subservience to the Nazis that he cannot stomach. If the only alternative to defeat in Albania is to call in Germany, Badoglio may well have preferred defeat—or resignation. The danger goes deeper than a passing military control. Recent economic arrangements whereby Germany is to provide a “stable market” at fixed prices for a wide range of Italy’s agricultural products is, even to its wording, a replica of similar arrangements with Roumania and Bulgaria. It has the marks of a positively Balkan servitude. And this is only one example among hundreds of others of the extent to which Italy is becoming “annexed.”

What are we to conclude from this weight of evidence, all pointing in the same direction—towards unrest, revolt in high quarters, war weariness, apathy and resentment? Are we about to witness another of the astonishing internal collapses which may well be one of the phenomena of totalitarian war? There has, naturally, been a good deal of speculation on the matter in this country—and not a little wishful thinking. First of all, let it be said with certainty and emphasis that the Italians are *not* likely at this point to throw in their hands and give us an easy victory. The reason for it is simple. They have not yet

felt the real effects of war. A little bombing at Turin, Naples and Bari, yes. Rumours of setbacks in Albania, yes, but anything corresponding, say, to the German onslaught on the Low Countries and France, a thousand times, no. We must give up, once and for all, this idea of nations conveniently collapsing before a blow has been struck. It is creeping back to colour our thoughts about Germany. It is giving a rosy tint of hope to our thinking about Italy. But it is pernicious. The signs of dislocation in Italy must lead us to strike harder and ever harder at the Italians, not to conclude that the battle is already won. We can imagine as freely as we will a disaffected army, a landed aristocracy in open revolt, a troubled monarch, a disapproving Church, a tired and listless populace. But all these things do not make for revolt until the wounds of war have gone far deeper.

There is another reason for putting a bridle on our wishful thinking. The Germans are as much a problem to the Italians as are we. A collapse now would mean an ignominious occupation—on Roumanian lines. Only one thing could lead the Italians to throw in their hands, the conviction that we were strong enough to help them *against* Germany in the air and on the Brenner. We have only one way of showing that we are strong enough—by striking and striking harder. The Italians came into the war because they reluctantly concluded we were weak. They *may* come out of the war if they are convinced we are strong. By all means let us prepare our diplomatic approach. Let us assess the strength of the various rivalries. Let us measure the political possibilities in terms of men. But let us win the battles first. Otherwise we court disaster.

The War Damage Bill

THE Bill to incorporate the Government’s promised scheme for the insurance of immovable property against air-raid damage has been two months in the drafting. The delay will not surprise any who have looked below the surface of the subject, for there can be few matters which appear more simple on a first glance and more complicated on a closer examination. The time has been well spent, for the scheme of the Bill is, on the whole, well designed. If there are criticisms to be made of its provisions they should not be allowed to outweigh the solid merits of a scheme which, however long delayed, has, nevertheless, in fact had to be prepared under conditions both of emergency and of haste.

The Bill comprehends three separate schemes: one of compensation for damage to immovable property; the second for the compulsory insurance of movable assets of business undertakings; and the third for the voluntary insurance of personal belongings. The first of the three is much the most important and complicated, and the other two can be dealt with very briefly—the more easily since the details of each are left to be filled in by Board of Trade Order. The “business” scheme can best be described as the extension to plant, machinery and equipment of the methods applied ever since the outbreak of war, with a substantial degree of success, to the insurance of commodities. The rate of premium that is forecast is 30s. per cent. per annum. The “personal effects” scheme is rather more novel. The Government have evidently found it safer to follow the easier path and not attempt to make the scheme either universal or compulsory. To have done so would have raised difficult questions of fixing a fair method of calculation and even more difficult problems of collection. It is far simpler to allow each individual (within limits, of course) to fix his own valuation and decide voluntarily whether to contribute. This scheme will be worked through the insurance offices, and the premium is to be 30s. per cent.

The main scheme, relating to immovable property, is necessarily complicated and requires some effort of comprehension. Many of its clauses need legal analysis and will not be entirely clear until the courts have pronounced upon them. No attempt will be made here to record, or

comment upon, any but the main features of the scheme. Contributions are to be compulsorily levied in respect of all property (with one or two exceptions, such as hospitals). It has been decided, as was anticipated in *The Economist* of October 12th, that the only practicable basis of assessment is on the existing valuations for Schedule A of the income tax. This method admittedly has disadvantages. The Schedule A valuation, like rateable value, is an assessment of the annual value of property, and the capital value can only be obtained from it by derivation. Moreover, assessments are almost universally well below the annual value in the market, and assessment practice varies considerably from district to district. A more serious disadvantage is that Schedule A values the buildings and the site together, while it is only the buildings that are subject to war damage. This means that, relatively to the value of the property at risk, a premium assessed on Schedule A will be higher where the value of land is high. As between town and country, the final result is not unjust, since the risk of bombing is also greater where the value of land is high. But as between different parts of a town, premiums based on Schedule A will inevitably create some inequity. A building costing £10,000 in Bond Street runs no greater risk of being demolished than a building costing £10,000 in the Bow Road; but its owner will pay a substantially higher premium. On the other hand, it is difficult or impossible to suggest a better method. There is no time for universal valuations, and it would be most inappropriate, in a universal and compulsory scheme, to accept property owners’ own valuations or (what is substantially the same thing) the values of existing fire insurance. And a Schedule A assessment has the final advantage that the machinery of assessment and collection is standing ready at hand.

The premium has been fixed (for property other than farms, sports grounds and a few exempted categories) at 10 per cent. of the annual value as assessed to Schedule A. This, however, is not an accurate statement of the Government’s estimate of the risk. The premium is to be collected for five years, but compensation, in this first edition of the scheme, is to be paid only on damage done in the first two years of war. Moreover, it is known that

the damage done in the first of those two years was very small, and almost the whole of the sum raised will be available to pay for the damages of the second year. If the premium were levied in one year to pay for one year’s damage it would therefore be 50 per cent. of the Schedule A valuation. What percentage that is of the value of the buildings at risk it is impossible to say with any accuracy because of the nature of the valuation; but it must be in the neighbourhood of 2½ per cent. Contributions are expected to amount to £200 millions over the five years. If the damage exceeds this, the Exchequer will pay the whole of the excess up to a further £200 millions; after that, the State and the contributor will share the burden equally.

In the very delicate matter of the proper incidence of the contribution, a real effort has been made to be fair and to lay the burdens in proportion to the interests protected. Generally speaking, two persons besides the owner may have an interest to protect, the ground landlord and the mortgagee. So far as the ground landlord is concerned, his share of the contribution is to be fixed on a sliding scale varying with the unexpired duration of the lease and the proportion of his interest to the total value. If the ground rent is three-quarters or more of the total annual value and the lease has less than ten years to run, the ground landlord is to bear 95 per cent. of the contribution payable. If his interest is less than a quarter and the tenancy has 50 years or more to run, he will have to pay only 10 per cent. The provision for the mortgagee also starts off not unsatisfactorily; he will be called upon to bear one-third or two-thirds of the contribution payable, if the mortgage is between half and three-quarters, or over three-quarters, respectively, of the total value. But this provision is made subject to the incomprehensible and mischievous proviso that it shall not apply to any dwelling-house with an annual value of over £100 or to any farm over £250. It is not that the mortgagee’s share of the contribution is limited to two-thirds of £100 (or of £250); if the annual value of the house is £101, the mortgagee makes no contribution at all. This is obviously wrong. It is impossible to justify a system by which the owner of a heavily mortgaged house worth £101 should pay more than three times as much as if his house were assessed at only £99. Why should a mortgagee who has put, say, £3,200 out on mortgage have to make annual contributions that might well amount to over £13 if he has split his money between two houses and nothing at all if he has run the greater risk of putting all his eggs into one basket? This is obviously a clause that will have to be amended in the House of Commons. It is difficult to see why there

should be any limitation at all; but if a line must be drawn, it should take the form of an upper limit to the mortgagee’s contribution, not that of an arbitrary point above which he gets off scot-free.

The proposals for payment of compensation are no less complicated than those for the assessment of contributions. The general principle, however, is that where a building can be repaired or rebuilt, the compensation paid should be the cost of repairing it *at the time the work is done*. Where repair or rebuilding would cost more than the building would be worth when finished, the compensation will be the loss sustained, i.e. the difference in value before and after the bombing. This difference, however, is to be calculated in terms of the prices ruling on March 31, 1939. The distinction may be of vital importance if—as is only too probable—the cost of building is substantially higher after the war than it was in March, 1939. In that case, the owner of a building that is not a total loss will have his property reinstated in full. But the owner of a building which is no more than a heap of rubble will receive a sum of money that may be quite inadequate to provide him with a building the equivalent of the one he has lost, and the only consolation offered to him will be the interest accumulated at 2½ per cent. since the date of the damage. Now it is possible to argue that some claims should be settled immediately for cash while others wait for the physical possibility of actual reinstatement. Indeed, it is desirable that there should be an option, and the Bill’s failure to provide a free choice to take full settlement in cash (with, of course, the proviso that the money could not be used, during the war, for any but approved purposes, such as the repayment of debt) is a relic of that confusion between the *financial* problem of compensation and the *physical* problem of reconstruction which obstructed all discussion of the problem during the first year of war. But the Bill as drafted does not provide a free option; it imposes a choice, and it imposes the choice that, for most property-owners, will be the less advantageous, precisely on those who have been most unfortunate. The remedy is to allow the owners of less heavily damaged properties to choose, if they wish, to be paid their present loss rather than the future cost of putting it right; and to permit those who have suffered a total loss, if they wait until after the war, to have their claims written up in proportion to any rise in average building costs.

There are thus two major blemishes in a generally satisfactory Bill. The House of Commons will have an opportunity to show that it has not lost its legislative skill even in these days of government by order and regulation.

Recruitment for the Army

THE present “operation” in the Western Desert may or may not be the first blow in a wider offensive. Nevertheless, it may mark the beginning of a fresh phase in the part of the British Army in the war. The first phase ended at Dunkirk. The second consisted in manning the defences of Britain against invasion and in standing on the alert in Africa and the Near East. The third, which may even now be in train, is the phase of attack. It may start only modestly with the mopping up of the enemy’s outposts wherever they may lie open and the harrying of the vulnerable fringes of the German and Italian lands by cutting out parties. But it can become a grand offensive design, backed by aircraft and battleships and made up of continuous, swift, shrewd blows, not perhaps frontally against the superior numbers of the Nazi hordes, but against every exposed place in the enemy’s dominions.

There are other signs that further developments for the Army are in preparation. It is proposed to register over a million more men in the near future; a new branch of the Royal Air Force has been made to co-operate in military operations; and Major-General G. Le Q. Martel has been appointed to direct the Royal Armoured Corps as a separate Command. Some have expressed doubts. They would delay the call-up on the ground that the war industries need men more than the Forces do; without

equipment, they argue, even trained men are helpless in modern warfare. The limit to the Army’s expansion is clearly set by the capacity of industry to produce its equipment. The old debate as to whether a large lightly equipped Army or a small heavily equipped one is the more desirable has been resolved by experience in favour of the most specialised and up-to-date equipment possible. In fact, it is not, in the first instance, a question of *size* at all, but rather of what *kind* of force the Army is to be. Once it is decided that it must be as highly mechanised as the maximum requirements of modern strategy may demand, an Army composed perhaps as to half of armoured divisions, then the question of size can be settled. The Army must consist of the largest possible number of men that can be equipped in this way. The limit of industry’s capacity has not nearly been reached yet, it is true, but there are still appreciable lags in the production of war material; and it may well be the soundest policy in the next few months to give industry a prior call in the allocation of manpower. Fundamentally, of course, there is no need for the war industries and the Army to compete for personnel, while there are millions of men and women still engaged in other industries, in services and non-essential trades. But, at the present stage of inadequate organisation in the industrial war effort, it may actually be impracticable to

carry through a further considerable call-up until the parallel process of freeing recruits for war work from other employment has been very much speeded up. There is thus a considerable case for *delaying* the further recruitment of the Army; there is not yet any case for *reducing* its scale.

The object of official manpower policy, military and industrial, is to make possible, not the biggest possible Army in numbers, but the *optimum* Army under actual circumstances. A new census of manpower is to be made. Previous counts have merely enumerated the skilled craftsmen available for the key tasks. This one should be comprehensive, ranging over the entire field of labour, male and female—to find out what men and women in non-essential occupations can be freed to fight or to do war work. In addition, the method of recruitment for the Army has been altered by changes in the schedule of reserved occupations. The schedule was first drawn up before the war, when conscription was introduced, in a rough-and-ready attempt to prevent the needs of the Army from encroaching upon the requirements of the industries which would be essential when war came. Above set ages which varied considerably from occupation to occupation, men whose work or experience might be useful for the civilian war effort were temporarily exempted from calling-up. The list was provisional and widely drawn, and the intention was to curtail it as the Army's demands grew. Actually, it has not proved very efficient in several respects, because it was drafted too generally. Broadly, its intention was to prevent the military authorities from calling up men whose services were essential in civil life, but there was no means of ensuring that the individuals exempted were in fact doing essential work. The procedure by categories was clearly designed to prevent discrimination between individuals, but it has resulted in the exemption of very many men who are in fact contributing nothing to the national war effort, and the intention of the reservation policy is to that extent frustrated. The object of the changes that have been made in the schedule, therefore, is to ensure that the individuals in the exempted categories shall only be exempted if they are actually doing essential work. The fact that by their training they are *capable* of doing essential work is not enough.

Plainly, it is not enough either for the Government simply to add this individual test to the process of selection by categories. The Government must also provide essential work for all who are capable of doing it, and direct them into it. They are none the less fitted for war industry, or the more ripe for military service, because by their own individual efforts they have been unable to find a niche. The fact is that, up to now, there has been a serious disparity between the careful organisation of a manpower programme for the Army and the lack of any organised manpower programme for the war industries; and the latest changes in reservation procedure represent only one aspect of the effort that is needed if the most is to be made of our resources of labour.

The trend of the changes that have been made is plain. Until recently, managers of shops or offices, like the owners of one-man businesses, were reserved; now, a tribunal is at work examining individual cases to find out whether they can in fact be spared and whether their work is of national importance. The reserved ages for various grades of electricians used to be from 21 to 25, and now they are to range from 30 to 35 instead; but, even below these ages, electricians will not be taken to join the Forces (where in most cases they would simply continue with their trade) if the civilian work they are engaged on is regarded as essential. Again, the reserved age for miners has been raised to 30, but miners below 30 will not be conscripted unless special area tribunals adjudge that the coal districts in which they are working have a surplus of labour over their needs. More and more, the test is whether essential work is being done by the individual liable to service—with the categories of the schedule serving as broad guiding lines. The development follows the precedent of last June, when the raising of the reserved ages in certain occupations, including metal and wood working, was postponed until August to allow the workers affected to move into

essential employment; and, provided that every possible opening is swiftly furnished in war work for suitable craftsmen, the principle is both fair and efficient.

The truth is that, in total war, the usual dichotomy between soldier and worker is false. They merely have different stations in the same chain of effort, and the function of manpower policy is not, in one department, to raise an army and, in another, quite separate one, to fill the factories, but simply to see to it that every station in the chain is fully and efficiently manned. The decision to divide the Army into armoured and other divisions in such and such a proportion is in the same line of policy as the decision to divide our manpower between the Forces and the factories in a corresponding ratio. Labour policy is a single task, because the war effort is indivisible. The issue is confused at the moment because this chain from mine and factory to battlefield is not closed and taut. There are still millions of men and women who are neither serving with the Forces nor working for the war—and it is the continued existence of these "stagnant" millions that makes it possible to say, with certainty, that it is still feasible to raise *and* equip fully an appreciably larger Army than we yet have. At its peak, it will inevitably be much smaller than the German Army. Our "large battalions" will have to be in the air and at sea. But 1940, or even 1941, will not see the limit of what we can do on land.

There is no inviolable frontier between soldiering and war work, and no reason apart from immediate strategic needs why fully trained soldiers should not be released, on short call, to industry or agriculture when the pressure upon these links in the war effort becomes unusually great. It is a military maxim in Germany that the recruitment and training of an army is the extension of a nation's industry and talent into the sphere of war; and while the German Army has stood disengaged in Europe the authorities have not hesitated to release some millions for essential civilian work. Many of our men in arms have still to complete the long and specialised training it is imperative to give them; many more cannot be spared from day-to-day operational needs; with the spreading of the war, the Army can scarcely be said to be over-supplied with men; and it is probable that the time has not yet come to introduce any wide system of release. But it might at least be timely to work out a scheme for the not distant future, not simply to give aid from the Army, as is already being done, in the rehabilitation of bombed areas and public services, but to reinforce industry with craftsmen from the Forces in periods of strain. If the object of manpower policy is to place men where their abilities are most wanted, then some scheme for temporary release from military service is a necessary corollary of the system of reservation.

What is more, a scheme of release—always on very short call—would go some way to break down the one wall which does exist between soldiers and civilians: the difference in status and pay. Usually this difference is much exaggerated, but it does exist. A private soldier is paid 17s. 6d. a week, and gets free board and lodging, equivalent to perhaps 20s. or so weekly—not far short of £2 for a single man. A full-time air-raid warden gets £3 a week, an agricultural labourer £2 8s. at the least. In the war industries (metal, engineering and shipbuilding) last July *average weekly earnings for all workers, male and female, adults and young persons, were* £4 5s., and in motor vehicle and aircraft manufacture alone the average was £5 6s. The disparity between soldiers and war workers is great, though it should be realised that the average in the ranks of the Army is higher than the figure mentioned; a corporal's pay is 14s. a week more than a private's, a sergeant's pay 28s. more. Moreover, civilian pay is the same for married and single men, while in the Army there are family allowances—18s. for a private's wife and 13s. for two children, bringing the total for a family of four to £2 8s. 6d. in cash plus 20s. or so in board and lodging for the man—or between £3 and £3 10s. a week in all. Not a few soldiers have their pay made up to civilian rates by their former employers.

Even so, the comparison still remains markedly in favour of the civilian war workers. It adds strength to the many

powerful economic arguments for setting a term to the upward movement of war wages. It gives an extra and persuasive reason for the introduction of a system of release which would admit trained and skilled soldiers to the higher rewards of war work. The Army and industry

are one body, economically and socially, and manpower policy should be made accordingly. Only strategically are they sharply distinct; and that is why the High Command must always have the final voice in the part the Army is to play.

Stage, Express and Contract

(By a Correspondent)

IN the past two months suburbanites have discovered that the most reliable transport in an emergency is transport by road, and many of them have temporarily left the railways for motors and bicycles. Thousands of private cars have been brought out by the Help Your Neighbour petrol allowance; many daily travellers cover the shorter distances on cycles; and large numbers are using charabancs privately hired and diverted from the service of pleasure to the needs of business. Of all forms of motor transport, taking it by and large, the charabanc at a time like this is the best. It takes 32 people off the crowded railways. It does the work of at least eight private cars and saves the road space of approximately six. It uses less than half the fuel consumed by the eight private cars, and, thanks to the skill of the professional drivers who handle it, it reduces the number of road accidents, of which in the London area at any rate, too many have been occurring. It keeps time and it brings its passengers to work with an exact regularity beyond the present power of most railways to achieve.

That is a formidable list of advantages, and, for the sake of them, many private business men have been combining to hire a coach for their daily use, while manufacturers and munition firms, bankers and insurance companies have engaged charabancs to carry their staffs to and from their work. They believe that they are doing a good thing, not only for themselves, but also for the national effort; helping the machine of production to run smoothly, relieving the strain on workers, avoiding delays and maintaining output. They are, in fact, as they claim, going to it.

The true state of the law, the essential facts, are unhappily very different. It may be that men and women are—thanks to the charabanc—in a position to work a longer day; that they avoid the weariness and the nerve strain of travelling in crowded carriages in slow-moving trains and are, therefore, better fitted for their work when they reach it. It may be that by using the road they reduce the discomfort of those who travel by train and are maintaining output at a point it would not otherwise reach. But against these minor advantages is set the really important fact that they are breaking section 72 of the Road Traffic Act, 1930, and that the men who hire the charabancs are a gang of criminals flouting the law, with prosecution and the appropriate punishment hanging over their heads. The two-handed engine at the door stands ready to smite once and smite no more, the executioner being an official known as a Regional Transport Commissioner.

To comprehend the gravity of what these criminals are doing, turn to this section 72 and you will find that the Commissioners have the right and the duty of granting road service licences for each particular journey and that if you run a coach "stage" or "express" it is a crime to do so without such a service licence. On the other hand, if you run your coach "contract," it is not a crime to run it without the service licence.

Stage. Express. Contract. The first two (without a service licence) criminal. The third (with or without a service licence) innocent. On this side guilt. On that virtue.

Why, it may be asked, should this be? Why should contract lead to Heaven and stage or express to Hell? To find the answer to that question turn back the pages of the Road Traffic Act, 1930, until you get to section 61 and there you will see that a stage carriage is one that carries passengers for hire or reward *at separate fares*

stage by stage, stopping to pick up or set down; an express carriage takes passengers for hire or reward *at separate fares* from a point specified in advance to a common destination specified in advance; while a contract carriage is one that carries passengers for hire or reward under a contract specified or implied, but *not* at separate fares. The distinction between innocence and guilt is between one man paying for a crowd, which is innocence, and each man paying for himself, which is guilt. And in the eyes of the Metropolitan Traffic Commissioner it is apparently far less important that a maker of aeroplanes or an export merchant or a banker should get his men and women promptly and regularly to their work than that he keep his soul clear of the heinous sin of carrying stage or express when he ought to be carrying contract. In the one case he is acting contrary to section 72 of the Road Traffic Act, 1930, in the other he is just helping to lose the war. And between these alternatives the official mind unhesitatingly makes its choice. It plumps for the integrity of the Road Traffic Act.

To one who has not enjoyed the advantage of a Civil Service training it would seem unlikely, even impossible, that any responsible man should want to enforce the details of a law, which was conceived for the purposes of peace, in such a way as to hamper people struggling to perform essential work in an emergency of war. With life and death in the balance, the ordinary man would rather expect the blind eye to be put to the telescope and an exceptional latitude to be given to the wrongdoers. But experience has shown that if the gentlemen of the Metropolitan Transport Commissioner's office find that you have hired a coach which has not received a road service licence and that your passengers are paying separate fares; if you have the audacity at a time like this to arrange for a coach to run stage or express when it should be running contract, then they will approach you sternly and challenge you to confess or deny your guilt. If you admit the crime, they warn you severely that the thing has got to stop and talk to you of prosecution under the Road Traffic Act, 1930. They will tell you with satisfaction that you are not the only person they have interfered with, warned and reprimanded. They have done the same to munition-making companies and aeroplane manufacturers. If you point out that you are carrying only your own employees, who are recognised as doing work of national importance; that it is vital for them to get to work in as good shape as may be and so maintain the maximum output, the official will make it plain that this is an irrelevant plea. Whoever your passengers may be, whatever work they may be doing, the really important thing is that section 72 of the Road Traffic Act, 1930, should not be broken. If you say that it is impossible for the coaches to be run contract; that you can only run them on the basis of separate fares; that any other method (even if you could afford it) would raise the cost of production and inflate prices, he will let you see that that is no business of his. He is the watchdog of the Road Traffic Act, 1930, and nothing else matters. The thing must stop.

After fifteen months of war, the conception of a nation in arms seems still to be a nation in a straitjacket, with its legs in plaster, blinkers over its eyes, and a gag screwed tight into its mouth, and if these so legally-minded gentlemen ever allow themselves any reading outside the covers of the Road Traffic Act, 1930, and the London Passenger Transport Act, 1933, they may respectfully be referred to the Gospel according to Saint Matthew, chapter 23, verse 24.

NOTES OF THE WEEK

The Fall of Sidi Barrani

The fall of Sidi Barrani brings to a close the first phase of a manœuvre whose strategy has been well conceived and competently executed. The action proper began on December 9th, although the R.A.F. had already prepared the ground by intensive bombing of Italian supply bases and aerodromes in Libya and along the coast. The first objective, the Italian camp at Nibeiwa, was one of the outposts Graziani had pushed out into the desert to provide both a defensive cover for the Sollum-Sidi Barrani line and potential springboards for the advance to the Nile. Nibeiwa fell within an hour and five hundred prisoners were taken. From there our mechanised columns swept forward and reached the sea at Bugbug, thus cutting off the better part of two divisions in Sidi Barrani from their supporting forces and supplies. At this point, the Italian troops in Sidi Barrani appear to have become disorganised, a fact which explains the speed of the occupation, the number of prisoners captured—after three days the figure exceeds 6,000—and the amount of material which has fallen into our hands. The whole engagement, in which both the R.A.F. and the Navy played a conspicuously successful supporting rôle, is a matter for congratulation and we can agree with the Prime Minister's modest claim that "the preliminary phase has been successful." It is, however, still uncertain whether the capture of Sidi Barrani brings to an end what is really a magnified "mopping up" operation or is the first phase of a major offensive. For the time being, the official communiqués from Cairo emphasise the necessity of consolidating the position in Sidi Barrani. The district round about is being combed, and the advance camp on the coast at Maktila has suffered the fate of Nibeiwa. Nevertheless, the situation is not altogether unfavourable to the possibility of extended operations. The Italians have taken a bad knock at a time when their defeats in Albania have already had a depressing effect. Their singular lack of activity in the air suggests that transport difficulties and the R.A.F. have eaten into their petrol supplies. Reinforcements—in either men or material—are impeded by the action of the British Navy. In short, Italy's straits seem positively to invite a general offensive.

The Albanian Advance

This is a bumper week for the Greeks. After some days' hard fighting they were able to announce the fall, first of Premeti, then of Santi Quaranta, and a day later of Argyrocastro and Delvino. The Southern Albanian front is



thus securely held, and the lateral road running from Santi Quaranta to Koritza is now completely under Greek control. The sweeping nature of these victories has led people to believe that the Italians are putting up little resistance and the retreat resembles a rout. This is not the case. The Greeks have often had to contest every yard of their advance, and Italian resistance within Argyrocastro was desperate. The simple truth is that the Greeks are better soldiers. They understand these methods of mountain warfare, and it is above all their superior strategy which has given them so unbroken a series of victories. The capture of Argyrocastro was typical of their methods. The men were restrained from making a frontal attack on the town until it had been rendered virtually untenable by Greek bombardment from the surrounding heights. Similarly the storming by Greek troops of the Muskopolje massif brings the fall of Berat measurably nearer. Whether, after its fall, the Italians can hold Valona is open to question; and if not, the only alternatives before their armies retreating from Santi Quaranta and Argyrocastro is surrender or a "Dunkirk." Nor would the latter exploit take place under the most favourable conditions. British air support is increasing, and in one day ten certainly, and possibly more, Italian planes were shot down above the Albanian front. Italian air activity is far less heavy, and neither the air force nor ground defences were able to prevent the sinking of an Italian destroyer in the harbour of Santi Quaranta. We cannot be too much on our guard against over-optimism, but we must recognise how magnificently the Greeks have done and what magnificent opportunities the week's fighting has opened up.

The War in the Air

There could be no better proof of the progress made by Britain since last spring than the rule which the Royal Air Force is exercising over the enemy in the daylight sky in every European theatre. Over Britain, German raiders now seldom venture out in numbers during daylight, and in almost every clash their losses are disproportionately heavy. In Albania, a chief cause of the Italian failure has been their inability to protect their troops, their bases and their ports—on both sides of the Adriatic—against bombing; and, in Egypt, the Royal Air Force is giving our advancing mechanised units the same kind of support as was given to the German spearhead in Flanders and France by the Luftwaffe. It is only under cover of darkness that German air power is now deployed. In a speech on Tuesday, Hitler claimed that he had changed from day to night bombing because the R.A.F. had started haphazard raiding in the dark. The fact that the R.A.F., by a series of dramatic victories, had made day bombing too expensive was not mentioned. By night all the advantages are with the attacker—apart from the difficulty of accurate aiming—and the superiority of the R.A.F. in skill and material does not stand in the enemy's way. The exploits of the British night bombers stand out because they have greater distances to travel and a wider area to cover, but the blows of the German raiders by night are necessarily heavier. They can concentrate hundreds of machines over a single district close at hand, and their object is to throw entire areas out of gear rather than to destroy specific targets. Lately, since the continuous nightly attacks on London failed to achieve any significant results, the German raids have been less frequent but, if anything, heavier, and the capital has been only one among a number of carefully chosen objectives—among which the more accessible ports and manufacturing centres have taken pride of place. The war in the air is not settled. The enemy has repeatedly shown great ingenuity in the battle so far, and faced with new obstacles takes *reculer pour mieux sauter* as his motto. The lull in daylight onslaughts can only be funded as a lasting British success if no effort is neglected towards air supremacy. It is not simply a question of catching and outstripping the enemy in numbers; the need is urgent to plan and make the machines which will overwhelm next year's raiders as this year's Hurricanes and Spitfires overwhelmed the Junkers and Messerschmitts. Nor does any temporary abatement of night raiding lessen the need to raise our defences from their present tentative state. The calls upon our aircraft in two oceans and in the narrow seas, added to the Army's need for artillery and reconnaissance aid in the air, make the task ahead a heavy one; and there will be anxious days and brutal nights before the power of the German air force is finally broken.

Defence at Sea

The first task of British strategy at the moment is to make the sea-routes safe. At an early date the Commons are to debate shipping losses in secret. Meanwhile, under Mr Churchill's personal and direct supervision, the counter-offensive against the enemy's raiders and submarines is in train. Already the *Carnarvon Castle* has brought one German raider—probably an armed merchant cruiser—to battle at a distance, and although the enemy vessel slipped away, after damage had been done by both combatants, the reports that a British cruiser promptly got on its trail suggest that the net is closing. For the moment, the Navy's part in the two-front war against Mussolini possibly precludes the detachment of sufficient ships to make the Atlantic net completely proof against pocket-battleships as well as converted merchantmen; but the Italian navy's losses and ineptitude have made it almost certain that this will soon be possible. The major menace is the aircraft-aided U-boat slipping out from Western France. In the last war it was necessary to bring in the convoy system to avert the worst. This time the convoy system has not turned the peril away; but there is no need to invent any radically new measures. In the hunting of U-boats, as in the search for surface raiders, existing measures only lack effectiveness to the extent that there is a shortage of hunters. It is a question of numbers—and it is possible, in spite of the rapid construction of U-boats, that new naval building may appreciably redress the balance before many months have passed. On the other hand, this is pre-eminently a war in which air power, notably unconvincing as a separate arm, has added new strength to land and sea forces. It is important news, therefore, that the Coastal Command of the R.A.F. is to be substantially increased. In bombing U-boat bases, in locating submarines and in countering the activities of enemy aircraft against shipping, the Coastal Command may hold the key to a quick solution of the present problem. It is waste of time to debate the relative responsibilities of the Admiralty (who plan their operations) and the R.A.F. (who control them) for the work of Coastal Command machines. The point is that they have a chance now of doing for the merchant navy what the Fleet Air Arm did for the Navy at Taranto.

Total Compulsion

The more obvious deficiencies of the so-called "voluntary principle" as a means of securing the mobilisation of our economic resources are now widely acknowledged. Recent discussion has necessarily dealt mainly with the marshalling of manpower, and there is a danger that some sort of one-sided compulsion of labour may be sought. It may even be fear of this discrimination that leads the Minister of Labour and his political colleagues to look askance at the only practicable methods of making full use of the country's men and women. The fact is that every item of our resources, money, machinery and materials no less than manpower, must be put to national use by the appropriate means—which may or may not be compulsion, but which is certainly not *laissez faire*. The provision of binoculars for defence watchers may in itself be a small matter; but the method of simply appealing for them by high words and hopeful slogans is plainly ineffective when it allows a poster of exhortation to stand side by side in Fleet Street with a window full of second-hand binoculars in good condition—for sale to the general public. If a supply of binoculars is imperative in the public interest they should be requisitioned by the Government, at a price, forthwith. More serious is the delusion which makes the volunteer more important than victory in public finance. It hardly needed the impressive advocacy of leading economists in the correspondence columns of *The Times* to show that Sir Robert Kindersley's claim that the voluntary savings movement can prevent inflation is wishful thinking. The figures of expenditure, revenue and savings speak for themselves, and the probability of a budgetary gap of the order of £2,000 millions cannot be dismissed with pious hopes. The responsibility for closing the gap cannot be left to the "free choice" and "patriotic zeal" of individuals.

Rationing for Victory

It is for the Government, on behalf of the community which has democratically chosen it, to secure the distribution of all the nation's resources as the war requires, and in the fairest possible way. Nor would it be sufficient, as some dis-

ingenuous "converts" to the principles of war economy now seem to hope, to put a check on wages. The problem is that, whereas supplies are dwindling, civilian purchasing power is rising all round. Wages are only one price which has moved sharply upwards; railway charges, coal prices and the cost of steel have done the same; and in the confused upward movement every interest but the national interest is jockeying for position. Here compulsion is the only way out. Restraint of wages implies the restraint of other prices. The curtailment of the civilian scramble for goods implies, on the side of purchasing power, sharp increases in taxation and compulsory savings; or, on the side of purchases, by more rationing. If the Government is unwilling, as indeed, seems to be the case, to increase taxation before next April, to compel savings or to block capital assets to prevent spending for consumption out of capital, then the only way is to hold down consumption by direct compulsion. And, where it can be applied, rationing has the virtue of an attempt to distribute available supplies equitably. The trouble is that rationing is not always easy to apply. Articles which are necessities and are generally replaced at regular and fairly frequent intervals, like clothing, can be rationed by some method similar to the German "points" system. Articles like furniture, which are infrequently replaced, are more difficult. Some people need have no new furniture while the war lasts; others, because they have been married or bombed, will suffer hardship without; and it is possible that the only means of rationing furniture would be by licence, by issuing permits to buy only to people who could prove their need. Or take eggs among unrationed foods. If everyone ate eggs, there are not enough eggs to go round, and any general ration would be derisory. To cite these difficulties is not to deny the pressing need for an extension of rationing, but rather to point out that, if our present economic problems are to be solved in any satisfactory way, much greater subtlety in planning will be required than seems possible on the part of our faithful defenders of *laissez faire* in wartime. In a Government which was instantly given full powers over persons and property over six months ago they wear an old world and anachronistic air.

Between the Devil and the Black Sea

The trouble in Roumania is subsiding. All the Iron Guard leaders have placed the whole movement under the control of General Antonescu, who, with the Roumanian army is said to have the situation in hand. In fact, he depends entirely upon Germany. Since the Nazis have decided that the anarchy has gone far enough, the anarchy will now cease. German reinforcements are arriving in the country, the new economic agreement reinforces the German control of Roumania's resources, which was already virtually complete. And, now that the Nazis have destroyed all inner cohesion, it can be argued that Germany has become necessary to Roumania—as a strait-waistcoat is necessary to a maniac. But no one would pretend that a strait-waistcoat is a cure. In the Balkans, generally, there is still no indication whether Hitler intends to help his Axis partner otherwise than by intensifying the attack on this country, but clearly something is in the air. Hitler's present technique seems to be indirect. The attempts to intimidate Bulgaria

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and Yugoslavia into the Axis have been abandoned, but the visit of Count Csaky to Belgrade may be an indirect manoeuvre designed to bring Yugoslavia into the German orbit. In Bulgaria the diplomatic situation is more confused. It appears that when M. Soboleff, the General Secretary of the Soviet Commissariat of Foreign Affairs, visited King Boris some weeks ago, he offered a Russo-Bulgarian Pact of mutual military assistance and a Russian guarantee of Bulgaria against aggression. At the same time leaflets were distributed by local Communists which added a promise of an Aegean seaboard. The Germans co-operated in the construction and distribution of the pamphlet, seeing in it an admirable instrument of internal disruption and reckoning no doubt that if pro-Russian and Communist feeling were to bring down the Government and undermine King Boris's position, Germany with her Roumanian divisions and Black Sea submarines would be in a better position than Russia to take advantage of Bulgarian anarchy. Bulgaria is, in short, yet another example of the help local Communists afford the Nazi war machine. King Boris, apparently faced with the fate of the Baltic States if he accepts Russia's offer and of Roumania's if he does not, is trying to negotiate with Turkey. But the Turks are suspicious of what they call a policy of pure opportunism.

* * *

Soft Words' from Tokyo

Mr. Matsuoka's recent press conference is a good illustration of Japan's rather confused outlook in the sphere of foreign politics. On the one hand, there is the obstinately unliquidated China affair; on the other, new vistas of easy conquest have been opened up by Germany's military success in Europe. Japan's obvious desire is to create a sufficiently stable government at Nanking for the resistance of General Chiang Kai-shek to be disowned by a war-weary Chinese people. Hence Mr Matsuoka's declaration that, in spite of appearances, Japan seeks no conquest in China. He even went on to blame hot-heads in Japan who supported aggression and opposed the virtuous policy of himself and the Prime Minister, which is apparently "the greatest good of the greatest number." Nor does Japan want to fight in the South. Her aims in Indo-China and the Netherlands Indies are "purely economic." As for Japan's great neighbours, they can have peace as long as they want it. Russia will see that the Treaty of Nanking is in no way hostile to her and that friendly relations are desired by Japan. And the United States, too, provided it will keep to its own interests and not meddle in other people's, will have only a friendly Japan to deal with. Here, however, the difficulties of Japan's policy of "peace" begin to come to light. What are the United States' "own interests"? The Western Hemisphere, replies Mr. Matsuoka. The loan to China is thus an unfriendly act, any joint use of Singapore would receive Japan's "very grave attention," and entry into the European war would, according to the Tripartite Pact, bring Japan in on the side of Germany. Japan's resentment against the United States is understandable, for it is the one Power which is really standing in the way of Japan's dreams of unlimited exploitation in East Asia and the South Seas. It is significant that a sworn enemy of America, Mr Kumatoro Honda has replaced General Abe as Ambassador at Nanking. He openly advocates "reprisals" against the United States in the Pacific. Nevertheless, Japan has still all she can cope with from the military standpoint in the fighting in China. This is no time to add to the belligerents, especially if the new British loan to Chungking is a sign of a firmer Far Eastern policy at the Foreign Office.

* * *

The Labour Turnover

Unemployment in November fell below 800,000. Although poor trade in the South Wales and exporting districts increased the workless there, in London there was an appreciable improvement after the *Blitz*. An analysis made on November 25th shows that the problem of long-term unemployment has markedly shrunk in dimensions; the "hard core" of men without work for a year or more had fallen since May from 104,909 to 54,079. Indeed, the most acute problem now seems to be that of short-term unemployment—apart from the fact that the existence of an unused pool of 114,000 men out of work for more than a month and less than a year is scarcely an advertisement for official manpower measures. Of the 791,000 out of work on November 25th (600,000 fewer than a year ago), as many as 200,000 had been idle for less than a month, and it is believed that many

of these had left their jobs because of unsatisfactory working, welfare and living conditions in emergency enterprises such as camp and airfield construction. The Ministry of Labour intends to use its inspectors to remove these grounds for men moving wastefully from job to job. The waste is to the war effort. If the first aim of wartime labour policy is to place all available labour where it is required in the national interest, the second is to keep it there; and just as compulsory means may be needed for the first, some sort of sanction (applied to workers and employers alike) may eventually be required for the second.

* * *

Recruitment of Mineworkers

The manpower policy of the Government in relation to the coal mining industry has been sharply reversed because of the recent severe contraction in the volume of its export trade. In consequence of the temporary loss of approximately 70 per cent. of the normal foreign cargo and bunker shipments there were in industry last July probably between 70,000 and 80,000 more workmen than were necessary to maintain production at the 1940 peak output level, and during the past three or four months the Mines Department and the National Joint Standing Consultative Committee have been considering how best to secure for the industry sufficient labour to meet its immediate and contingent needs, and, at the same time, to release men for the armed Forces. The Ministry of Labour shares fully the desire of the industry to have at its command a surplus of labour adequate for any demand that may arise—like that of Canada for anthracite coal; and in agreement with the Mines Department and the Joint Standing Consultative Committee, Mr Bevin is setting up seven National Service Tribunals to advise him as to the number of men under 30 who can be released for military service from each area—with an indication, if necessary, of the occupations from which the men should be drawn and the rate at which they should be called up.

*

From December 1st the age of reservation was raised from 18 to 30, and the Tribunal must examine the available information as to the immediate and prospective demand for, and supply of, labour, and ascertain not only the number of men under 30 in each of the reserved occupations within the industry, but also the number of men unemployed or under-employed in them, and the number over 30 readily available for employment but not at present engaged in the industry. It is not proposed to call up unemployed men over 30; these are to be regarded as part of the available reserves for their respective occupations; but men in reserved occupations who have not been employed for six weeks will be called up in their respective age groups for service with H.M. Forces. Both sides of the industry have agreed to co-operate in the administration of the scheme "so as to ensure the minimum dislocation of essential production," but a delegate conference of the South Wales Miners' Federation last Saturday protested against the inequality of the incidence of a scheme which, it was complained, would draw by far the greater proportion of recruits from the exporting districts, and particularly those of South Wales and Durham. It would be just as reasonable to complain of the incidence of a system which necessarily leaves munition workers in sheltered and well-paid employment while workers in the non-essential trades are called up to fight. The true test surely is whether the men are most needed at their work or in the Forces.

* * *

The Rise in Earnings

The latest issue of the Ministry of Labour Gazette contains the results of an inquiry into the average weekly earnings of workpeople at July, 1940. Unfortunately, the latest previous date for which comparative figures are available is October, 1938, so that the increases which had taken place by July, 1940, do not represent solely wartime increases. Though the average rise in wages between October, 1938, and July, 1940, was less than 1 per cent., this is the net result of a number of increases and decreases. The average increase in wage rates between the outbreak of war and July, 1940, is computed at 10 per cent. It was not practicable to ascertain the number of working hours to which the July, 1940, earnings related, but it is safe to assume that the increase in earnings was more than proportionate to the increase in hours. Owing to the speeding up of output, bonuses and overtime pay must have played a large part. The average

earnings of workers in each of the main industrial groups are shown below:—

AVERAGE EARNINGS OF ALL WORKERS COVERED BY RETURNS

	Last pay-week October, 1938	Week ended July 20, 1940	Percent- age Increase
	s. d.	s. d.	
Metal, engineering and ship- building	59 5	85 1	43.2
Textiles	38 3	48 10	29.2
Clothing	35 7	40 2	12.9
Food, drink and tobacco ...	46 10	53 8	14.6
Woodworking	52 4	61 5	17.4
Paper and printing	55 5	57 1	3.0
Building and contracting ...	61 3	80 7	31.6

These group averages cover a wide variation between the component industries. In the first group, earnings in July, 1940, ranged from 55s. 10d. in the watch and jewellery industry to 106s. 5d. in motor vehicle and aircraft manufacture and repair. The increase ranged from 5.7 per cent. in the tinplate industry to 51.3 per cent. in shipbuilding and repairing. The earnings of youths and boys have almost throughout shown a greater increase than those of men, and male earnings generally have risen more than those of females. This official computation covers a wider field than the inquiry whose results were published last summer by the National Institute of Economic and Social Research. According to the results shown by that investigation, wages paid by large firms in the industries covered rose 8 per cent. and earnings 10.7 per cent. between September, 1939, and March, 1940. The cost of living over the same period rose by 15½ per cent. During the period September, 1939-July, 1940, to which the Ministry of Labour's estimate of a 10 per cent. rise in earnings relates, the cost of living index rose by 21 per cent., twice as much as the average rise in all the industries covered, but much less than the rise in metal, engineering and shipbuilding, building and contracting and textiles. The great increase in earnings which has caused obsolescence of the country's labour force will inevitably have to be transferred.

* * *

Reasons of State

On Wednesday the Commons accepted the report of the Committee of Privileges, which decided that the detention of Captain Ramsay under Regulation 18B was not a breach of the privilege of freedom from arrest. Discussion was limited to the question of privilege, but on the previous day a debate took place on the whole principle of detention. In giving evidence before the Committee of Privileges, Captain Ramsay had complained of his long wait before his case was heard by the advisory committee, of the refusal to allow him legal aid and of the "tremendous mental ordeal" of his imprisonment. Other people, detained under the same regulation, had applied for writs of *habeas corpus* chiefly in order to bring to the public notice the long delay before their cases were heard by the advisory committee. Parliament's uneasiness on this point had produced a statement from Mr Morrison that the original committee had been enlarged so that it could sit in four divisions and that there were in addition three other committees, one for Scotland and the others for persons of Italian origin in England and Scotland. It is to be hoped, therefore, that the review of cases will be more rapidly undertaken, for of the 1,250 British subjects who have been detained under Regulation 18B, some 300 have been in prison for more than three months without having their cases considered. There is also evidence that the conditions of detention, like the conditions of internment in the case of aliens, are unnecessarily harsh. As the Committee of Privileges pointed out, there is a big difference between imprisonment after conviction on a criminal charge and detention without trial by executive order, and there should be a corresponding difference in the treatment of cases. It is also difficult to see why the advisory committee allows legal aid "on points of evidence of law" but not ordinary legal advocacy. It is somewhat anomalous that outside the law courts the only appeals which can be heard through legal representatives are those of conscientious objectors. But, once again, criticism of the administration of a policy does not imply that the policy itself is at fault. There is nothing new about the principle of detention without trial in a time of national emergency. *Habeas corpus* was suspended during the Fifteen and the Forty-five and at various occasions in the Napoleonic Wars. Then, as now and in

every war or rebellion, the prevailing consideration was reasons of state.

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Looting

Hardly a day goes by without a report in the Press of a case of looting in bomb-damaged premises. So serious is this crime rightly considered by the authorities that this summer a defence regulation was made allowing persons found guilty of it on indictment to be sentenced to death or penal servitude for life. Obviously, such extreme penalties would only be inflicted if the military situation was bad enough to call forth the war courts and other urgent measures. But looting remains among the gravest and meanest of offences. In spite of this, complaints have been heard in some quarters that sentences of three months' imprisonment passed for looting have been too severe, though in other cases long terms of penal servitude have very properly been imposed. The problem of what the sentence should be is really not so important as the problem of how to stop the crime itself. From the reports of cases that have appeared it seems that many looters are not of the criminal class, but are people in positions of trust—there have been cases of policemen and A.R.P. workers—and children. Many people, in fact, do not appear to regard looting as a crime at all, but consider articles in damaged houses or in dumps as their rightful perquisites. If this is so, the best means of stopping it is by a publicity campaign, which will bring home to people exactly how serious a crime it is. In the last resort, it is neither the severity of the possible penalties nor, on the other hand, any over-nice consideration for "mitigating circumstances," that will give the required assurance that the habit of law-abidingness will be protected at its most vulnerable point. This can only be done by the plainest evidence on the part of the authorities that they are determined to enforce the law.

* * *

The Troubles of Education

There are signs that the Board of Education is waking up. The President has announced that the Government will bear the full cost of school air-raid shelters provided under contracts entered into on or after October 19th, from when a similar 100 per cent. subsidy has been given to local authorities for public shelters. But the troubles of schools in neutral and danger areas only begin with the shelter question. Even when there is adequate shelter accommodation, there is still the problem of how to teach the children in them; and the Board is to issue a circular on the best means of arranging a school shelter day. But the most difficult question of all for the school authorities is how many children they are supposed to have in their care. The relapse of the *Blitzkrieg* from a continual storm into sudden fierce squalls is causing another movement of population. In London itself, the children are beginning to go to school again, partly as a result of the L.C.C.'s warning to parents. But it is not

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uncommon for a child to go to one school in the morning and another in the afternoon; it is probably not his own school, in either case, so that for him and his parents it is immaterial at which school he attends. For the teachers, on the other hand, it is an impossible situation, and they have to cope at the same time with children who are drifting back to the towns. Another drift back is taking place in the coastal defence areas where schools were shut after the evacuation of the summer. As many of the coast children were sent to the Midlands, parents can be pardoned for thinking that the invasion danger is remote compared with that of air raids, but for the education authorities, both of the reception and the home areas, it is extraordinarily difficult to make any long-term provision. So long as children are continually moving about the country, any educational system must break down.

* * *

Planning for Reconstruction

The Nazi coiners of the word "Coventrate" would doubtless be surprised if they knew the reactions of Mr Gibson, Coventry's City Architect, to their efforts to break the city's spirit. In a paper read before the Royal Society of Arts, dealing in a stimulating and constructive way with the problems of post-war national planning, he has almost welcomed the demolition work done by Germany's bombers in clearing a site in his city for the carrying out of his plans. Mr Gibson believes that all planning for post-war reconstruction should be carried out on a national basis, under the control of trained people who can make full allowance for the shifting of industrial centres and encourage the decentralisation of industry in medium-sized towns. Large-scale reconstruction, over and above urgent rehabilitation, is plainly physically impossible now. But the planning should begin now so that there shall be as little delay as possible in beginning reconstruction when the war is over. Shortage of labour, especially skilled labour, and of materials will impose delay in any case even then, but Mr Gibson, citing work actually proceeding in Coventry, suggested many expedients for minimising the effects of timber and steel shortages. Concrete, as he explained in detail, is capable

nowadays of producing far more artistic and comfortable buildings than some of the expedients upon which we were obliged to fall back in similar circumstances after the last war. When war production ceases, much plant will be free which could satisfactorily be turned over to making the components of houses in steel, duralumin and light alloys. The radical changes in building technique which will follow are bound to cause trade union complications. New trades will have to be recognised, and from this point of view alone it is desirable to be well ahead with plans which will enable the unions to know what the new trades are to be. Mr Gibson has in mind an educational scheme for the whole building industry, but recognising that it cannot be put into effect now, he advances a plea for the training of young men of pre-military age in the meantime. Some of his schemes are of the kind that indolent people may prefer to call Utopian; others, as, for example, the nationalisation of land, and perhaps also his suggestion that houses should not be built to last more than thirty years, are highly controversial, but it is refreshing to know that there are already experts busy among the bombs on the task of designing new cities.

* * *

Assistance for Collieries

Agreement has at last been reached between the colliery owners and the Mines Department concerning the scheme whereby individual undertakings are to receive compensation for loss of trade out of a levy on output to be passed on to the consumers. By this scheme, which will come into operation at the beginning of 1941, compensation will be paid to collieries "which have suffered loss of trade in consequence of the war to a greater extent than the average loss sustained by the industry as a whole," but it will be conditional on the maintenance of each pit "in a condition to produce not less than its basis tonnage (calculated on sales in 1939) within a reasonable time, unless such failure is due to enemy action." In view of the financial position of the coal-mining industry, it was almost inevitable that the consumer would be made to foot the bill—the initial levy is expected to be 4d. per ton, with a maximum of 6d. per ton. But there is no justification for regarding this method of finance as a precedent applicable to other industries.

THE WORLD OVERSEAS

America's Battle in China

(From our Shanghai Correspondent)

THE evacuation from China of American women and children is under preparation, but as yet no important American firms seriously consider the evacuation of their male employees. The American business communities here and in the Japanese occupied interior realise the danger of being scared out of the country by a mere threat of a Japan-American war that may not materialise. Evacuation of the American business men from the Japanese sphere of power would, in their own opinion, mean the discontinuation of the bulk of American business out here, and would play into the hands of the Japanese, who are all too ready to step into the Americans' shoes. The majority of Shanghai Americans, therefore, prefer to hold on to their business, and rather to risk Japanese internment than to let go of their interests prematurely at the risk of abandoning important assets that may not have to be abandoned after all.

There were recently indications that the Japanese are not prepared, or not yet prepared, to risk a complete rupture with Chinese American business. Several serious differences that recently arose here over the increased Japanese curtailment of American business activities with occupied Central China have been settled provisionally by way of compromise, with the Japanese yielding on several important points. These compromises ensued when the local American banks threatened the Japanese with complete interruption of clearing and exchange operations, while American oil concerns held out prospects of a stopping of American mineral oil shipments to Central China. Confronted with this resolute attitude, the Japanese clearly showed an inclination to climb

down and to come to terms, especially as British banks and other British firms left no doubt that they would co-operate with the Americans.

U.S.A.'s Trade Predominance

The United States' share in the China trade throughout the European war has expanded until, to-day, the U.S.A. has as much at stake in China commercially as the whole British Empire. Not only has the Chinese trade of numerous European countries declined or ceased; the volume and value of goods shipped between China and the United States have increased at the same time. America's recent advance in China's foreign trade is especially conspicuous at Shanghai, which in recent months accounted for almost two-thirds of all China's commercial intercourse with foreign countries. At Shanghai, the United States now holds a larger share in the trade than any other country. Recent Shanghai imports from the United States averaged about £5 millions a month and formed 35 per cent. of all Shanghai's imports. This large American share in the trade is the more remarkable because shipments to Shanghai of American agricultural produce, except for leaf tobacco, recently dropped to unusually low levels by reason of the high American prices. British India in raw cotton, and Australia in wheat and flour, are far ahead of the United States in these lines of exports to China. Yet it is in industrial products that the United States dominates in Shanghai's imports. In metals, the United States' share of imports this autumn soared here to the unprece-

ented height of 95 per cent.; in paper and paperware, it attained almost 80 per cent.; in vehicles it was 65 per cent.; and even in chemicals and pharmaceuticals it increased to as much as 40 per cent. of Shanghai's exports; direct shipments to United States ports account for exactly half of all local exports.

British investments in China still exceed by almost three times American capital working in China, chiefly because there are only small American ventures in Chinese loan bonds, real estate and shipping. Yet the United States holds Chinese investments to the extent of about £75 millions. Two-thirds of American capital in China is concentrated at Shanghai. American banks transact one-third of all Shanghai's commercial banking. American insurance transactions here at least equal those of British companies. In Shanghai's industries, American capital has a fair share, with its outstanding investments effected in the large Shanghai power and telephone companies. Although the United States does not compete in Chinese coastal shipping, American vessels in the foreign shipping of the Chinese ports now hold a good third place, behind Japan and Great Britain. The United States will not surrender or abandon these interests lightly but will make a determined stand in their defence.

October 19th.

Italy's Losses in Albania

[BY A CORRESPONDENT]

THE course of events in Albania means economic losses as well as military defeat for Italy. Long before the occupation in 1939, Albania was completely under Italian economic domination. Italians say that Italy granted subsidies amounting to 1,900 million lire to balance Albanian Budgets in the period 1938-38. This may be exaggerated, but other comparatively large investments are known for certain. Italy participated in the foundation of the Albanian National Bank, the management of which has always been in Rome, with 12.5 million gold francs (Albania was, by the way, up to the occupation the only member of the now forgotten gold *bloc*, which faithfully adhered to the gold standard). Italy established a State corporation for the exploitation of Albania with a capital of 50 million gold francs for the construction of ports, bridges, roads and railways, and granted another 100 million gold francs in 1936 for military purposes.

The Italians continued the work of traffic improvement after they occupied Albania, by contributing 800 million lire for the completion of 1,000 miles of roads. The road from Skutari to Kukes (100 miles) was opened, and the construction of roads from Durazzo to Tirana and from Elbasan to Tirana began. It is the Greeks who will now profit from all this, as well as from the development of ore mines (pyrites, hematite and chrome ores), and from the improvements that have been made in agriculture—insofar as roads, plant and land are not destroyed.

Already Italy has had to write off considerable losses on account of her Albanian experiment, and now she has to face serious supply disturbances originating from the Albanian campaign. This is of great importance in view of Italy's policy of self-sufficiency. For example, Italy's entire import of olive oil, essential for home consumption, comes from Albania, having been substituted for the former imports from Greece, Turkey and Spain.

Most important for war economy, however, is the impending loss of the Albanian oil wells, which perhaps are already out of order. Immediately after the world war, Italy acquired extensive oil concessions in Southern Albania, where she invested big sums, chiefly in recent years. Whereas the oil production in 1935 amounted to 12,500 tons, it rose to 127,000 tons in 1938, and is estimated at about 300,000 tons a year at present. The most productive oil wells are in the valley of Devoli, near Valona, covering approximately 100,000 acres. The central point of the oil district is Petrolija (Vajguras), where about 2,000 workers are occupied. The Italians employ the latest types of boring machines. The opening of a new well takes in the average two months; and about 400 wells are working at present. The potential output of the Albanian wells is estimated at about 30 million tons of oil.

The oil is carried by a pipe line with a capacity of 1,000 tons a day to Valona (a distance of 50 miles), where it is reloaded by modern apparatus into tankers and transported to Italy. There it is manufactured in two newly-erected refineries in Bari and Livorno. These expensive plants, which transform the rather poor Albanian crude oil into 80 per

cent. petrol, are already facing a severe shortage of supplies.

Every limitation of oil supplies is a hard blow to Italy which is cut off completely from oil imports by the British blockade. The Albanian oil wells have been exposed to heavy bombing, and the same has happened to the port of Valona. With the increased difficulties of shipping in the Mediterranean, Italy's Albanian oil supplies must have reached a minimum.

December 9th.

Nazi Fears in Czechoslovakia

[BY A CZECH CORRESPONDENT]

GESTAPO and red tape are dancing bacchanalia in the Protectorate of Bohemia and Moravia. A new wave of mass arrests has begun. The drive against Czech officials and teachers indicates that the Nazis do not consider themselves masters in a safe place, and that they have to take over the entire administration if they want to succeed in changing the Protectorate into the desired colony full of loving subjects. They seem to fear sabotage or some other kind of trouble.

The Gestapo have arrested hundreds of prominent Czechs and Czech officials. Nobody knew why they had been imprisoned, and all information concerning their whereabouts was refused. Now, for the first time, the German authorities have admitted that these people were arrested as hostages.

The proceedings against teachers and cultural institutions, such as the University and the Church, indicate that the Nazis are well aware of the enormous spiritual hostility which they have to face. The Catholic Church has great influence in Bohemia, and has lately had to suffer on this account. Four hundred Catholic priests have been imprisoned during the last few weeks. A flow of German tourists has been visiting the rural districts lately, involving the farmers in conversations which often ended in the arrest of the too friendly peasant. Many political agents were mixed as farm workers with the country people and had the task of finding out whether there were any food stores hidden which were not delivered to the authorities. The farmers are suspicious by nature, however, and this clever "Gestapolicy" was a failure. The biggest mistake, though, was made by taking their priests away from them; this will change the farmers from grumbling observers into real enemies.

Blows to Culture

A severe blow against cultural life is a new order, according to which Czech students and professors are barred from all public libraries. The Rector and deans of the University have been pensioned and their appointments cancelled.

Czechoslovakia, being a young country, had a remarkable modern art gallery in Prague. It was one of the finest galleries of modern art in existence. Apart from the work of Czech painters, it had a select collection of French impressionists

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from Cézanne to Gauguin, and the best samples of modern German masters. All this is "Entartete Kunst," however, and the gallery has been closed by the new cultural judges. How difficult it must be to run this country of chained rebels can be seen from the flood of decrees which are issued at an unbelievable rate. From July up to now there have been about 200, of which 32 have dealt with social questions, 36 with commerce, and 80 with food supply and conditions of work. This shows where the greatest difficulties lie.

One decree lays down that every new farm lease can only be granted subject to the permission of the "Landtag." Hitherto, only German farmers have obtained permission. Consequently, the farmers of Vyskov, one of the four districts which have to be evacuated of their Czech population in 1941, cannot buy land anywhere else. In one district 42 villages are to be evacuated—altogether about 20,500 people will be affected. Despair has fallen upon them. The men declare that they would rather kill their families and burn their homes than leave their villages; all work in the fields has stopped; and the police have been reinforced, as severe disturbances are feared.

Food Scarcity

The food problem is becoming more acute every day. The harvest has yielded about 200,000 tons of cereals less than the minimum requirements of the population. By order of the Ministry of Agriculture, farmers have been forbidden to produce butter; churns have been sealed and the milk must be delivered to the dairies. Now another order regulates the thickness of the milk, which is to have a fat content of only 2.5 per cent. instead of 3.6 per cent. as hitherto. Cafés and hotels are only allowed separated milk.

The Nazis are unable to feed the animals they have tried in vain to tame.

December 10th.

Industrial Boom in Canada

[FROM OUR OTTAWA CORRESPONDENT]

THE industrial boom generated by war orders continues, and general conditions are very satisfactory. The construction industry has begun to suffer a seasonal recession, but the value of the contracts placed in October, \$26.4 millions, although only about half the total for August, was \$12.1 millions above the figure for October, 1939. The primary iron and steel industries are working nearly at capacity, and in September the production of pig iron at 105,020 tons passed for the seventh time in history the 100,000-ton level. The output of steel in September was 164,515 tons, compared with 124,384 tons in September, 1939. The earnings of both the railway systems have shown a great improvement this year; and their combined gross earnings for the first ten months of 1940, at \$340 millions, show a gain of 18.8 per cent. over the figure for the same period of 1939.

High Activity

Industrial activity is now at the highest level in Canada's history, and it promises to expand further during the coming months. At the top of the next column are data about the weekly economic index and three of its major components during recent weeks.

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Week Ended	Car Loadings	Wholesale Prices	Bank Clearings	Weekly Index
Oct. 14, 1939	86.1	78.0	90.4	101.9
Sept. 14, 1940	85.2	83.0	95.0	104.5
Sept. 21, 1940	86.1	83.0	92.7	104.5
Sept. 28, 1940	83.0	82.8	102.0	105.3
Oct. 5, 1940	86.4	82.9	99.7	105.3
Oct. 12, 1940	85.9	83.1	94.1	104.9

A very serious shortage of skilled labour has developed in certain industries, with the result that employers have been competing for the available supply with offers of extravagantly high wages. The Government has, therefore, passed an Order-in-Council providing for fines up to \$500 on firms found guilty of enticing workers away from other firms engaged in the production of war materials. A good example of the labour shortage is seen in the aircraft industry, where, although the number of workers has increased in the last three months by 40 per cent. to a total of 11,000, some misgiving is felt about whether there is enough skilled labour in Canada to man effectively all the new plants which are projected.

There is also in process of creation a new priority committee under the chairmanship of Mr Howe, the Minister of Munitions, which will be charged with the duty of co-ordinating the industrial side of Canada's war effort, and will be endowed with authority to decide what war supplies shall have priority. A British Mission which has visited Canada has reported favourably upon the possibility of using Canadian shipyards for the construction of cargo ships for Britain.

November 10th.

Irish Industrial Progress

[FROM OUR DUBLIN CORRESPONDENT]

ONE result of the war in Eire has been a mild boomlet in local securities. The interference with international trade and the reduction of imports have conferred on many industries a degree of protection greater than they already enjoyed. Profits and dividends have in many cases been increased. Indeed, any investor who purchased shares in a representative sample of Irish industries two years ago would have done very well on account of the rise of prices that has taken place. Curiously enough, bank shares, which have always stood very high in the estimation of investors, are an exception, and have fallen in the market. The reasons for this are the increased liquid assets carried during a period of uncertainty and the increased rates of income tax both in Eire and Northern Ireland. The salaries of bank officials are paid free of income tax under an award made some years ago, but this arrangement has become unduly onerous on the banks with the gradual increase in the rate of tax, and an attempt is being made to moderate it. Needless to say, this attempt at revision is being strongly resisted by the officials of the banks.

The prosperity in Irish industry caused by the war may prove to be temporary, if the industrial development is not planned intelligently with a view to post-war conditions. This point was made by Mr Erskine Childers, Secretary of the Federation of Irish Manufacturers, in an interesting lecture in which he surveyed the present position and future prospects of Irish industry. In the period 1931-38, net output increased by 38 per cent., gross output by 46 per cent., and the numbers employed by 51 per cent. These are striking figures, and the policy of industrialisation cannot be accused of lacking energy and drive. The establishment of the new factories was, however, in many cases rather hasty, and the industrial structure is capable of much improvement. Mr Childers indicated that costs of production are kept unduly high by many causes, including inexperience in management, lack of co-operation between employers and workers on the question of output, restrictive legislation, the smallness of the home market and high taxation. Costs of production must be reduced if the industries are to justify their existence.

Export Possibilities

Too little attention has been paid to the possibility of developing industrial exports, the value of which has actually declined in recent years. There is no reason why an export trade in special types of high quality products should not be worked up, provided, of course, that costs can be reduced to a reasonable level. Mr Childers made several drastic pro-

posals for public stimulation of industrial production, especially exports. A Production Board, working in conjunction with the Industrial Credit Company and the Industrial Research Council, should set standards of output. An Export Department should explore export possibilities, negotiate agreements with other countries and provide credit guarantees. Employers' and workers' organisations should be reorganised on vocational lines, not with a view to facilitating the work of a dictator as in some countries, but to stimulate production and output and to relate industrial remuneration to the country's economy as a whole. Everybody will agree that a considerable effort will be needed to build up our industries in the post-war years, and the Government,

which is responsible for the policy of industrialisation, has the duty of making that policy a success.

The progressive deterioration of the international situation is reflected in the expenditure on the Army in Eire. In the financial year 1932-33 it amounted to £1,318,458. In the Budget estimate for the present financial year it was £3,355,420, while a supplementary estimate for £3,099,180 brings it up to £6,454,600. Even this huge sum would have been exceeded if certain orders for equipment had not failed to be executed, and it is quite likely that a further supplementary estimate may be introduced before the end of the financial year.

November 30th.

Books and Publications

Shorter Notices

"The Contempt of Freedom." By M. Polanyi. Watts. 116 pages. 5s.

This is a collection of four essays, written from a Liberal standpoint and arranged in ascending order of polemical intensity. The first, on the Rights and Duties of Science, is an excellent exposition of the Liberal attitude to science as a body of valid and mutually consistent ideas, to be freely developed for its own sake first, and only secondarily for the sake of its particular applications to human welfare. The second essay, on Collectivist Planning, condemns it by arbitrarily defining it as something quite inconsistent with individual initiative; and the two remaining essays are little more than an expression of Professor Polanyi's dislike for Russia, supported by the unverifiable statistics which are usual in controversy on this subject.

"Old-Age Security. Social and Financial Trends." By Margaret Grant. Committee on Social Security. Social Science Research Council, Washington. No price stated.

This is an examination of the old-age insurance and assistance schemes adopted in seven countries. Two of them, Czechoslovakia and Denmark, are now suffering the mutilation of social services consequent upon their economic subjection to Germany; four more, Great Britain, Germany, Australia and New Zealand, have shifted the focus of their attention from those services; and the remaining one, Sweden, has little time or scope for conscious experimentation. All were found fruitful fields of study by the present author, in search of material to illuminate parallel problems in the United States; nor, even in the thick of war, can the material she gathered be ignored in this country. Already our own old-age pensions scheme has undergone changes and there will be further changes during and after the war. Here are facts about the major types of pensions schemes; a full examination of the contributory and non-contributory methods; the financing of old-age insurance; and the effect of population trends on the whole question. The author does not examine principles. She does not discuss, for instance, why, to whom and to what amount pensions should be paid; or the relative social merits of contributory and non-contributory pensions. But this excellent unofficial blue-book does furnish the raw material for a statement of the political and economic basis of old-age pensions.

"An Atlas-History of the Second Great War." Vol. II. By J. F. Horrabin. Thomas Nelson and Sons, Limited. 115 pages. 3s. 6d. net.

The second volume of Mr Horrabin's atlas-history is depressing in its contents, since it carries the war down to the fall of France and the armistice terms. But it is, nevertheless, a delight to study, for all the campaigns, including the end of the war in Finland, are so completely, and yet so clearly, drawn. Moreover, in three maps it gives an excellent background to the present phase of the war in the Mediterranean.

Books Received

Studies in Economic Warfare. By D. T. Jack. (London) P. S. King. 178 pages. 12s. net.

The City: The London Financial Markets. By B. Ellinger. (London) P. S. King. 429 pages. 20s. net.

Ways and Means of War

By

Geoffrey Crowther

2s. 6d. net

"... Mr Crowther has written a brilliant pamphlet which is at once a classic of applied economics and a masterpiece of popular economic exposition."

—Times Literary Supplement

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Germany at War

Banking in the Annexed Territories.—The banks in the occupied countries have mostly remained independent under the supervision of the occupation authorities. Banking in Poland, as indeed her whole economic life, is completely destroyed. In the annexed territories, the banks have rapidly been taken over by German banks. The absorption has been so unrestrained and abrupt that the Reich authorities have interfered. "Because of numerous arbitrary actions" an order was issued a few months ago prohibiting permanent participations in banks without authorisation by the Government. By that time, the "arbitrary actions" had done their work, and the expansion of Berlin banks at the expense of those in the annexed territories was complete—except in the Protectorate of Bohemia-Moravia, where the strong national resistance of the Czechs has also been effective in banking. The *Zienostenska Banka*, by far the biggest institution in the Protectorate, is still independent. Elsewhere the German banks succeeded. The old names are kept, but the Berlin banks exercise direct control of the banks and, through them, of the greater part of industry in the Protectorate.

In Austrian banking the process was not far from simple looting. The international connections of the Viennese banks which existed until the *Anschluss* have been deliberately destroyed, without any consideration of foreign rights. To-day, two-thirds of the *Oesterreichische Creditanstalt-Bankverein* is owned by the Reich (through the *Viag*, which belongs to the Reich) and 30 per cent. by the *Deutsche Bank*. The fate of nearly all the important Austrian industrial companies is now decided by Berlin bank managements. Austrian industry has always been almost exclusively ruled by banks, and this influence is now exercised from Berlin. The Dresdner Bank acquired the *Zentraleuropäisch Laenderbank* (which was the Austrian branch of the *Banque de l'Europe Centrale* in Paris at that time), shortly after the latter had absorbed the *Mercurbank* and the Viennese branch of the *Zienostenska Banka*. The *Bayrische Escompte und Wechselbank* took over the semi-State owned *Creditinstitut*. The savings banks, which are organised partly on a co-operative and partly on a public utility basis, are now under the management and within the frame of the respective German central organisations. The Austrian *Nationalbank* was degraded to be a branch of the *Reichsbank*—whereas the Czechoslovakian *Nationalbank* remained with an altered status as the National Bank of Bohemia and Moravia.

The development in Sudetenland, annexed in October, 1938, was peculiar. The German nationalists there had always resented that the greater part of the banking apparatus consisted of branches of Czech banks—or at least of banks whose central offices were in Prague. There was therefore a great hurry to tear all ties with Prague, and to perform an *Anschluss* with Berlin banking. This process included banks which had always pursued a pro-German and anti-Czech policy. About 150 branches came thus into German ownership, mainly under the *Deutsche Bank*, *Dresdner Bank*, *Commerz- und Privatbank*, *Allgemeine Deutsche Credit Anstalt*, and *Bayrische Vereinsbank*. They immediately closed nearly half the branches.

In Poland there is a distinction between the *Ostgebiete*, formally incorporated into Greater Germany, and the *General-gouvernement*, Poland, which can be regarded for the time being as merely occupied. The Warsaw banks have been, of course, practically deprived of their interests in the *Ostgebiete*, mainly in Upper Silesia and in the highly industrialised district of Lodz (now Litzmannstadt). Their activities are restricted to the *Generalgouvernement*, whose economy is devastated and whose administration gives little scope for private banking. In view of the destruction in the annexed territories of Poland, Berlin banks have voluntarily curbed their expansionist tendencies there. Where any activity seems worth while, they start business without considering Warsaw interests, simply by opening branches. New banks have not been founded in the former Polish territories. The establishment of new branches is also on a very small scale, owing to the uncertain conditions. Not more than about 25 branches have been opened in the year since the end of the Polish campaign. Most of them belong to banks (*Deutsche Bank*, *Dresdner Bank*, *Commerz- und Privatbank*, *Verkehrskreditanstalt*), which had already previously been working in these countries.

Austrian Share Prices.—The rise in Austrian equity quotations has caused the authorities to fix maximum prices on the Vienna Stock Exchange. This unusual step was considered necessary to stop the increasing discrepancy between German and Austrian share values in Vienna. The tendency to discriminate in favour of Austrian shares may possibly reflect the Austrians' distrust in the ultimate prospect of a German victory. If fears of inflation were mainly responsible for the rise in equities, the movement would not be confined merely to Austrian equities.

★

Soldiers' Money.—German soldiers from occupied territories who go on leave to Germany are offered special facilities for exchanging their holdings of *Reichskreditkassenscheine* or foreign currencies into Reichsmarks. The rates of exchange are 1 belga = Rm. 0.40; 1 Danish kroner = Rm. 0.49; 1 Norwegian kroner = Rm. 0.57; 1 Luxembourg franc = Rm. 0.10; 1 Dutch florin = Rm. 1.33; 1 French franc = Rm. 0.05; 1 pound sterling = Rm. 9.60. The regulations prescribe that the soldier who returns to Germany has to receive a stamp in his book indicating the total amount of money exchanged, and when he returns to his post in the occupied country he cannot take back more Reichsmarks than he brought in. An exception is made for soldiers who are stationed in Holland. They can, on returning to Holland, take an additional sum of Rm. 50. The men are warned that severe punishments will be inflicted upon them if they buy up Reichsmark notes in occupied countries from persons other than the recognised exchange bureaux.

★

Scandinavian Timber.—Belgium, Luxemburg, Holland and Denmark are being supplied with Scandinavian timber and cellulose by German importing firms. Neither Finland nor Sweden are allowed to enter into direct negotiation for the export of timber to the occupied territories. All the buying is done by Germany and all the transactions figure on the same clearing account. Germany has recently bought in Norway 178,000 tons of cellulose, 100,000 tons of pulp, 75,000 tons of pulpwood and 1 million cubic metres of sawn timber. A part of these purchases was re-exported to Denmark. A large amount of softwoods was also bought from Finland—150,000 standards of sawn woods, 800,000 cubic metres of pulpwood and 100,000 cubic metres of pit-props. A part of this timber is destined for Belgium and Holland, but the payment will be made through the German clearing account. Sweden has also sold to Germany 250,000 standards of sawn woods, 64,000 tons of paper, 175,000 tons of cellulose and 15,000 tons of pulp. The Swedish Government has, however, stipulated that as long as payment is being made through the clearing account Germany has no right to resell either the timber or the cellulose without the consent of the Swedish Government.

★

Bulgarian Tobacco.—Germany has bought 75 per cent. of the entire Bulgarian tobacco export.

★

Coal in Bohemia.—The coal shortage in the Protectorate, as well as the lack of raw materials, has compelled a number of big factories in Kutna Hora, Stara Paka, and in other places to close down and dismiss their workers. Approximately 1,000 labourers of both sexes are affected. Shopkeepers are complaining about the defective coal provision. The cold in Central Europe is severe, and the coal ration of about 45 cwt. per family, which was to last till April next, is in most cases, especially for large families, already exhausted.

★

Insurance Under Occupation.—The German authorities have been compelled to intervene for the safeguard of the Belgian, Dutch, Danish and Norwegian assurance companies which were in close connection with British and French concerns. They are advised to re-secure themselves with German assurance companies.

THE BUSINESS WORLD

Copper Shares and E.P.T.

IN the days prior to the outbreak of war, there were few mining shares which enjoyed such high expectations as those of the Rhodesian copper companies. Those who were sufficiently sanguine to believe that the struggle would be averted saw them as supplying—at relatively very low cost—the raw material of more than one industry whose secular trend was upwards. The less optimistic believed that war might well bring an even more rapid development of the mines, which would have something like a monopoly, as being the only important source of supply within the sterling area. Events showed that the latter reasoning was well founded so far as it went, but as long ago as November, 1939, it was already evident that insufficient allowance had been made for the effects of differential taxation of company profits, and that shareholders' prospects were likely to be ruled, in very large measure, by the incidence of E.P.T. On this point, *The Economist* of November 18, 1939, expressed the view that yields ranging from £6 11s. 10d. down to £4 16s. 5d. took account of a probable rise in production, but made little allowance for the fact that the share of profits which would be left to shareholders was quite conjectural. This warning was all too well founded, for the latest gross distribution of the three mining companies shows a net decline of some £143,000, or about 5.2 per cent. The fourth mining company, Nchanga, is still in the development stage. Rhodesian Selection Trust and Rhodesian Anglo American have reduced their payments from 16.7 to 13.7 per cent. and from 11½ to 9½ per cent. respectively. Such figures as are given in the accounts leave no doubt that the reductions which occurred in Mufulira and Rhokana are due solely to the incidence of E.P.T.

For reasons of State, no particulars of production, development, costs or prices are contained in the reports, so that the shareholder is deprived of the wealth of detail upon which he might in earlier years base a computation of his probable earnings. Nevertheless, a good deal can be surmised from the figures of the profit and loss account, which have suffered no curtailment, and which do not conceal the total tax provision, as is the growing practice of industrial concerns. The figures relative to production and costs are given in Table I below. The rise in proceeds of copper sales is, of course, not a measure but a very rough indication, of the expansion in production. Sales figures have been corrected for changes in stocks, but they exaggerate the rise in that the price is almost certainly a little above the average for 1938-39, while in the case of Roan Antelope and Mufulira, at least, there is a partial offset in that they are reached after allowing for cost of refining and transport of electrolytic copper, which can hardly have failed to increase.

TABLE I

	Mufulira		Roan Antelope		Rhokana	
	£'000	Increase % on year	£'000	Increase % on year	£'000	Increase % on year
Copper sales.....	3,289	26.9	3,396	13.3	5,102	18.6
Operating and realisation charges ...	1,528	11.5	1,552	9.8	2,232	3.0
Surplus % of sales...	53.5	14.8	54.3	2.3	49.7	14.2

In the case of Mufulira and Roan Antelope, the application of the percentage increases in sales proceeds to the known production of 1938-39 gives figures closely approximating to the annual rate of 75,600 long tons, reached by the latter in 1937-38 and again in October, 1939, and of 73,000 long tons touched by the former in June, 1938. In the case of Rhokana, however, the same operation gives an

output of a mere 100,000 long tons per annum, which was well under the theoretical capacity a year ago, and still further below the record achieved, for one week only, in December, 1938. Rhokana's expense ratio is still the highest of the three, but it has secured almost as great an improvement on the year as did Mufulira, which had a much larger increase in output. It is to be noted that Nchanga, controlled as to 47.4 per cent. by Rhokana, has abandoned a scheme for rapid development in favour of extension of the pilot plant. The accounts of the three producing mines carry the story to the end of June, at which time our war effort was only beginning to be really substantial. It would, therefore, seem that Rhokana has the greatest potentialities of expansion, and it is significant that it has increased its allocation to development reserve. Whether or not this will prove to be an advantage to the proprietors may be doubted after a study of the distribution of profits from the past year's working. If, as seems certain, there is a large increase in demand, the other companies, including in due course Nchanga, will doubtless be able to do their part to fill it, but again the net amount available is likely to be determined mainly by the future of E.P.T.

The accounts do not state separately the provision for this tax, and although Mr A. Chester Beatty, as chairman of the majority of the concerns in the group, has complained more

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than once of its inequity, he has supplied no figures, nor is it clear that the exact amount of liability is yet determined. In order to come as near as may be to a figure for E.P.T. British income tax on 1939-40 dividends has been deducted from the total tax provisions in Table II, and the amount of dividend given gross. It will be seen that the increase in tax provision rises with the rising rate of expansion in sales, but much more steeply. Were it not for the necessity to provide for the retrospective effect of the rise in income tax from 5s. 6d. to 8s. 6d., Roan Antelope's allocation, other than tax on dividends, would be lower on the year.

TABLE II

	Mufulira		Roan Antelope		Rhokana	
	1939	1940	1939	1940	1939	1940
Operating surplus...	£1,205	1,777	1,613	1,896	2,358	3,061
Charges...	32	37	41	42	114	113
Replacement and development...	130	130	200	200	178	225
Tax...	253	925	530	578	750	1,630
Dividends (gross)...	672	550	719	998	1,332	1,082
Reserve and carry-forward...	116	133	93	48	Dr. 16	Dr. 9

† Other than British income tax on dividends.

For the other companies, it would seem that, even if this particular charge were debited against the profits of the preceding period, the whole of the remaining increase in operating surplus would have been taken in additional taxation, either E.P.T. or income tax on profits retained by the companies. In these circumstances, it is clear that any additional amounts required for reserves, whether free or specific, can only come out of a reduction in dividends. That Roan Antelope has been able to do rather better than this is presumably due to their having earned a bumper profit in 1936-37, when over £1,333,000 was available for dividends on a much smaller capital than the present. These figures are arrived at after taking advantage of the concession made by the Exchequer, which Mr Beatty described as "limited in its scope and restricted in its application." While agreeing with him that the recognition of the principle of differential treatment for mining enterprises is important, shareholders may be excused if they feel they have a right to ask for further adjustment of this hastily conceived impost, which removes all incentive—other than patriotic duty, which would presumably operate in any case—either to increase output or to effect economies, and which, further, tends to encourage inadequate allowances for depreciation and obsolescence in just those enterprises where it is most desirable that there should be the least consumption of physical capital, if not a positive increase. It is by no means clear, even now, just what the future of these companies is to be under the existing tax, but it is extremely probable that,

unless and until it is changed, there is very small hope of a recovery in distributions.

Before turning to the question of prices and yields, there remains to be considered the position of Rhodesian Selection Trust and Rhodesian Anglo American. Somewhat over 90 per cent. of the total assets of the former is represented by a 64.1 per cent. holding of Mufulira. The bulk of the remaining capital in that mine is held by Rhokana, in which company Rhodesian Anglo American holds a 53.6 per cent. interest. While it is in fact concerned to that extent in Rhokana's own operations, it has through it a 17.3 per cent. interest in Mufulira and, directly or indirectly, 45.8 per cent. of the capital of Nchanga. Evidently the decisive factor for its immediate future is Rhokana, with a larger interest still in the early development of Nchanga. For Selection Trust, the cut in the Mufulira distribution meant a drop of 18 per cent. in gross revenue, and it was only possible to pay a dividend of eightpence per share, against tenpence, by making a small draft on the already exiguous carry-forward. This company has, however, been relieved of one of its major anxieties by the announcement that it will not be required to pay E.P.T. on dividends received, after meeting that tax, from Mufulira, which is not—in the eyes of the Inland Revenue—its subsidiary. Presumably this relief applies also to Anglo American, which has to date merely announced the cut in payment mentioned above.

The publicity previously given to the effects of E.P.T. on mining companies produced a veritable collapse in the shares of the Rhodesian copper ventures, so far as they are quoted, and in those of holding companies. Since then there has been a marked recovery, but, even if the highest of the current year is taken as the top, less than half the ground lost has been made good except in the case of Roan Antelope.

TABLE III

	Mid-Dec., 1938		Mid-Dec., 1939		Mid-Dec., 1940	
	Price	Yield %	Price	Yield %	Price	Yield %
Rhokana 20s.	240	5.20	205	4.88	142/6	5.61
Roan Antelope 5s.	16.9	5.97	15	5.00	14	7.14
Rhod. Anglo. A. 10s.	25.3	5.94	19.6	5.77	13.6	6.94
Rhod. Del. Tst. 5s.	16.7 1/2	4.51	14.6	5.75	10.6	6.34

The table above shows yields on the four shares principally concerned at the date of writing and one and two years ago. The rise in the average yield on the year is over 1½ points as compared with rather less than a point in the general run of industrial equities. In the case of Roan Antelope, which has done remarkably well, but which has possibly less prospect of early expansion than Rhokana, the increase is as much as 2.2 points. The market is unable to explain this discrepancy. For the rest, returns do not seem unduly high; indeed, that on Rhokana suggests that a favourable view is taken of the E.P.T. prospects or that the quotation is not yet fully adapted to the fall in distribution.

Finance and Banking

Seasonal Rise in Circulation

With Boxing Day a normal working day and with the inevitable curtailment of the scope as well as length of Christmas festivities this year, it must be expected that the seasonal expansion in the note circulation will not reach its customary dimensions. Some expansion is nevertheless taking place. For the past week the notes rose by £1.2 millions, bringing the increase for the fortnight to £11.2 millions. Last Wednesday there were £25.7 millions of notes in reserve in the banking department, and there does not appear to be any reason to think that this margin will be insufficient to tide us over the end of December. Consequently no further increase in the fiduciary circulation should be necessary in the immediate future. Viewing the recent trend of the circulation in this country two main facts become apparent. The first is the temporary halting of the strong upward secular movement which set in with the outbreak of the war. This may be connected with such developments as the increasing restrictions placed on home market sales and with the growing momentum acquired by the National Savings movement. The other fact is the blurring of the customary seasonal fluctuations in the amount of notes outstanding. The usual end-of-month peaks have almost disappeared, while the larger seasonal movements are far less marked than they formerly were. It is only partially true to say that this is due

to the curtailment of holiday making and spending in wartime. It is also a consequence of the disturbance of the circulation by such unpredictable factors as sudden evacuations of population and air raid attacks. When the risk of invasion began to crystallise last summer the circulation took a sudden leap as a result of many thousand individual decisions to carry or hold in reserve rather more currency than was previously customary in order to provide for the emergencies which then appeared so imminent. Much of the additional currency which then went into hoards has returned to the banks since the beginning of the large scale air attacks on our cities. The knowledge that some bank notes have been completely destroyed as a result of damage to property has been a most potent force making for the return of currency to the banks. It is these kinds of factors rather than the traditional seasonal influences which to-day determine the ebb and flow of the circulation. But the undercurrent must continue to respond to the course of prices and wages.

Cut Price for Treasury Bills

In pre-war days when the rate at which the weekly offerings of Treasury bills were discounted was rather less static than it has been in more recent months, the discount market syndicate in deciding the figure at which it would

tender was, in market parlance, said to "go for the bills" or "go for the rate." That expression and the alternative it described have lost currency since the tender price for bills became fixed at what was considered to be the virtual maximum of £99 14s. 10d., at which price the turn of the market was kept down to a mere ½ per cent. on the bills it subsequently sold to the banks at 1 per cent. But on Friday of last week the old cry reappeared. The market, goaded by a succession of very disappointing quotas at the weekly tenders and by the approaching end of the year, with its need to produce balance sheets reasonably well stocked with bills, again "went for the bills." In the process it abandoned the traditional tender price of £99 14s. 10d. and raised its bid price for the 90-day bills (those dated Tuesday to Saturday) to £99 15s., and for the 89-day bills (those dated Monday) to £99 15s. 1d. Market houses appear to have concentrated their tenders on the 90-day paper. They therefore missed the Monday bills, on which applications at £99 15s. 1d. were allotted in full, but got the reward of a 54 per cent. allotment on the 90-day bills. The applications for the bills fell from the previous week's all-time record of £152,230,000 to £140,680,000, a reduction probably due to the withholding of semi-official tenders which normally occurs just prior to the turn of the year, when the authorities like to give the market an unimpeded run at one or more of the tenders. The usual "outside" applicants were no doubt there in full strength, but missed the bills.

The banks have not been particularly keen buyers of bills during the week, despite the fact that their payments to the Treasury on six months' deposits were cut from the previous week's figure of £30 millions to £15 millions. It is, of course, usual for the banks to suspend active purchases of bills from the market in the three to four weeks preceding the turn of the year. The market has thus been able to proceed with the welcome task of building up its bill portfolios. The need for such fortification of the bill as against the bond position has not merely been created by the comparatively small quotas which the market has obtained in recent tenders for Treasury bills. It must not be forgotten that the bill: bond ratio was sadly disturbed at the beginning of this year by the virtually compulsory conversion of Conversion 4½'s held by the discount market into Conversion 2 per cent. The former could with some justification be included in the bill portfolio for twelve to eighteen months prior to the first optional date of conversion. But the same treatment cannot be meted out to the new security, which has a minimum of three years to run.

Clearing Bank Figures

The London clearing bank statements for November continue the steeply expansionist trend which has been apparent since the outbreak of the war. The extent of the movement may be gauged from deposits, which have risen by a further £40,973,000 to £2,701,854,000. At this level they show a rise of £357,230,000 over the last year and of

	Nov., 1939	July, 1940	Aug., 1940	Sept., 1940	Oct., 1940	Nov., 1940
Capital and reserves	138.8	139.7	139.7	139.7	139.7	139.7
Acceptances, etc.	108.2	122.8	118.6	119.0	112.4	114.8
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts ...	2,344.6	2,454.0	2,481.3	2,596.7	2,660.9	2,701.8
Total liabilities	2,593.0	2,717.9	2,741.0	2,856.8	2,914.4	2,957.7
Cash	245.2	262.0	273.3	288.2	269.5	284.9
Cheques, balances, & items in transit	69.8	87.6	75.5	110.4	117.0	108.0
Money at call	141.8	145.8	147.6	143.7	137.2	140.3
Discounts	353.3	415.3	430.1	401.3	373.4	338.7
Treasury deposit receipts		26.0	26.0	91.5	179.5	236.0
Investments	610.8	657.8	682.1	697.1	722.9	742.8
Loans and advances	995.2	931.9	919.0	936.8	933.7	923.4
Investments in affiliated banks ...	24.2	23.6	23.6	23.6	23.6	23.6
Cover for acceptances, premises, &c.	152.7	167.9	163.8	164.2	157.6	160.0
Total assets ...	2,593.0	2,717.9	2,741.0	2,856.8	2,914.4	2,957.7

£456,726,000 since the outbreak of the war. The chief stimulant to banking credit still comes from Treasury deposit receipts, which have risen by £56,500,000 over the month. Against this, bills discounted have fallen by £34,770,000, which in the main reflects the running off of Treasury bills. The amount of bills issued through the tender continues constant, but it has been evident of late that an increasing proportion of these find their way into channels other than

the discount market from which the banks satisfy by far the greater part of their requirements. That the market, in spite of this, is maintaining its own holding of bills is indicated by the fact that short loans have risen by £3,095,000 over the month. The latest monthly statement is characterised by an exceptional dispersion of movements. Apart from those already mentioned, the most important is a further rise of £19,948,000 in investments, which have now expanded by £143,464,000 since the outbreak of the war. Advances for their part have fallen by £10,254,000. Cheques in course of collection and other transit items have fallen by £8,996,000, a movement which to that extent understates the true expansion in banking credit over the month. Bank cash has been allowed to expand by £15,390,000, thus correcting the somewhat taut position at the end of last month.

More Credits for China

It was announced in the House of Commons this week that the British Government had declared its willingness to grant further credits to the amount of £10 millions to China. Half of this sum is to be credited to the Chinese Stabilisation Fund, and half will be made available for Chinese purchases within any part of the sterling area. The reinforcement of the Stabilisation Fund is not to be altogether unconditional. It is only to be made if suitable arrangements can be devised for ensuring that the sterling in question does not make its way to the free market and become ultimately converted into dollars, thus involving the British Treasury in a corresponding loss of gold. The technical problem involved should not be beyond the ingenuity of the Exchange Fund Committee. It will involve some segregation of the sterling resources of the Fund from the dollar resources, recently strengthened by the \$100 millions credit from the United States Treasury, and from the current income of the Fund fed by the proceeds of Chinese export trade. With sterling at a slight discount on the dollar in Shanghai, it is evident that an addition to the supplies of sterling at the disposal of the Chinese Stabilisation Fund could, if no restrictions were placed in its employment, rapidly disappear into the porous sink of local arbitrage operations. The rate of the Chinese dollar remains steady at 3½d.-4½d. The Stabilisation Fund authorities are not being lured by the recent and prospective increases in their exchange resources into driving up the exchange value of their currency.

Australian Banking

The accounts of two Australian banks that have recently appeared both show the expected increases in deposits and holdings of Government securities, and a small fall in profits, which is explained by higher taxation. The balance sheet of the Bank of New South Wales, as at September 30th, shows deposits at £124,300,000, an increase of £12,600,000, while liquid assets have risen to £49,900,000, Australian and New Zealand Treasury bills being £10,600,000 higher at £15,800,000. Advances are down by £6,900,000, but this is almost exactly offset by the rise in Government securities to £8,900,000 compared with only £2,600,000 on September 30, 1939. The investments of the English, Scottish and Australian Bank rose by £2,500,000 to £6,300,000 on June 30th, but advances have risen too, by £889,000—the chairman's memorandum to the shareholders points out that there were additional demands for credit for carrying reserves of stocks against possible delays in shipments. On the other hand, cash and bills receivable are down by £514,000 and £954,000 respectively. Both banks are maintaining their dividends, at 6 per cent. for the Bank of New South Wales and 7 per cent. for the English, Scottish and Australian Bank.

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Investment

Investors Hold Back

The past week has been one of very restricted activity on the Stock Exchange, prices swinging slightly back and forth with no definite trend in most sections, until towards the close of the period, when our assumption of the initiative in the Egyptian theatre caused a distinct improvement. That industrials had risen as much as circumstances justified was already reasonably certain, but there was some disappointment at the very small volume of re-investment following the War Loan dividend payment and the gradual disbursements on requisitioned Canadian securities. The inference appears to be that the rise of recent months has lifted even gilt-edged securities to a level at which the investor prefers to wait and see, an attitude which is certainly strengthened by the prevailing doubts as to what the future may hold. There is a growing realisation that the war effort must enter upon a new and more intense phase, but in the absence of official guidance it is far from clear what this will mean for the individual. It is probable that this inclines him both to forestall future requirements by putting a part of his savings into goods and to seek increased liquidity for the remainder by adding it to his bank balance. With investment demand at a low ebb, just when it was expected to revive, it is highly satisfactory that prices failed to decline. Probably the good news from Greece accounts for this, and the addition of a good start in Libya has sufficed to produce a general marking up in most sections, with a few shares, such as those of oil companies operating or interested in the Middle East, showing substantial appreciation. The other developments of the week have been a further marked rise in Chinese bonds, based on the granting of the American credit and the promise of similar action by this country. The rise, which seems to owe a good deal to sentiment, is soundly based to the extent that the Sino-Japanese war is becoming more and more an economic struggle, in which financial aid on the scale promised may be an important element. It seems doubtful in the extreme that any of the proceeds of the loans could be used to satisfy the claims of bondholders in sterling or dollars. Industrial markets have stood up very well to the appearance of the usual December spate of accounts, many of which must have been rather disappointing to the proprietors.

In commenting on the partial raising of the ban on dealings in this country in the so-called "S.I.B." stocks a fortnight ago, it was pointed out that a good deal of feeling must be aroused by the exclusion from the list of almost all the popular favourites. Many of the securities in which business was permitted had so poor a market here that they had no quotation, while many more are virtually unsaleable. As long ago as August 22nd, Sir Kingsley Wood promised an early statement of policy and drew attention to the administrative difficulties. As was pointed out in *The Economist* of August 30th, these arose from the Treasury's own haste in transferring the securities to Canada. It is still the problem of effecting transfer of the securities held there, at the Deposit in Montreal, which is, six months after the actual seizing of the stocks, holding up the resumption of business. Negotiations have, however, reached an advanced stage and despite previous disappointments it now seems probable that there will be a definite development before Christmas.

Small Savings

It seems that the problem of effective mobilisation of small savings is ever present. No sooner had the objective for the first year of the National Savings Campaign, the exiguous sum of £475,000,000, been narrowly surpassed, than the total of small savings justified the gloomy prophecies by dropping from £16,106,000 to £10,811,000 for the week to December 3rd. Meanwhile, the daily Press reports a boom in Christmas shopping which is "like old times." It is, of course, inevitable that exceptional spurts should be followed by reactions, but here lies the very danger of placing any given total before the public as worthy of achievement in itself, when the only useful aim can be a constant high level. Meanwhile, the financial mentors do not cease to urge increasing thrift, although they fail to impress on the average citizen the degree of retrenchment which must be achieved by some means, inflation being the least preferable.

Thus, Captain Crookshank, Financial Secretary to the Treasury, said at Warrington War Weapons Week: "Even what many of us have come to regard as necessities have got to go." The Lord Chancellor, Lord Simon, on the same day said that no price was too high for victory, and he was fortified by a telegram from Sir Kingsley Wood, urging further "sacrifices." Sir Robert Kindersley, at the inauguration of the war savings scheme for men of the merchant navy, pointed out that the increase in savings had in part been conditioned by the increase in the national wages bill. Here lies the root of the problem. The present campaign is spurring the public to ensure that saving more or less keeps pace with higher incomes. But the rate of national expenditure requires that saving shall trench on pre-war rates of expenditure. The problem is part and parcel of the entire fiscal policy. Can it be solved by the voluntary principle in isolation?

War-time Holidays

In the past, the Stock Exchange has more than once been severely criticised for its tendency to make holiday on all possible occasions. Usually these strictures have been without much foundation, as in the great dispute which raged around the question of Saturday closing, but the Committee is an ultra-conservative body and has been slow to give up the special holidays which members had kept as evidence of ancient privilege rather than from any unwillingness to work. Most of these had, in fact, been abandoned before war broke out, but January 1st was retained, the reason given being that the banks were closed and that it was improper for the Exchange to be open, since business under cash dealings could not be completed and complications might arise if investors who normally dealt through banks were unable to get their orders attended to. So, once again, the Exchange will be closed on New Year's Day. Few people will cavil at this decision, especially as there has never been any question that the stockbroker would loyally accept the decision of the Government that December 26 is to be a working day. Left to himself, the jobber would possibly have preferred to reverse the procedure; to have taken two consecutive days off, which would have been more pleasant for him, and to avoid a second interruption of business. The broker, however, with a faith in the seriousness of his clients' Christmas activities, which it must be hoped will prove justified, feels that it is undesirable to allow a larger accumulation of business than necessary. In view of constant stressing of the modest volume of turnover, this may appear a rather curious view to adopt, but it is a fact that Government regulations have so increased the average time which it takes to complete a bargain that, with the reduced staff at his disposal, and the limitation on working hours imposed by the blackout, even a modest accumulation may present considerable difficulties. It is, of course, open to the critic to object that business might well start earlier. That point has been thrashed out with some thoroughness, and the conclusion reached is that, disturbed sleep and A.R.P. duties notwithstanding, something may be done, if the volume of business warrants it, if and when the mail deliveries are earlier. At present, they are by no means always punctual and clients could both help their brokers and serve their own interests if they would observe the Post Office pronouncements as to posting times and try to ensure that orders are posted early enough to reach London by the first post.

Company Notes

P. & O. Earnings Jump

The accounts of some of the smaller shipping lines and the increased dividend of Peninsular and Oriental Steam Navigation had conveyed the impression that the shipping industry had succeeded in negotiating a reasonably advantageous agreement with the Government. This view is fortified by the appearance of the full P. and O. accounts, which show a jump in net voyage receipts from £1,381,281 to £2,075,794 and in total profits from £2,383,139 to £2,976,520. These figures are not comparable, for the later include certain receipts from hire under charter to the end of September, whereas the others take in nothing after June 30th. This

means that when the present regime passes there will be a year when voyage receipts will cover less than the full year, and against this the directors have placed £250,000 to reserve. If this is a measure of the addition to profits this year, there has still been a very satisfactory expansion without such adventitious aid. Owing to the change in regime, expenses of administration have dropped from £470,800 to £196,394, while, as a partial offset, the transfer to provident good service account is raised from £50,000 to £225,000. There are also substantial offsets to the rise in earnings, for, apart from the special reserve provision, there is an appropriation of £300,000 for tonnage replacement as against an allocation for special repairs and reconditioning of only £100,000 a year ago. Profit surplus available for reserves and distribution has risen sharply from under 10 per cent. to 33 per cent. on the deferred ordinary capital. This rise is in part illusory, since the need to make provision for the draft on earnings in advance of the usual date, and the need for additional provision against a higher rate of replacement of the fleet at increased charges, are not remote contingencies but virtual certainties, a fact which applied, however, to some extent to the provisions of earlier years. The table below gives the trend of earnings and allocations over the past three years:—

	Years ended September 30th		
	1938	1939	1940
Net voyage receipts†	1,326,264	1,381,281	2,075,794
Total profits.....	2,360,424	2,383,139	2,976,520
Depreciation	885,000	885,000	1,034,068
Expenses‡	639,888	642,289	474,100
Deb. interest	308,880	303,910	299,034
Prof. dividend	152,000	152,000	152,000
Deferred stock—			
Earned.....	374,656	399,940	1,017,318
Paid	367,401	298,513	344,438
Earned %	8.2	9.9	33.0
Paid %	8	6½	7½
To reserves*	25,000	100,000	550,000
Tax credits	Cr. 21,679	Cr. 192,902	...
Special items (net)	Cr. 25,175	199,841	94,447
Carry forward	170,309	164,797	173,498

* Contingencies, reconditioning and special repairs in 1938 and 1939. £300,000 tonnage replacement and £250,000, in note above for 1940.

† Years to June 30th, but 1940 figures include unspecified amount for receipts on charters up to September 30th against which £250,000 has been placed to reserve.

‡ Including £75,000 to Provident Good Service Account in 1938, £50,000 in 1939, and £225,000 in 1940.

The accounts cover a period during virtually the whole of which the fleet was engaged on Government service, either on full requisition or under the Liner Requisition Scheme, and presumably this state of affairs will persist for some time to come. Apart from the loss of the *Rawalpindi*, already known at the date of the annual meeting, the only change is the disappearance of the *Eston*. These losses are reflected in a drop of almost £1,000,000 in gross value of ships in service, while the net valuation has declined by £1,045,068 to £6,673,702. The actual amount written off exceeds depreciation at 5 per cent. per annum by £2,909,424. The long-awaited appearance of the consolidated balance sheet is again deferred owing to delays in mails, but the statement of the parent company shows rises, aggregating some £900,000 odd in cash and debtors, while current liabilities are lower by £1,578,000 odd, largely owing to the repayment of loans to a total of £1,050,000. This highly satisfactory development is explained by additions of the order of £1,640,000 to reserves and carry-forward, and, of course, by the operation of the depreciation allowance, which is raised for the year to well over £1,000,000. As to the future, there can be no question but that the services of the company and its associates will be in demand, but everything turns on the extent to which remuneration keeps step with increases in those charges not borne by the Treasury and the adequacy of the margin to take care of capital maintenance. The price of the £1 deferred stock units is 21s. 3d., giving a yield of some £7 1s. 2d. per cent.

Canadian Pacific Preference Payment

Investors in the Canadian Pacific Railway can scarcely fail to be favourably impressed by the announcement this week of a second dividend of 2 per cent. on the 4 per cent. non-cumulative preference stock of the company. Coming within four months of the resumption of dividend payments,

A stockbroker advises...



Client: Take the case of my eldest sister. She's got two or three hundred pounds lying idle. What should she do with it nowadays?

Stockbroker: What is the first thing you would both look for in an investment?

Client: I would say, the certainty of getting the capital back.

Stockbroker: What rate of interest would satisfy you? A sure 3% would meet the case, I suppose? Then I strongly advise 3% Defence Bonds.

Client: But she doesn't pay the full standard rate of Income Tax and there will be all the trouble about reclaiming.

Stockbroker: No, no, no! That's one of their biggest attractions. The interest is paid in full every six months, and Income Tax is not "deducted at the source."

Client: But what about having to lock up her money for years ahead?

Stockbroker: She can always get the capital back by giving six months' notice. In case of emergency the capital will be repaid at short notice, less a deduction equal to six months' interest. If she lets it stay for seven years she will receive £1 bonus for each £100 invested.

Client: In that case, I've found her 'ideal investment.' I suppose your wealthy clients are taking them up in sackfuls?

Stockbroker: They wish they could! Unfortunately, everyone is rationed to a thousand pounds' worth.

Save regularly week by week. Go to a Post Office or your Bank or Stockbroker and put your money into Defence Bonds or National War Bonds; or buy Savings Certificates; or deposit your savings in the Post Office or Trustee Savings Banks. Join a Savings Group and make others join with you.

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after the acrimonious disputes which occupied the early months of the year, the prompt declaration of the full dividend in respect of 1940 is particularly welcome. It is all the more satisfactory in that the improvement in both gross and net receipts, which was a feature of the first half of the year, has suffered a very marked reduction since the collapse and over-running of Western Europe. At the end of June the rise in gross receipts was some 15½ million dollars and that in the net figure about 7½ millions. Four months later, the latter was virtually unchanged, while the former showed a rise of a mere million dollars, in round figures. It is readily intelligible that, while the increased armament effort is making for general prosperity in the Dominion, it may fall far short of making good the ill effects on traffic of the widening of the blockade. None the less, there should have been no doubt as to the preference dividend being amply covered. Indeed, for 1939, there were earnings of 32 cents per share on the ordinary capital and this, it would seem, must be materially increased, giving some hopes that the equity holders may receive something after a lapse of eight years. The preference shares, which rose 4½ points to 45½ on the interim declaration, had virtually maintained that level and advanced to 46½ on the announcement, made on Tuesday. The ordinary stock remains for the time being under the Treasury ban on dealings, but last changed hands in June at 5½, while the New York price is equivalent to about 4½, which suggests that at best only a nominal payment is expected.

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Further Brewery Results

A further selection of brewery reports recently issued bears out the conclusion which was drawn from the accounts discussed in *The Economist* of November 23rd. Among the five companies whose profit trend is analysed in the following table, total earnings have in all cases risen steadily from the 1937-38 level. In two out of the five cases, however, ordinary dividends are below the rate paid in that year, the reduction being due to a fall in the surplus equity earnings. In the case of two companies, *Ind, Coope and Allsopp* and *H. and G. Simonds*, total receipts have risen to new record levels at £1,369,046 and £1,153,996 respectively. The rate of equity earnings for *Ind, Coope* has, however, declined from 37.7 per cent. in 1937-38 to 26.8 per cent. last year, or 32.2 per cent. on the 1938 capital. Over the same period the provision for compensation fund charge and taxation has risen from £260,439 to £600,450. Other charges have remained relatively stable, and there is no doubt that in the case of *Ind, Coope* higher tax liability is the main cause of the decline in the surplus available for ordinary capital, and of the reduction in dividend from 27½ to 22½ per cent., or 27 per cent. on the old capital. The cut in the ordinary dividend of *P. Phipps* from 13½ to 11½ per cent. tax free is made necessary by a decline in the tax-free rate of equity earnings from 20 per cent. in the previous year to 17.3 per cent. Total income was some £45,000 higher at £446,065, and there is actually a slight increase in the sum distributed, subject to tax. Another company to realise a rise in the absolute amount of equity earnings is the *Wolverhampton and Dudley Brewery*, whose available surplus rose from £246,213 in 1937-38 to £260,597 last year without any intervening setback. An equally satisfactory improvement has been earned by *H. and G. Simonds*, with a rise in the net surplus from £164,982 in 1938-39 to £166,802, representing

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35.6 against 31.0 per cent., despite a rise in tax provision from £89,878 to £185,636. *Joshua Tetley*, with a slight setback in equity earnings from £168,424 in 1938-39 to £168,255, has realised an increase in the rate of earnings from 22.3 to 23.6 per cent. It is a significant feature of the reports of all five companies that allocations to property and contingencies reserves are well maintained. In all cases, the dividend policy is conservative, and the outlook for the future appears to be cautiously assessed. The directors of

Company (Years to September 30th)	Total Profits	Earnings for Ord. Div.	Ord. Div.	Price	Yield
	£	£	%		£ s. d.
<i>Ind, Coope & Allsopp</i> :					
1938	1,188,151	519,869	37.7	27½	70 - 6 8 7
1939	1,259,743	496,542	31.3	24½	
1940	1,369,046	374,091	26.8	22½	
<i>J. Tetley</i> :					
1938	306,450	180,991	22.4	14	30 - 6 0 0
1939	310,389	168,421	22.3	12	
1940	315,730	168,255	23.6	12	
<i>P. Phipps & Co.†</i> :					
1938	577,984	134,783	18.6	13½	60 - 13 15 0
1939	401,210	115,038	20.0	13½	
1940	415,065	123,400	17.3	11¼	
<i>Wolverhampton & Dudley</i> :					
1938	259,231	216,213	27.9	16	54 - 5 18 7
1939	271,961	238,697	31.2	16	
1940	273,845	260,597	33.5	16	
<i>H. & G. Simonds</i> :					
1938‡	847,395	165,895	30.3	18	61 ¼ 5 17 6
1939	1,019,438	164,982	31.0	18	
1940	1,153,996	166,802	35.6	18	

* Ex dividend. † Tax free dividend and earnings rate. ‡ Earnings and dividend on capital of £755,042 subsequently raised to £800,000. § Interim paid on £1,745,688 capital, final paid on £1,963,911 and 20 per cent. capital bonus paid from reserve bringing capital to £2,356,693.

Ind, Coope state that the group possesses further internal reserves in addition to those disclosed in the consolidated statement which are considered adequate to provide for contingencies. There is little fear that breweries will have to contend with falling demand in the current year, but taxation and damage to property are likely to reduce yet further the surplus available for ordinary dividends. Despite these darker influences, brewery shares have been in demand in recent weeks, and yields at present prices average little more than £6 per cent.

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British Celanese Continued Recovery

British Celanese accounts for the year to June 29, 1940, show a further substantial improvement in gross profits, which, at £3,013,703 against £2,113,054, have touched the highest level for more than a decade. The directors attribute the rise mainly to stabilisation of demand through producers' collaboration. This is to continue, but the negotiations for closer agreement with Courtaulds have failed to come to fruition. Clearly, for companies with such different profit records, E.P.T. on the present basis must add greatly to the difficulties of effecting an intimate alliance. The surplus available for dividends amounts to £320,106, a sum which, while it is satisfactorily above the previous year's total of £73,558, is lower than that earned in the three years 1933-34 to 1935-36, when gross profits were considerably smaller. The improvement in the company's profit position over the past three years is analysed in the accompanying table:—

	Years to July 1st (approx.)		
	1938	1939	1940
Total profits	£1,947,363	£2,113,054	£3,013,703
Depreciation	346,394	353,600	363,000
Income tax and N.D.C.	2,000	165,000	635,000
Other expenses	1,378,714	1,334,902	1,517,002
Debiture service	193,793	185,994	178,595
Earnings for dividend	26,462	73,558	320,106
Prof. divs. paid	65,625*	...	381,797†

Contingencies reserve 115,000
Special credits Cr. 3,319 Cr. 20,744 Cr. 807
Carry forward 259,692 353,994 178,110
* On 7 per cent. 1st pref. for 6 months to October 31, 1937.
† Being 2½ years' payment on 7 per cent. 1st pref. to April 30, 1940, and 6 months' payment on 7½ per cent. 2nd pref. to April 30, 1931.

The heaviest increase in costs is, of course, the rise in the tax provision from only £2,000 in 1937-38 and £165,000 in 1938-39 to £635,000. A.R.P. required £21,463

last year, and general sales expenses were some £200,000 higher at £1,234,658. Thus, the year's surplus earnings do not completely cover the total distribution on preference capital, which absorbs £381,797, being 2½ years' payment on first preference shares to April 30, 1940, and six months' payment on second preference shares to April 30, 1931. After placing £115,000 to contingencies reserve against nil, and including special credits amounting to £807, the carry-forward is reduced from £353,994 to £178,110. Last year's preference payments eliminated first preference arrears and reduced gross arrears on second preference capital to £2,769,141. The management passed the final payment on the latter in October, and no further reduction in the arrears is in sight. The balance sheet position has not substantially altered since the previous year. Small rises have occurred in both debtors and creditors. Cash holdings are some £40,000 higher at £964,254 and £100,000 nominal of 3 per cent. War Loan has been acquired. Stocks have risen from £1,183,535 to £1,714,511. The valuation of goodwill at £1,913,118 out of total assets of £14,150,719 and of fixed assets amounting to £7,165,029 is perhaps unduly large, but the general financial position, apart from accrued preference arrears, appears healthy. These figures refer to a situation almost six months old, since when the outlook has deteriorated greatly, owing to restriction of sales in the home market, which can scarcely be made good by exports. The market estimate of the outlook is sufficiently clear. The £1, 7 per cent., cumulative first preference shares, at 16s. 10½d., yield £8 5s. 9d. per cent., while the 10s. ordinary shares stand at no more than 3s. 7½d.

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Sugar Contrast

The reports of two sugar manufacturers for the year to end-September, 1940, show mixed results. *Tate and Lyle*, whose business is the refining of crude sugar, has suffered a setback with a total income, after tax, of £1,133,312 for the 55 weeks to September 28th, against £1,411,199 for the 49 weeks to September 9, 1939. The total income, before tax, of *Manbré and Garton*, whose accounting year runs to September 30th, has improved from £513,222 to £531,495. *Manbré and Garton* are, of course, concerned with the manufacture of brewing sugar, which has not suffered from rationing restrictions in the same degree as has *Tate and Lyle*, and sales of its second string, saccharine, have undoubtedly gained at the expense of sales of the *Tate and Lyle* subsidiary product, golden syrup. The *Tate and Lyle* accounts, which are analysed in detail in the following table for the three years since 1937-38, unfortunately convey a minimum of information. The gross profits figure is struck after tax and depreciation, and it must, therefore, be expected that total receipts before deduction of these items were reasonably well maintained, especially since the management chooses to repeat the 13½ per cent. dividend on ordinary capital at the cost of passing the usual £300,000 transfer to general reserve. The carry-forward is somewhat higher at £71,496, against £55,578.

	Years to about September 30		
	1938	1939*	1940
Trading profits	£1,260,310	£1,148,179	£973,122
Total income	1,357,884	1,411,199	1,133,312
Fees, etc.	8,222	8,051	8,577
Deb. interest	89,072	83,360	92,317
Prof. divs.	71,500	71,500	71,500
Ordinary shares:—			
Earnings	1,189,090	1,248,288	960,918
Paid	883,027†	945,000	945,000
Earnings %	26.9§	20.2	13.9
Paid %	18½†	13½	13½
Reserve	300,000	300,000	Nil
Carry forward	52,290	55,578	71,496

* 49 weeks ended September 9, 1939. † Includes £14,327 paid on 240,000 shares created during the year. ‡ Plus 40 per cent. capital bonus. § On old capital of £4,760,000.

The *Manbré and Garton* accounts disclose a rise in allocation for tax reserve from £50,000 to £80,000, while depreciation, at £8,462, is slightly below the level of the previous year. The surplus available for ordinary and deferred capital and allowances to customers' accounts is reduced from £374,920, after deduction of £4,994 for staff bonus, to £368,063 before deduction of an unspecified staff bonus provision for 1939-40. Ordinary capital receives 18 per cent., as before, and deferred capital a further 99.4 per cent. These

payments have required a small draft on the carry-forward, which is reduced from £216,772 to £214,374. No allocation is made to reserve. The balance sheets of both companies show a marked increase in the value of stocks. *Tate and Lyle* stocks have risen from £1,633,284 to £3,500,082 and those of *Manbré and Garton* from £140,092 to £282,273. To finance the increase, cash holdings of both companies are sharply reduced from £1,375,398 to £239,277 and from £259,751 to £172,717 respectively. The *Manbré and Garton* balance sheet does not show any other significant change, general reserve still standing at £1,450,000. The directors of *Tate and Lyle* state that one subsidiary company has incurred a loss of less than £500, which has been carried forward in the books of the company concerned. On the basis of the figures presented, the supply of raw material to the brewers has suffered less than that of sugar—and its equivalents—to the public. The future of both companies is conditioned mainly by Government food policy, and shareholders are fortunate that distributions have been maintained for the present. The £1 ordinary shares of *Tate and Lyle* are quoted at 48s. ex dividend, yielding £5 12s. 6d. per cent. The *Manbré and Garton* £1 ordinary stock, at 57s., yields £6 6s. 5d. per cent. The difference in yield seems to owe more than a little to the fact that the names making up the title of the former company are household words.

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Carreras' Progress

The preliminary statement of Carreras for the year to October 31st makes sufficiently encouraging reading. It is probable that total receipts have exceeded the £2,087,264 earned in 1938-39, since net profits after fees and depreciation—and £6,908 of new issue expenses in the previous year—have risen from £2,005,839 to £2,122,379. Tax provision is, however, nearly doubled at £1,072,955, against £547,416, and, since no corresponding reduction has been made in other charges against profits, it is clear that the surplus available for ordinary capital has suffered a certain reduction. Allocations to staff funds absorb £19,107, against £53,704, and no mention is made of any transfer to free reserves. The reduction in the total distribution on ordinary and "A" and "B" ordinary capital from 30 to 26½ per cent., however, fails to avoid a certain draft on the carry-forward, which is reduced from £303,210 to £276,447. As far as can be judged from the preliminary figures, the setback to surplus earnings is due solely to the company's rising tax liability, and the more general difficulties of war-time trading have not affected Carreras' profit-earning capacity. In the circumstances, this is the most that shareholders can expect, and it remains a matter for interesting speculation whether Carreras' results are a pointer to the profits of other tobacco leaders. In fact, the policy of the management has prevented the full impact of the higher tax charge from falling on dividends. The £1 "A" ordinary shares at 80s. offer the satisfactory yield of £6 13s. 4d. per cent.

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THE STOCK EXCHANGES

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Note: all dealings are for cash

The cheerful tone which prevailed in the markets at the close of last week, following news of changes in the Italian high command, has been continued in the present week after a temporary setback on Monday. The subdued tone in most sections on Monday, due probably to the intensity of Sunday night's raid on London, was short-lived, disappearing before news of further Greek successes and the British offensive in Libya. Gilt-edged responded readily, and the securities of oil companies geographically affected enjoyed substantial gains, as did sections of the foreign bond market. Movements in the industrial market continued to be irregular, but the undertone was firm.

★

After an uneventful close to the week in the *gilt-edged* market, prices eased on Monday, 2½ per cent. Consols losing as much as ½. Numerous losses of ½ occurred on the same day, including 3½ per cent. War Loan and Conversion and 4 per cent. Consols and Funding. Later in the week, a large part of the losses was made good, a start being made on Tuesday, when 2½ per cent. Consols recovered ½ and the other stocks ½, which was also gained by Local Loans, Dominion and colonial stocks ruled mainly firm. The *foreign bond* market provided several interesting features. British and American financial aid for China proved a bull point for Chinese securities, which rose steadily, the 4½ per cent. issue of 1908 gaining as much as 3 points on Tuesday, when 5 per cent. bonds of 1912 improved 2½ points. The success of the campaign in the Middle East promoted further rises in Egyptian and Greek securities. Chilean bonds lost ground on rumours of the temporary suspension of sinking fund payments.

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Interest in the *home rail* market was at a low ebb. After a quiet close to last week, ordinary stocks were generally offered on Monday, when Great Western and L.M.S. ordinary eased ½ and Southern deferred ½. Later in the week there were few transactions, but "Berwick" senior issues incurred small losses. Argentine rails moved uncertainly, but lost ground on balance, the market being disappointed by the reports so far issued. Canadian Pacific preference were raised 1½ points on Tuesday, following the dividend announcement.

★

No large volume of demand developed in the *industrial* market, but London Brick, on the interim decision, Ind. Coope, on the report, and the tobacco leaders provided bright spots. Turnover in heavy industries was small and no definite trend was apparent, though the downward movement of South Durham continued. After early gains, Raleigh Cycle Holdings eased through profit-taking. Chain stores, which were offered at the end of last week, were once more in demand. In other sections of the market, Lever and Unilever, I.C.I. and Dunlop all gained a few points.

★

Turnover was on a small scale in all sections of the *mining* markets, but on the whole sentiment was more cheerful than at the close of last week and prices were firmer. This is particularly the case among *kaffirs*, where demand from the Cape served to provide a few substantial gains. Thus, on Tuesday, East Geduld rose by as much as ½ and Grootvlei by ½. No improvement took place in the *rubber* market, where business remained at a minimum. The most striking feature of the commodity markets was the revival in demand for securities of *oil companies*

whose prospects are affected by the progress of the Middle Eastern campaign. The market was led by Anglo-Iranian, but Shell, Burnmah and Attock all gained ground, and support was also forthcoming for Mexican and Canadian Eagles.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Dec. 4 ...	2,035	3,670	69.8	124.5
" 5 ...	2,143	3,747	69.4	124.6
" 6 ...	2,100	3,760	69.4	124.6
" 9 ...	2,330	4,738	69.2	124.6
" 10 ...	1,937	3,996	69.4	124.6
" 11 ...	2,029	4,187	69.5	124.7

* July 1, 1935 = 100. † 1948 = 100. 30 Ordinary shares, 1940: highest, 80 ½ (Feb. 29); lowest, 49 ¼ (June 26). 20 Fixed Int., 1940: highest, 126 ½ (May 9); lowest, 114 ½ (June 26).

New York

At the end of last week, trading on Wall Street was enlivened by a technical rally in which steel issues led a wide range of gains and turnover notably improved. The rally was continued on Monday with steel shares still in demand and some interest in shipbuilding securities was stimulated by recognition of British shipping needs. Aircraft, copper and chemical issues were also well supported. Later in the week, in the absence of definite news from Europe, interest fell away and prices ruled steady around Monday's levels.

Sentiment became more cautious in mid-week, but a continuation of the technical rally is expected. The *Iron Age* estimates steel mill activity at 96.5 per cent. of capacity, against 97 per cent. last week.

New York Prices

Total share dealings:—Dec. 4, 650,000; Dec. 5, 600,000; Dec. 6, 540,000; Dec. 7, 400,000; Dec. 9, 630,000; Dec. 10, 610,000.

	Close Dec. 10, 1940		Close Dec. 9, 1940	
	1940	1940	1940	1940
1. Railroads				
Balt. & Ohio...	34 3/4	31 1/4	Chrysler	76 1/4
Gr. Nthn. P.C.	26 3/4	26 1/4	Curt. W.	28 1/4
Illinois Cent.	7 7/8	7 1/2	Eastman Kdk.	143 1/4
N.Y. Cent.	137 1/2	133 1/4	Gen. Elec.	33 3/8
Northern Pac.	61 1/2	61 1/4	Gen. Motors	49 1/2
Pennsyl. R.R.	21 1/2	22 1/4	Inland Steel	86 1/4
Southern	12 1/4	12 1/8	Int. Harvest	54 1/4
2. Utilities, etc.				
Amer. Tel.	166 1/2	170	Liggett Myers	93 1/4
Amer. W'ks.	37 3/4	37 1/4	Nat. Dairy	13 1/4
Pac. Light	37 3/4	37 1/4	Nat. Distillers	23 1/4
Pub. Sv. N.J.	28 1/2	28 1/4	Nat. Steel	65 1/2
Shn. Cal. Ed.	26 1/2	26 1/4	Proct. Gamble	54 1/2
United Gas	10 9/16	9 5/8	Sears Roebck	75 1/2
3. Commercial and Industrial				
Amer. Metal	19 1/2	19 1/4	20th Cen. Fox	5 1/4
Am. Roll. Ml.	15 1/2	15 1/4	U.S. Steel	67 1/2
Am. Smelting	44 1/4	44 1/8	West'ase Bl.	103 1/4
Anacosta	27 1/2	27 1/4	Woolworth	32 1/4
Briggs	25 1/2	25 1/4	Yngstn. Sheet	40 1/4

STANDARD STATISTICS INDICES (1926 = 100)

	1940		Nov. 20, 1940	Nov. 27, 1940	Dec. 4, 1940
	Low June 5	High Jan. 3			
347 Industrials	80.9	111.4	95.6	94.0	94.3
32 Rails	20.7	30.7	27.7	26.9	26.5
40 Utilities	71.2	89.4	78.4	77.6	77.4
419 Stocks	69.9	94.8	81.9	80.5	80.6
Av. yield*	6.61%	4.30%	5.95%	6.20%	6.15%

* 50 Common Stocks.

a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

	Nov. 28	Nov. 29	Nov. 30	Dec. 2	Dec. 3	Dec. 4
103.00	103.30	103.90	103.90	103.50	103.50	103.50

1940 High: 123.7, January 3rd. Low: 86.7, June 10th.

Capital Issues

Week ending December 14, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs.†	4,404,101	Nil	4,404,101
3% Defence Bonds†	4,342,800	Nil	4,342,800
2½% Nat. War Bonds†	26,411,288	Nil	26,411,288

† Week to December 3, 1940. ‡ Week to December 3rd, making total since June 25th, £379,924,093.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis) ...	1,367,582,458a	1,014,326,425a
1939 (New Basis) ...	149,552,165	122,467,471
1940 (Old Basis) ...	1,351,850,738a	998,358,776a
1939 (Old Basis) ...	97,295,554	71,306,723

Year to date	Destination (Conversions Excluded)		
	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis) ...	1,012,983,783a	1,342,642	Nil
1939 (New Basis) ...	94,848,453	25,373,284	2,245,732
1940 (Old Basis) ...	998,216,320a	142,456	Nil
1939 (Old Basis) ...	55,146,632	15,840,091	320,000

Year to date	Nature of Borrowing (Conv. Excl'd.)		
	Deb.	Pref.	Ord.
1940 (New Basis) ...	997,752,794a	1,887,130	14,686,501
1939 (New Basis) ...	66,222,895	8,831,629	47,412,947
1940 (Old Basis) ...	997,017,144a	332,500	1,209,132
1939 (Old Basis) ...	58,458,921	2,688,459	10,159,343

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted. (a) Allowance for £1,650,000 National Savings Certificates repaid in five weeks to November 30, 1940.

Shorter Comments

This Week's Company Results.—Among recent brewery results, BENTLEY'S YORKSHIRE BREWERY has succeeded in increasing net profits from £47,692 to £60,469, although gross income increased only from £202,135 to £209,632. The 10 per cent. ordinary dividend is repeated. ROBERT DEUCHAR is maintaining the 20 per cent. tax free payment. Gross receipts rose from £178,724 to £227,769, but higher taxation reduced net income from £49,401 to £38,583. PETER WALKER AND SON have suffered a slight setback in total income from £559,401 to £559,035, and in net earnings from £488,057 to £472,069, but the 21½ per cent. dividend is maintained. Among iron and steel companies, LAMBERT BROS. and BROWN BAYLEY'S STEEL have both repeated the ordinary dividends at 15 per cent. and 15 per cent. tax free respectively. In both cases, gross and net revenue were satisfactorily above the 1938-39 level. SOUTH DURHAM and CARGO FLEET have been less fortunate with falls in net profits from £96,567 to £39,321 and from £20,763 to £526 respectively. CARGO FLEET is paying nil against 2 per cent., while SOUTH DURHAM is passing the previous year's 6 per cent. dividend on "B" ordinary shares and halving the previous 12 per cent. ordinary payment. J. L. THORNYCROFT is paying 10 per cent. as before, despite a fall in gross and net receipts, the latter amounting to £141,976 against £169,171. BIRMID INDUSTRIES have realised an encouraging rise in net earnings from £118,109 to £133,884, and have raised the dividend from 15 to 17½ per cent. An increase in dividend is also announced by HAY'S WHARF, who are paying 8 against 7 per cent., with net earnings of £221,648 against £188,618. PRINCE LINE is repeating the 2½ per cent. dividend. Gross receipts rose from £146,237 to £203,865, but higher allocations to replacement plus depreciation resulted in a fall in net earnings from £19,637 to £15,865. Despite recent political events, STEAUA ROMANA, with higher net profits at £48,107 against

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Industry and Trade

Unemployment in November

The unemployment returns for November 11th show that no perceptible inroad is being made into the total number of persons out of work. Ever since last June the total number of persons registered at the employment exchanges of Great Britain has been around 800,000, while the number of wholly unemployed has consistently remained above 600,000. The latest figures, relating to November 11th, show a total unemployment register of 791,000, of whom 603,000 were wholly unemployed, against 635,000 on October 14th. An analysis of the duration of unemployment of the persons registered as applicants for unemployment benefit or allowances (excluding boys and girls) on November 25th is given below:—

	ANALYSIS OF UNEMPLOYMENT		
	Men		Women
	Aged 18 to 49	Aged 50 to 64	Aged 18 to 59
Under two weeks	109,408	44,592	87,213
Two to four weeks	23,524	13,554	30,819
Four to six weeks	17,715	10,920	28,513
Six weeks to twelve months	40,554	44,884	97,068
Twelve months or more	13,256	40,823	13,702
Total	204,457	154,773	257,315

The number of men unemployed for twelve months or more has been nearly halved since May 20th and was 54,079 on November 25th; moreover, the majority of these long-term unemployed are aged 50 years or more. The category of men unemployed from six weeks to twelve months, however, still amounted to 85,438 on November 25th. In general, this analysis suggests that the unemployed are not absorbed into essential occupations speedily enough and that a fresh effort is required to find some kind of useful occupation for the long-term unemployed.

Coal Export Rebate

The British coal export trade was officially informed last week that from December 1st the freight rebate on exported coal, coke, and patent fuel would be 30 per cent. of the carriage charge where the charge is a toll, and in all other cases 1½d. a ton and 75 per cent. of the remaining part of the conveyance rate. If, for example, the charge for the carriage of coal was 2s. 6d. per ton, the new charge will be 2s. 4½d. less 75 per cent. of 2s. 4½d. This is by far the highest rebate which has been allowed on exported coal since its introduction by the Local Government Act, 1929, the previous highest being 1½d. and 41 per cent. of the remainder of the conveyance rate given in 1933. By this year's increase of 16½ per cent. in railway charges the average receipts from the transport of coal for export have been raised from about 2s. 4d. per ton to just over 2s. 8d. per ton, but from this higher rate colliery owners will now be able to claim a rebate of about 2s. per ton, against an average rebate of roughly 6½d. per ton during the past three years and the previous peak amount of 11.01d. per ton in 1933. The increase in the rebate is due to the reduced amount taken out of the Railway Freight Rebates Fund since last June, a consequence of the fall in exports. On the volume of shipments during the past two or three months the new rebate represents approximately £1.25 millions per annum, which compares with an average of £1.3 millions remitted during the three years 1936-38. It is expected that the rebate on dock charges will also be increased. In the early days of the rebate scheme it was the foreign consumer rather than the colliery owner who obtained the benefit of the reduced conveyance rates through lower f.o.b. prices, but under the present statutory marketing schemes and their district co-

SHORTER COMMENTS

(Continued from page 744)

£44,436, is maintaining the 2½ per cent. ordinary distribution. WATERLOW AND SONS have suffered a setback in gross receipts from £265,810 to £242,109 and in net earnings from £135,567 to £116,018. Consequently, the dividend is reduced from 7½ to 5 per cent. RUBBER REGENERATING are paying 5 per cent. against nil. Total income rose from £21,284 to £35,895, although after writing

off £27,080 against shares in a subsidiary and loss on property, the year's earnings show an actual deficit of £6,124.

MISCELLANEOUS

The National Bank of Scotland, Ltd.—Profit year to November 1st, £279,434 (£282,697). Dividends remain at 16 per cent. on capital stock and 5 per cent. on "A" stock. To reserves, £165,000 (£160,000). Forward, £88,097 (£86,363). Note circulation, £4,190,678 (£3,291,546).

Deposits, £41,959,529 (£37,849,751). Total assets, £52,702,177 (£47,152,629).

Bank of London and South America, Ltd.—Net profit year to September 30, 1940, £535,564 (£472,287). Dividend 5 per cent. as before. To contingency and taxation reserves, £330,000 (£270,000). Forward, £177,327 (£173,763). Total assets, £77,718,069 (£81,068,532). Current and deposit accounts, £55,403,249 (£60,494,660).

(Continued on page 752)

increased its bauxite production more than fourfold in the past five years and exported 483,652 metric tons last year, is Canada's main supplier and Dutch Guiana (Surinam), whose bauxite output amounted to no less than 504,062 tons in 1939, could easily supply any additional Canadian requirements due to the Dominion's expanding aluminium output. In addition to the Guianas, the Dutch East Indies and the Unfederated Malay States have rapidly increased their bauxite production in the past two years, and aluminium production is about to be begun in India and Australia. In the United Kingdom, too, where, according to the United States Bureau of Mines, production of aluminium has been increased from 15,100 metric tons in 1935 to 25,000 tons in 1939, a further rise in production is expected this year, although the loss of French supplies has increased the cost of our bauxite imports, which have now to be brought here from overseas. While the Allied territories are now virtually self-sufficient both in bauxite and finished aluminium, substantial quantities of American aluminium were acquired by the Ministry of Supply from the United States in the first year of war. Although consumption of aluminium in the United States, which rose by 87 per cent. to 167,600 short tons last year, is still growing at a rapid rate, that country can still be regarded as an efficient source to supplement British supplies should this be necessary. Production in the United States in 1939, at 148,400 tons, was some 20,000 tons smaller than consumption, but last year the Aluminium Company of America not only completed an expansion programme at a cost of \$26,000,000, but also started another estimated to absorb \$30,000,000. Works now nearing completion will raise its potential output to 215,000 tons early in 1941. Another, with a capacity of 30,000 tons, is to start production in the middle of next year. Adequate supplies for the huge United States re-armament programmes are thus more than assured. On the European continent, too, production of aluminium has advanced substantially this year, although figures are unobtainable. The present war, therefore, is proving of decisive influence on the world aluminium supply. Last year world production is estimated by the United States Bureau of Mines to have reached 647,400 metric tons, against 578,800 tons a year before and 259,600 tons five years ago. This year an output of 750,000 tons seems assured, and further increases are almost certain to follow.

United States Exports

The latest available statistics of the foreign commerce of the United States show an increase of nearly 43 per cent. in the value of exports of United States merchandise in the period January-August, 1940, compared with the corresponding period of 1939. The figure for the eight pre-war months was \$1,872 millions, and for the first eight months of 1940 it was \$2,676 millions. When allowance is made for the price changes which occurred between the two periods, the increase is about 29 per cent. in volume. The table below shows exports to the principal countries, but these figures include re-exports, as they are not shown separately in the official returns:—

UNITED STATES EXPORTS (INCLUDING RE-EXPORTS) BY COUNTRIES
(In Millions of Dollars)

	Jan.-Aug. 1939	Jan.-Aug. 1940		Jan.-Aug. 1939	Jan.-Aug. 1940
Canada	283.3	450.8	Portugal	5.2	13.1
Neufundland	5.4	6.4	Spain	10.8	24.0
Mexico	50.2	58.9	Greece	4.9	7.5
Central America	37.0	64.9	Rumania	4.2	4.9
British West Indies and Bermuda	13.1	12.5	Yugoslavia	1.2	3.0
Dutch West Indies	25.3	15.9	Palestine	5.6	3.1
Colombia	31.7	35.6	Turkey	6.4	6.6
Venezuela	37.5	47.5	British India	23.6	44.1
Argentina	38.5	84.8	British Malaya	5.3	10.0
Brazil	31.7	75.8	Netherlands Indies	21.5	31.1
Chile	14.6	23.7	Philippines	60.7	68.9
Peru	10.7	15.4	China	32.0	58.4
Belgium	43.2	25.0	Hong Kong	13.9	11.9
Denmark	13.0	6.0	Kwantung	11.1	1.7
France	107.6	252.7	Japan	135.8	147.5
Germany	46.1	0.2	Australia	37.8	52.7
Netherlands	55.1	34.2	New Zealand	12.2	11.8
Sweden	51.7	34.6	Egypt	8.5	12.3
Switzerland	7.4	20.0	Morocco	2.6	2.1
United Kingdom	310.3	592.2	Union of S. Africa	45.1	60.4
Finland	8.6	18.7	Mozambique	4.2	6.8
Poland and Danzig	16.0	...	Other countries	265.1	209.4
U.S.S.R.	27.0	58.2	Total	1895.7	2734.7

This table leaves no doubt as to who has captured the export trade lost by the belligerent, occupied and blockaded countries. The greatly increased exports to Great Britain and her allies, who included France for most of the period under review, are matched by some of the increases in United States exports to neutral markets such as Central America, Argentina, Brazil, Chile and Soviet Russia. Exports to all the countries of north-western and Central Europe were greatly diminished, and by August had in many cases apparently ceased.

Exports of Commodities

The increase in United States exports has been spread over the majority of the principal commodities, as the table below shows:—

PRINCIPAL UNITED STATES EXPORTS OF DOMESTIC MERCHANDISE
(In Millions of Dollars)

	Jan.-Aug. 1939	Jan.-Aug. 1940		Jan.-Aug. 1939	Jan.-Aug. 1940
Meat products	22.0	17.5	Iron and steel advanced manufactures	29.6	41.6
Edible animal oils & fats	14.0	10.4	Copper	54.8	89.7
Dairy products	4.3	10.6	Brass and Bronze	4.6	20.4
Fish	7.6	12.1	Electrical machinery and apparatus	67.0	76.6
Leather	7.4	8.4	Industrial machinery	191.6	277.9
Maize and meal	11.4	29.7	Agricultural machinery	48.4	56.9
Wheat and flour	48.5	23.1	Automobiles and other vehicles	261.6	419.6
Vegetables & preparations	10.3	14.4	Aircraft, parts and ac- cessories	70.2	198.6
Fruits and preparations	48.3	25.6	Coal tar products	8.1	20.0
Sugar & related products	6.1	14.6	Medicinal preparations	12.7	19.5
Rubber & manufactures	61.6	43.5	Chemical specialties	20.2	27.0
Tobacco & manufactures	22.6	26.5	Industrial chemicals	17.7	36.1
Raw cotton	86.3	185.2	Pigments, paints and varnishes	13.7	16.0
Cotton manufactures	34.0	40.6	Fertilisers, etc.	10.7	12.1
Rayon & other synthetic textiles	10.0	11.6	Explosives, etc.	2.8	15.7
Sawmill products	28.2	24.8	Photographic, etc., goods	12.7	10.6
Paper and manufactures	4.0	22.6	Firearms, ammunition & fireworks	3.7	42.4
Coal and related fuels	33.7	62.0	Other articles	...	94.3
Petroleum and products	245.0	225.0			
Non-metallic minerals	18.6	24.4			
Iron and steel semi- manufactures	95.0	234.8			
Steel mill manufactures	36.2	87.7			

There was a decline, between the two periods under consideration, in exports of meat products and animal fats, wheat, fruit, tobacco, timber, petroleum and its products, and photographic goods. All the other more important exports increased, and for the most part those which showed the largest increases were materials or manufactures of conspicuous importance as war supplies (raw cotton exports increased from 1,791 million bales to 3,315 million bales; steel plates from 6 million to 30 million lb.; copper from 523 to 684 million lb.; airplane engines from 1,220 to 2,896; explosives from 15 million lb. to 54 million lb.), and goods of which Germany used to be an important exporter.

The Anglo-Turkish Trade Agreements

The Institute of Export has received from its Trade Agreements Committee a "tentative report" on the Anglo-Turkish Trade Agreements. The report, which embodies the result of a study of these agreements from 1935 onwards, is intended to provide a standard by which to judge the utility of trade agreements in general. The conclusion it reaches is that "elementary errors" in the original agreements, by no means all of which were corrected in the subsequent agreements, are "a lamentable reflection on the capacity of the persons responsible for the negotiation of the agreements on behalf of the trading community of this country." The report lays down some eleven conditions which such an agreement should fulfil, exclusive of the paramount consideration, not in their view realised, that it must work. It then sets out to demonstrate that none of these conditions has been complied with, and finally makes a list of constructive suggestions as bases for a new agreement.

These suggestions include the formation of Anglo-Turkish committees of experienced business men in each country; the limitation of the agreement to normal commercial exchanges; the confining of the agreement to the products of the two countries concerned and its extension to cover all of these, whether imported directly or indirectly; a proper ascertainment of the percentage of the value of Turkish goods imported into this country to be set aside to cover the cost of freight and insurance provided by the United Kingdom; the elimination as far as possible of the quota system; the prevention of any substantial disequilibrium which might lead to serious delays in payments; and provision for payment by bank credits through the clearing. Most of these suggestions are intended to remedy serious defects which have made themselves felt in the existing agreements. It is not yet known to what extent they have been embodied in the new agreement between the two countries which was recently announced.

COMMODITY AND INDUSTRY NEWS

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended Nov. 23, 1940	Nov. 30, 1940	Dec. 2, 1940	Nov. 30, 1939	Nov. 30, 1940
N. America	585	523	8,384	6,639	
Argentina, Uruguay	268	203	7,703	3,845	
Australia	...	...	612†	...	
Russia	20	64	114	84	
Danube and district	...	...	2,537	182	
Other countries	...	...	311	...	
Total	873	790	19,661	10,750	

* Unobtainable. † Incomplete.
Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended Nov. 23, 1940	Nov. 30, 1940	Dec. 2, 1940	Nov. 30, 1939	Nov. 30, 1940
Argentina	50	39	11,920	5,803	
Atlantic America	144	53	1,197	2,662	
Danube Region	...	...	1,124	678	
S. & E. Africa	...	...	2,708	1,117†	
Indo-China, etc.	...	...	1,176	91	
Total	194	92	18,145	10,351	

* Not received. † Incomplete since October 26th.
Source: The Corn Trade News.

Rubber.—Under a Board of Trade Order of December 4th export licences will be necessary from December 12th for the shipment of the principal varieties of rubber to all destinations. It has previously been possible to export rubber to the Empire without licence. The price of rubber on the London market has been firmer this week with increased demand from consumers and reached 1s. per lb.

Oils and Oilseeds.—Conditions are without material change. The linseed market has been quiet since Indian shippers raised their quotations. The new Argentine crop, however, is now coming on to the market and a small business on United Kingdom account for December-January shipment is reported around £11 10s. per ton delivered. With the smaller acreage sown some reduction from last season's total yield may be expected.

THE ECONOMIST SENSITIVE PRICE INDEX (1935 = 100)

	Dec. 5, 1940	Dec. 6, 1940	Dec. 9, 1940	Dec. 10, 1940	Dec. 11, 1940
Crops	101.2	101.2	105.8	105.7	105.3
Raw materials	165.1	165.8	165.8	165.9	166.2
Complete Index	129.6	129.5	132.4	132.4	132.3

	Mar. 31, 1937*	Aug. 1939	Dec. 1939	Nov. 1940	Dec. 1940
Crops	147.9	92.2	122.1	101.7	101.3
Raw materials	207.3	122.9	133.7	165.7	165.8
Complete Index	175.1	106.4	129.2	129.8	129.6

* Highest level reached during the 1932-37 recovery.

Shipments of Argentine linseed from January 1st to the end of November were 818,000 tons, compared with 1,292,600 tons in the same period of 1939. The total included 466,000 tons for Europe, as against 884,600 tons. Releases of oilseeds and meals for dairy stock for December are 70 per cent. of the monthly average prior to June, 1939.

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

	Average Daily Sales	Stocks (at cost) end Oct.
	1940	
Aug.		
Sept.		
Oct.		

(a) By Commodities

Non-Food Merchandise	%	%	%	%
Piece-goods	+29.6	-14.3	+36.3	+30.9
Women's wear	+30.0	+16.4	+26.6	-0.2
Men's and boys' wear	+21.5	+27.7	+27.1	+18.4
Boots and shoes	+32.1	+10.0	+40.0	+1.4
Furnishing departments	+15.9	-0.2	+15.1	+27.2
Hardware	+13.4	+4.4	+1.3	+17.8
Fancy departments	+2.8	-5.2	+17.2	+19.0
Sports and travel	+1.1	-8.3	+52.9	+6.6
Miscellaneous	+33.0	-0.9	+4.1	+24.4

Total — Non-Food Merchandise	+21.0	+6.7	+20.9	+14.6
Food & Perishables	+5.4	-11.5	-5.2	+42.2

Total — All Departments	+10.8	-5.2	+6.8	+17.4
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(b) By Districts

Scotland	+12.9	+12.1	+23.9	+5.5
North-East	+11.2	+7.1	+15.7	+20.3
North-West	+11.6	+4.3	+17.2	+19.6
Midland & S. Wales	+12.1	+5.6	+15.4	+26.2
South England	+9.2	-9.1	+4.9	+18.7
Central & West End London	-20.2	-20.7	-8.6	+11.7
Suburban London	+5.4	-2.2	-7.7	+36.1

Source: Board of Trade Journal.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture)			Percentage of insured persons (aged 16-64) unem- ployed (incl. agriculture)
	Total	Index, adjusted for seasonal variations	Of whom wholly unem- ployed	
	'000	1935 = 100	'000	%
1939				
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	5.2
Aug. 12	799	39.7	613	5.0
Sept. 16	830	41.2	614	...
Oct. 14	835	41.4	635	...
Nov. 11	791	38.8	603	...

Publication of estimates of number of insured persons aged 16-64 in employment in Great Britain suspended in September, 1939, was 12,100,000. * From July 1940 excludes unemployed persons attending training centres; their inclusion raises the total in July to 835,000.

Source: Ministry of Labour.

Hot Bovril - cheers!

A piping hot cup of Bovril puts you on top of your form. Instead of feeling cold-and-weary, Bovril makes you warm-and-cheery.

Be strong yourself and by your example comfort and cheer others around you.

COMPANY MEETINGS

GUY MOTORS, LIMITED

FURTHER PROGRESS

EFFICIENCY OF GUY VEHICLES

The twenty-fifth annual meeting of Guy Motors, Limited, was held, on the 5th instant, at the Victoria Hotel, Wolverhampton.

Mr Sydney S. Guy, the Chairman, said: With your permission I will as usual take the balance sheet as read and will deal with the details.

On the assets side of the balance sheet there are not any very large fluctuations in the figures of the various items other than the bank balance and cash in hand, which has increased from £76,665 to £88,869.

On the other side of the account no alteration has taken place in the capital.

RESERVE INCREASED TO 75 PER CENT. OF CAPITAL

The total reserves have been increased to £150,000, representing an amount equal to approximately 75 per cent. of the share capital.

In the profit and loss account the depreciation and maintenance of buildings, plant, machinery, tools, etc., show an increase.

This is occasioned by the fact that we have been working double shifts and a large amount of overtime. The amount which the Inland Revenue allow for depreciation in these circumstances is totally inadequate, and is aggravated by the fact that the long hours for which the plant and machinery is being used prevents the usual amount of regular maintenance being given, and this, together with the effect of being forced to employ new and unskilled labour, inevitably results in more rapid depreciation than would otherwise be the case. Your directors have, therefore, provided what they consider should be adequate depreciation in the prevailing circumstances.

The balance of profit of £52,461 shows a small increase on last year's figure, but is arrived at after making provision for Excess Profits Tax and also after providing for stock obsolescence.

It is obvious that interruption in our normal activities due to the war is bound to make some of the stock of doubtful value, and such items have been adequately written down or written off.

DIVIDENDS MAINTAINED

On turning to the directors' report you will notice that the total dividend on the participating preference stock is $7\frac{1}{2}$ per cent., less income tax, and your directors recommend a dividend on the ordinary stock of 15 per cent., less income tax. Both these dividends are the same as those paid in the previous three years.

Your directors also recommend setting aside £5,000 for the staff profit-sharing bonus, which is an increase of £2,000 on last year's figure. I would here like to say how much the directors appreciate the loyal manner in which the staff, like the employees, have devoted themselves to the interests of the company, working exceptionally long hours without a grumble. The employees are, of course, paid by results, and it is only fair that the staff, on a fixed remuneration, should have some practical recognition of their extra efforts.

You will also notice that the directors recommend a reserve of £7,500 for obsolescence and deferred repairs. I have already referred to the advisability of this course in dealing with the general question of depreciation.

It is also recommended to reserve £10,000 for the development of new models and the reorganisation which will be necessary for production when happier conditions of peace will allow.

Your directors feel it would be grossly unfair to saddle the first post-war year with the whole cost of any new designs and reorganisation for production, and that the only prudent and reasonable course is to reserve for and spread such expenditure over other years, and as far as possible in those years in which such expenditure would normally have been made.

Your directors are very concerned about the working of the Excess Profits Tax, and whilst they agree wholeheartedly that abnormal profits should not be made out of the country's misfortunes, they do feel most strongly that proper and adequate allowances should be made by the authorities, both for income tax and Excess Profits Tax, on those items to which I have already referred.

If this is not done it is possible that a company which in 1939 was in a healthy position, having worked efficiently, might emerge from the war in a very much less favourable position, having been

denuded of much working capital through taxation and totally inadequate allowances on its wasting assets.

Our staff and employees have responded excellently to all the various auxiliary services and are most efficient, and the directors are grateful for their efforts.

During the year, in an endeavour to combat any ill effects of working in partially or entirely blacked-out conditions, coupled with long hours, the company has installed a system of ultra-violet ray treatment, which is giving excellent results and is much appreciated.

The wisdom of the company in consistently adhering to the policy of building Guy vehicles for "Long Life and Low Running Costs" is being more than ever appreciated by our customers during the present difficult times, when it is impossible to obtain new vehicles. Many people have asked us how we account for the apparent increase in the number of Guy vehicles on the road to-day; the reply is generally that the number of Guy vehicles in civilian use this year has not increased, but, as the proportion is certainly greater, the only conclusion one can draw is that the Guys continue to perform satisfactorily whilst some of the others have faded out.

In conclusion I would say the works are fully employed and have orders on hand which ensures the continuance of this position for a considerable time ahead. Your company has done much good work in the national interest, but you will appreciate that the record of this will have to be deferred until we have won the war.

On proposing the re-election of Mr W. E. Bullock to the board, Mr Guy paid a tribute to the magnificent work which he had put in since he joined the company in 1937. Mr Bullock's re-election was confirmed, the balance sheet and accounts were unanimously adopted, and the meeting closed with a vote of thanks to the chairman.

DORMAN, LONG AND COMPANY, LIMITED

EFFECT OF INCREASED COSTS

VISCOUNT GREENWOOD'S REVIEW

The Chairman, the Rt. Hon. Viscount Greenwood, P.C., in the course of his speech at the fifty-first ordinary general meeting of the company held at Leeds on the 10th instant, made the following remarks:—

Since I last addressed you we have experienced the results of the rapidly changing conditions abroad and the unprecedented demands for our products at home. In spite of all the difficulties which have been encountered we have been able to meet the demands placed upon us by the Government. For this, great credit is due to the managers and other officials who have set a splendid example to the staffs and workpeople by their devotion to duty and unfailing resource. We therefore face the future with confidence, reinforced by the co-operation, courage and efficiency of our army of fellow-workers.

INCREASED COSTS

Although the year has been one of maximum outputs in practically all departments, the profits have not been commensurate with the efforts which have been put forward. As stated in the directors' report, this is accounted for by increases in costs which have occurred during the last four months of the year. These increases in costs are due to several causes, all of which are outside the control of the company. Some of the causes are increased wages, increased railway rates and increased prices of materials and stores. To some extent, also, increased costs have arisen from the inability of the company to obtain its normal supplies of raw materials from Sweden and North Africa.

INCREASE IN STEEL PRICES

Since the end of our year steel prices have been increased as from November 1st. Part of the increase is to be paid into a central fund of the Ministry of Supply, which is used to stabilise prices of imported ores, scrap, pig iron and semi-finished and finished steel products. The remainder is to meet increases in costs which had already occurred, but it is doubtful whether the increases in costs have been covered.

We have provided as usual for all taxation based on the profits of the year.

PROVISION FOR DEPRECIATION

The provision for depreciation has been reduced to £275,000, which is approximately equal to the wear and tear allowance for taxation purposes. So far as possible we have continued to make improvements to our plant and equipment and to keep the whole of it in a proper state of repair.

In past years I have given you particulars of production figures for our various departments. Under present circumstances this is not permissible, but I can say these figures are satisfactory. Indeed, they are remarkable having regard to the conditions.

In this grim period of our history our great company is doing everything possible to support the Government and the Empire in our fixed determination to win through to victory. One look at the map makes clear some of the difficulties we have passed through, and must face in the future. We are proud of our company's record, and never more proud than now.

The report and accounts were adopted.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

SATISFACTORY RESULTS

The annual general meeting of the Consolidated Gold Fields of South Africa, Limited, was held, on the 5th instant, in London.

Mr H. C. Porter, the chairman, who presided, said: In the profit and loss account of New Consolidated Gold Fields, Limited, dividends, profit, etc., amount to £739,218, against £1,070,327, a decrease of £331,109. Profits on sales of investments declined by £140,201, while the revenue from dividends, which has increased continually for the last six years, shows a decline this year of £156,361, the main reason being the absence of a dividend from Gold Fields American, which last year paid £169,125.

The profit carried to the appropriation account at £663,639 compares with £997,048 last year, mainly due to the reduction in dividends and profits on sales already mentioned. In order to reduce holdings to market prices, or directors' valuation in the case of unquoted securities, it has been found necessary to provide the sum of £1,370,000 as a reserve for depreciation. Towards providing this amount £1,000,000 has been transferred from general reserve.

Bringing in the balance of £228,228 from last year, and after providing out of profits the balance of the £370,000 still required to meet depreciation, there remains an available balance of £282,651, out of which a dividend of 1s. per share, less tax, has been declared, costing £120,626 and making, with the interim dividend of 9d. per share, 1s. 9d., or $8\frac{1}{4}$ per cent., for the year, against $16\frac{1}{4}$ per cent. last year.

There is available a sum of £39,602 to the credit of your company's profit and loss account, representing the accumulation of interest paid on the current account between the two companies. It has been decided that the charging of interest in this case is unnecessary, and it has ceased from July 1, 1939. This balance, with the dividend from the new company just mentioned, enables us to recommend a final dividend of 1s. 3d. per share, making 2s., or 10 per cent., for the year, against $16\frac{1}{4}$ per cent. last year. This dividend, less tax, will cost £150,555, and the carry-forward will be reduced to £9,673.

Reverting to New Consolidated Gold Fields Limited, the liquid position, including gilt-edged securities at book value, shows an increase of £455,000, due to the profit for the year, plus excess of sales over purchases, having exceeded dividends paid. These accounts cover a period of 10 months of war, but its shadow was cast before the actual outbreak of hostilities, and the months of July and August, 1939, were characterised by an uneasiness which was reflected in Stock Exchange values.

The most pronounced fall took place between the middle of May and the end of June, and as our accounts are made up to the 30th of the latter month our depreciation assumed the proportions to which I have already referred. Had our financial year ended two months earlier this figure would have been reduced by no less a sum than £1,000,000.

Within a short period of the closing of our accounts a marked change for the better in market prices came about, and the amount which we have provided for depreciation is largely in excess of that which would be necessary to-day.

In January this year the Witwatersrand Gold Producers' Com-

mittee submitted a considered statement to the Minister of Finance in which it was suggested that the levy should be replaced by a tax on profits. Having given due consideration to these representations, and to the information supplied to him by the Department of Mines, the Minister of Finance framed his Budget on the lines mentioned in our report.

The report and accounts were unanimously adopted.

STRAND HOTEL, LIMITED

EFFECT OF WAR CONDITIONS

The thirty-third annual general meeting of Strand Hotel, Limited, was held, on the 5th instant, at the Trocadero Restaurant, London.

Major M. Gluckstein (the chairman) said that during the whole of the year covered by the accounts they were trading under war conditions, and throughout the period the volume of their business reflected from time to time the effect of the war on the life of London. The drastic changes in the routine of the Metropolis during the first few months of the war had brought about a marked reduction in their receipts. London, however, gradually adjusted itself to wartime conditions and their business made a recovery until the air attacks brought about another setback. In the aggregate, their business during the year was much below normal.

Taking all factors into account, he thought they must regard as not unsatisfactory the balance which appeared in the profit-and-loss account, namely, £56,000.

Despite the conditions obtaining during the year, the volume of their business was still very substantial, and there could be no doubt of the unabated popularity of their hotels. An important point in their favour was that the buildings were of steel construction, with commodious public rooms below ground-floor level for the protection of guests during air attacks.

As to the prospects for the current year, they were satisfied that their hotels would continue to attract their due share of available business; and if they were in a position next year to place before shareholders figures no worse than those they had dealt with that day, and their capital assets remained intact, they would feel that they had no reason to complain.

The report was adopted.

J. BROCKHOUSE AND COMPANY, LIMITED

INCREASED TURNOVER AND PROFIT

The forty-third general meeting of J. Brockhouse and Company, Limited, was held, on the 11th instant, at West Bromwich.

Mr J. T. Brockhouse, J.P. (chairman and managing director), said that he hoped that the year's results were a very pleasant surprise to the shareholders and, all things being equal, he saw no reason why next year's results should not be a further pleasant surprise. Although the balance sheet showed a substantial increase of 50 per cent. profit more than shown in last year's fine record, in case some people should jump to the conclusion that it was purely a war profit, or that they were profiteering, there were good reasons why that was not so. All branches and subsidiary companies had shown a profit for the past year, and those, added together, showed what might be considered to be a fair standard of profit for the company. Another reason for that increase was partly due to the war and that was the enormous expansion in their turnover, which had not yet reached its peak, and which had been attained by the working of additional shifts and hours and generally working up to war speed.

On the consolidated profit and loss account the trading profit had now reached £611,000, compared with £415,000 last year and £172,000 the year before, both of which were record years. The sum to be allocated was £429,758. The board recommended the transfer of £225,000 to taxation reserve, making a total of £520,356 in reserve for that purpose, and the payment of a final dividend of $12\frac{1}{2}$ per cent. on the ordinary stock, making 20 per cent. for the year. That would be on the increased capital of £700,000 ordinary stock and would leave them with an increased carry-forward amounting to £127,764, which was £32,286 more than last year.

Whilst not attempting to prophesy, he would say that prospects were bright and that they would always give their utmost effort in order to show as good results as possible. He felt that he could present the balance sheet for approval, satisfied that the assets of the company were on a very sound and solid basis, and that everything was done to safeguard and protect their capital.

The report was unanimously adopted.

WANKIE COLLIERY COMPANY, LIMITED

INCREASED GROSS PROFIT RECORD COAL PRODUCTION

The seventeenth ordinary general meeting of the Wankie Colliery Company, Limited, was held, on the 10th instant, at Winchester House, Old Broad Street, E.C.4, Sir John R. Chancellor, G.C.M.G., G.C.V.O., D.S.O. (chairman and joint managing director), presiding.

The secretary (Mr H. M. Lewis) having read the notice convening the meeting and the auditors' report,

The chairman, in dealing with the accounts, said:—The increase in current liabilities and provisions is chiefly due to our bringing our accounts further into accord with modern practice whereby we have provided, in addition to our legal liability, an additional £10,000 for taxation. It is our intention to make further additions to this taxation reserve as and when the opportunity arises so that in due course we shall be in the position of having a reserve to meet our taxation liability on the accounts submitted to the members each year.

OUTPUT AND RESERVES

Coal sales amounted to 1,115,117 tons, which was a record production, the increase being about 142,000 tons when compared with the previous year.

Coke sales also showed a substantial increase, the total sales amounting to 66,401 tons compared with 33,679 tons in the previous year. The tonnage of coke sold is the highest in any year for the past ten years; the increase was due to the Union Minière du Haut Katanga requiring additional supplies.

Coal reserves proved by actual development amounted to 13,110,000 tons at No. 1 Colliery, an increase of 519,000 tons over the previous year, and at No. 2 Colliery 6,846,000 tons, an increase of 1,081,000 tons, a total increase of 1,600,000 tons.

There was no change of any particular importance in mining conditions at No. 1 Colliery; the quality of the seam and general comparative freedom from dirt bands or any serious faulting remained as in previous years. The thickness of the seam in different parts of that portion of the mine being worked varied from about 8 ft. to 16 ft. It is estimated that about 40½ million tons remain to be worked within a radius of two miles from the pit bottom. At No. 2 Colliery the thickness of the seam worked continues to be about 25 feet. Variations, however, occur in accordance with the ground encountered and in the quality of the coal in the upper portion of the seam.

THE PLANT

All the plant both at No. 1 and No. 2 Collieries is in good working order. At No. 2 Colliery the capacity has been increased by the addition of a third screening unit. Certain further conveyor plant remains to be completed at this installation to enable the whole output from the additional screens to be diverted to the crushing plant when necessary. An extension of the washing plant, increasing its capacity to 120 tons per hour, has also been completed.

In connection with coke production at No. 1 Colliery, certain construction work was undertaken, including dumping gantries and the installation of a special screen and conveyors in order to permit of better sorting of the coke.

In conclusion, I am happy to inform you that the business of the company shows a substantial increase, as is evidenced by the gross profit of £216,767, compared with £179,705 in the preceding year. In view, however, of the effect of the heavy taxation, both in London and Rhodesia, the board cannot recommend the payment of a dividend of more than 5 per cent.

I now beg to move: "That the directors' report and statement of accounts to the 31st August, 1940, submitted to this meeting, be and they are hereby approved and adopted, and that a dividend of 5 per cent., less income tax, as recommended by the directors, be declared for the year ended 31st August, 1940."

Mr S. H. Boileau (joint managing director) seconded the resolution, which was carried unanimously.

The chairman then proposed the re-election of Mr A. R. Thomson O.B.E., J.P., M.I.M.E., as a director of the company, which was seconded by Mr William Rhodes and passed unanimously.

The auditors, Messrs Cooper Brothers and Company, were re-appointed and the proceedings terminated.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

STATEMENT BY THE CHAIRMAN (MR A. CHESTER BEATTY)

The sixteenth annual general meeting of Consolidated African Selection Trust, Limited, is to be held on December 18, 1940, at Selection Trust Building, Mason's Avenue, London.

The accounts show that the net profit for the year ended June 30, 1940, was £413,011, compared with £266,054 for the preceding year. Adding the balance of profit brought forward, namely, £41,021, there is a disposable total of £459,032, and the debit side of the appropriation account shows how that sum has been applied. The three largest appropriations are £131,558 to provide for taxation, £100,000 transferred to general reserve, and £150,812 for dividends on the ordinary stock. The last item includes the final dividend, which the directors recommend should be paid on December 23rd at the rate of 3d., free of income tax, per 5s. unit of ordinary stock. This will make a total distribution for the past financial year of 6d., free of tax, per unit of stock.

Our subsidiary company, Sierra Leone Selection Trust, Limited, had another satisfactory year.

The diamond market, which suffered a sharp setback following the outbreak of war, recovered and remained strong in the first part of 1940, but collapsed when the Low Countries were invaded. Since then there has been an improvement.

The diamonds obtained from our mines in Sierra Leone and the Gold Coast are used either as gems or for industrial purposes. The gem stones are by far the more important from the point of view of revenue and serve a valuable wartime purpose in that their sale to other countries produces substantial amounts of foreign exchange. The diamonds required for industrial purposes, although greater in quantity, produce a much smaller revenue. They are an important and essential commodity in the manufacture of war supplies.

The general position of our business is very satisfactory, and in our strong financial position we are able to face these troublesome times with confidence.

THE CANADIAN BANK OF COMMERCE

RECORD INDUSTRIAL ACTIVITY

At the annual meeting of The Canadian Bank of Commerce in Toronto, on the 10th instant, the President, Mr S. H. Logan, and the General Manager, Mr A. E. Arscott, stressed the great economic strength of Canada and her ability to increase production in the most eventful and momentous year in history. The general manager stated that for the second year in succession industrial activity had reached an all-time peak, being 20 per cent. above 1939 and nearly one-third higher than in the previous record year of 1937. Working men's wages had increased in the past year by about 30 per cent., or nearly \$400,000,000. The forestry industry has progressed since Canada has now become the principal source of lumber, pulp and paper for the United Kingdom, United States and Latin America.

Canada's gold production this year is estimated at \$215,000,000. Production of non-ferrous metals is at a record level. Total mineral production this year will probably reach its highest figure at \$500,000,000.

The president referred to the tremendous impetus given to Canada's trade and industry from British and Canadian war orders totalling over \$850,000,000.

Canada's export trade has increased by 12 per cent. in volume and 28 per cent. in value, the highest for ten years. Essential materials are being exported to the United Kingdom. Never has Canada had greater economic satisfaction than that the growth of mining, manufacturing and forestry enabled these industries to contribute necessary war materials. The president stressed the fact that the purchase of British goods is of major aid in Britain's fight.

Both the president and the general manager paid high tribute to the daring exploits of British air, naval and military units, as well as to the unexampled courage of British civilians, to whom all free nations owe an imperishable debt of gratitude, and expressed their confidence that the British Empire, aided by powerful liberty-loving friends, can resist onslaughts upon it and eventually triumph over the most destructive war machine ever designed for conquest and supremacy.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended December 7, 1940, total ordinary revenue was £23,725,000, against ordinary expenditure of £110,175,000 and issues to sinking funds of £145,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,756,639,000, against £561,340,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Dec. 9, 1939	Apr. 1, 1940, to Dec. 7, 1940	Week ended Dec. 9, 1939	Week ended Dec. 7, 1940
ORDINARY REVENUE					
Income Tax...	510,500	97,818	166,984	2,425	5,681
Sur-tax...	83,000	12,420	19,297	530	850
Estate, etc.					
Duties...	86,100	53,540	52,836	1,170	665
Stamps...	19,000	11,440	9,378	...	...
N.D.C. ...	70,000	17,980	14,497	640	480
E.P.T. ...			38,472	...	1,500
Other Inland Revenue ...	1,000	480	310	...	...
Total In. Rev.	769,600	193,678	301,774	4,765	9,176
Customs ...	309,350	185,350	208,338	5,440	7,326
Excise ...	213,550	89,548	126,100	2,028	3,835
Total Customs and Excise...	522,900	274,898	334,438	7,468	9,152
Motor Duties P. O. (Net Receipts)	35,000	9,821	12,988	138	163
Crown Lands Receipts from Sundry Loans	13,291	6,954	9,300	500	1,000
Misc. Receipts	1,150	940	800	...	...
Total Ordinary Revenue ...	1,360,191	502,823	681,429	13,138	23,725
SELF-BAL. Post Office and Broadcasting	86,222	53,096	57,000	950	1,500
Total.....	1,446,413	555,919	738,429	14,088	25,225
Issues out of the Exchequer to meet payments (£ thousands)					
Expenditure	Estimate, 1940-41	Apr. 1, 1939, to Dec. 9, 1939	Apr. 1, 1940, to Dec. 7, 1940	Week ended Dec. 9, 1939	Week ended Dec. 7, 1940
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	185,434	191,275	8,972	29,290
Payments to N. Ireland ...	9,400	5,258	5,487	296	299
Other Cons. Fund Serv.	7,600	3,803	3,776	...	6
Total.....	247,000	194,495	200,538	9,268	29,595
Supply Serv. ...	321,970	862,956	223,048	34,571	80,580
Total Ordinary Expenditure	568,970	1,057,451	423,586	43,839	110,175
SELF-BAL. Post Office and Broadcasting	86,222	53,096	57,000	950	1,500
Total.....	655,192	1,110,547	480,586	44,789	111,675

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £42,184 to £2,596,302, the other operations for the week (no longer shown separately) raised the gross National Debt by £86,732,350 to about £10,705 millions.

OTHER ISSUES AND RECEIPTS

OTHER ISSUES (NET) (£ thousands)		OTHER RECEIPTS (NET) (£ thousands)	
P.O. and Telegraphs	400	Land Settlement	19
Overseas Trade	79	Repayments	365
Guarantees	479	Tithe Act Repayments	384

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to December 7, 1940, are:—

Ordinary Exp. 2,431,636		Ord. Revenue 681,429	
Misc. Iss. (net)	8,610	Gross. borr. 1,765,450	
Inc. in balances	201	Less—	
		Sinking fds.	7,032
		Net borrowing	1,758,418
	2,439,847		2,439,847

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date	Tender	Tap	Public Depts.	Bank of England			
1939							
Dec. 9	725.0	693.0	55.0	...	...	1,473.0	
1940							
Sept. 7	836.0	...	Not available	...	...	...	
" 14	836.0	...	"	"	"	"	
" 21	836.0	...	"	"	"	"	
" 30	836.0	1085.1	91.5	...	124.0	2136.7	
Oct. 5	836.0	...	Not available	...	...	...	
" 12	836.0	...	"	"	"	"	
" 19	836.0	...	"	"	"	"	
" 26	840.0	1145.9	69.0	7.7	199.5	2262.2	
Nov. 2	845.0	...	Not available	...	...	...	
" 9	845.0	...	"	"	"	"	
" 16	845.0	...	"	"	"	"	
" 23	845.0	...	"	"	"	"	
" 30	845.0	1238.6	87.5	...	269.5	2440.5	
Dec. 7	845.0	...	Not available	...	...	...	

TREASURY BILLS

Amount (£ millions)		Average Rate %		Per Cent. Allotted at Minimum Rate	
Date of Tender	Offered	Applied for	Allotted		
1939					
Dec. 8	65.0	94.6	65.0	24	6.48
1940					
Sept. 6	65.0	125.8	65.0	20	7.01
" 13	65.0	124.7	65.0	20	6.72
" 20	65.0	123.5	65.0	20	7.06
" 27	65.0	131.9	65.0	20	6.33
Oct. 4	65.0	122.5	65.0	20	4.63
" 11	65.0	127.0	65.0	20	4.60
" 18	65.0	129.8	65.0	20	4.61
" 25	65.0	135.3	65.0	20	4.41
Nov. 1	65.0	147.3	65.0	20	4.11
" 8	65.0	139.6	65.0	20	4.36
" 15	65.0	140.8	65.0	20	4.56
" 22	65.0	131.8	65.0	20	5.15
" 29	65.0	152.2	65.0	20	5.23
Dec. 6	65.0	140.7	65.0	20	1.99

On December 6th applications at £99 15s. per cent. for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 54 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday were accepted in full. £65.0 millions of Treasury bills are being offered on December 13th. For the week ending December 14th the banks will be asked for Treasury deposits to the maximum amount of £15.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended		N.S.C.		3% Bonds		2½% Bonds	
Oct. 29	3,878	2,971	9,539				
Nov. 5	3,028	3,086	18,440				
" 12	5,071	3,475	17,521				
" 19	5,332	4,112	14,913				
" 26	6,055	5,331	16,240				
Dec. 3	4,404	4,343	26,411				
" 10	...	...	20,778				
Totals to date	190,814*	187,563*	400,702†				

* 54 weeks. † 25 weeks.

Interest free loans received by the Treasury up to December 10th amounted to 10,942, of a total value of £24,509,956. From the beginning of the campaign up to November 30th, principal of Savings Certificates to the amount of £25,272,000 has been repaid.

BANK OF ENGLAND RETURNS

DECEMBER 11, 1940

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt. £	
In Circula. ...	604,540,284	Other Govt. Securities ..	615,250,031
In Bnkg. Department..	25,701,291	Other Secs...	3,726,329
		Silver Coin..	8,540
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
	630,241,575		630,241,575

BANKING DEPARTMENT

Props. Capital £		Govt. Secs. £	
Capital	14,553,000	Other Govt. Securities ..	149,832,838
Rest	3,271,015	Discs., etc...	3,918,405
Public Depts.*	11,430,363	Securities...	20,824,453
Other Depts.:		Notes	24,782,858
Bankers'	115,902,576	Gold & Silver Coin	1,174,413
Other Accis.	51,294,446		
	167,197,022		
	201,451,400		201,451,400

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

THE WEEK'S CHANGES

Both Departments		Compared with	
	Amt. Dec. 11, 1940	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	604,540 +	6,289 +	59,420
Deposits: Public	16,430 -	5,523 -	29,374
Bankers'	115,903 +	10,114 +	28,164
Others	51,294 -	313 +	10,637
Total outside liabilities ..	788,167 +	10,567 +	68,846
Capital and rest	17,824 +	17 -	54
COMBINED ASSETS			
Govt. debt and securities†	776,098 +	10,065 +	73,729
Discounts and advances	3,918 +	59 -	1,461
Other securities	24,551 +	322 -	2,951
Silver coin in issue dept.	9 -	3 -	654
Coin and gold bullion ...	1,416 +	141 +	130
Reserves			
Res. of notes and coin in banking department..	26,876 -	6,148 -	9,290
"Proportion" (reserve to outside liabilities in Bnkg. dept.)	14.6% -	3.8% -	6.1%

COMPARATIVE ANALYSIS*

(£ millions)					
	1939	1940			
	Dec. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11
<i>Issue Dept :</i>					
Notes in circ.	545.1	592.7	593.3	598.3	604.5
Notes in banking dept.	35.1	37.6	36.9	32.0	25.7
Govt. debt and securities† ...	576.3	626.6	626.3	626.2	626.3
Other securities ...	3.1	3.4	3.7	3.8	3.7
Silver coin ...	0.7	0.0	0.0	0.0	0.0
Gold, valued at s. per f. oz. ...	0.2	0.2	0.2	0.2	0.0
	168.00	168.00	168.00	168.00	168.00
<i>Deposits :</i>					
Public	45.8	22.4	27.1	22.8	16.4
Bankers' ...	87.7	112.4	110.8	105.8	115.9
Others ...	40.7	51.4	50.2	51.6	51.3
Total	174.2	186.2	168.2	179.4	183.6
<i>Bkg. Dept. Sect. :</i>					
Government...	126.2	140.8	137.3	139.8	149.8
Discounts, etc.	5.4	3.9	6.9	3.9	3.9
Other	24.4	20.8	23.9	20.4	20.8
Total	156.0	165.5	168.1	164.1	174.5
<i>Banking dept. reserve</i>					
	36.2	38.3	37.8	33.0	26.9
	%	%	%	%	%
"Proportion"	20.7	20.5	20.1	18.4	14.6

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, of June 15th; Java, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 26th; Estonia and Portugal, of October 26th; Argentina, of Nov. 9th; Mellic Iran and Turkey, of Nov. 23rd; U.S. Reporting Member Banks, Australia, Bulgaria, Egypt, Lithuania and Roumania, of Nov. 30th; South Africa, Jugoslavia and Canada of Dec. 7th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Dec. 7, 1939	Nov. 28, 1939	Nov. 5, 1939	Dec. 5, 1939
RESOURCES				
Gold cert. on hand and due from Treas.	13,998	19,192	19,516	19,595
Total cash reserves	15,209	19,807	19,856	19,881
Total U.S. Govt. secs.	2,512	2,231	2,201	2,171
Total bills and sec.	2,532	2,233	2,216	2,207
Total resources	18,623	23,015	22,981	22,979
LIABILITIES				
F.R. notes in circ.	4,900	5,670	5,703	5,773
Excess m. bank res.	5,150	6,800	6,930	6,820
Mr. bank reserve dep.	11,617	14,127	14,202	14,154
Govt. deposits	346	310	199	255
Total deposits	12,748	16,185	16,176	16,117
Total liabilities	18,623	23,015	22,981	22,979
Reserve ratio	86.7%	90.6%	90.8%	90.8%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	17,408	21,716	21,755	21,827
Treas. and bk. currency	2,949	3,066	3,069	3,071
LIABILITIES				
Money in circulation	7,545	8,436	8,465	8,569
Treas. cash and dep.	2,737	2,498	2,381	2,459

NATIONAL BANK OF HUNGARY

Million pengos	Oct. 7, 1939	Aug. 7, 1940	Sept. 7, 1940	Oct. 7, 1940
ASSETS				
Metal reserve	124.1	124.1	124.1	124.1
Gold coin and bullion	62.8	52.2	48.9	41.5
Foreign exchange	641.8	710.3	824.2	780.1
Advances to Treasury	342.8	336.5	337.6	503.1
LIABILITIES				
Notes in circulation	1031.8	1087.1	1171.2	1320.6
Sight liabilities	217.0	170.0	205.4	178.5
Cash certificates	93.5	86.8	86.3	86.8

BANK OF SWEDEN—Million kronor

	Oct. 7, 1939	Sept. 7, 1940	Sept. 24, 1940	Oct. 7, 1940
ASSETS				
Gold reserve	641.1	641.1	648.1	637.5
Secondary cover	292.7	735.9	704.5	696.9
Swedish assets	676.1	696.7	701.7	755.4
LIABILITIES				
Notes in circulation ..	1179.6	1105.6	1170.0	1401.9
Deposits: Government ..	341.3	184.0	174.8	176.9
Banks & others	367.2	173.0	205.2	246.5

BANK FOR INTERNATIONAL SETTLEMENTS—(Million Swiss gold francs of 0.20 grammes)

	Oct. 31, 1939	Aug. 31, 1940	Sept. 30, 1940	Oct. 31, 1940
ASSETS				
Gold in bars	17.5	29.4	19.0	19.0
Cash	15.9	38.9	31.7	40.0
Commercial bills	13.8	15.4	11.9	15.2
Treasury bills	109.5	117.4	114.0	111.5
Time funds at interest	26.0	21.3	21.3	32.1
Sundry bills & invests.	21.3	208.4	216.2	143.6
LIABILITIES				
Deposits—Annuity	153.1	152.7	152.7	152.7
German	21.7	23.2	22.6	76.3
Central banks	1.6	0.8	1.2	30.5
Other	10.7	15.8	14.7	33.2
Gold				

RESERVE BANK OF NEW ZEALAND

	Oct.	Sept.	Sept.	Oct.
	1939	1940	1940	1940
ASSETS				
Gold and stg. exch.	8.43	12.90	12.79	12.20
Advances to State	22.19	27.07	28.02	27.84
Investments	3.71	2.55	2.55	2.55
LIABILITIES				
Bank Notes	17.00	20.10	20.12	20.11
Demand liab. : State	1.99	5.00	5.57	5.39
Banks and others	13.60	15.59	15.71	15.26
Reserves to sight liab.	25.85	31.70	30.87	29.97

RESERVE BANK OF INDIA

Million rupees				
	Dec. 1939	Nov. 1940	Nov. 32, 1940	Nov. 29, 1940
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	691	403	306	310
Balances abroad	166	437	449	499
Sterling securities	825	1,315	1,315	1,315
Indian Gov. rupee sec's	373	499	496	496
Investments	69	78	77	77
LIABILITIES				
Notes in circ'n., India	2,117	2,194	2,181	2,181
Burma	103	113	110	110
Deposits: Govts.	139	130	158	225
Banks	192	523	498	492
Reserve ratio	54.4%	68.8%	68.7%	68.6%

BANK OF JAPAN—Million yen

	Oct. 28, 1939	Oct. 5 1940	Oct. 12 1940	Oct. 26, 1940
ASSETS				
Coin & bullion : Gold.....	501.3	501.3	501.3	501.3
Other	48.1	24.2	25.6	24.7
Foreign exch. fund.....	300.0	300.0	300.0	300.0
Discounts and advances	510.8	500.0	795.5	757.5
Government bonds.....	2043.7	2680.7	2672.3	2923.4
Agencies' accounts.....	199.2	264.1	278.7	279.3
LIABILITIES				
Notes issued	2686.9	3498.1	3446.5	3636.1
Deposits : Government	567.8	757.5	846.9	718.4
Other	98.4	95.5	95.4	127.4

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between December 5th and December 11th. (Figures in brackets are par of exchange.)
U.S. \$ (4-862) 4-021-031; mail transfers, 4-021-031; Can. \$ (1-862) 4-43-47; mail transfers, 4-43-47; Sw. fcs. (25-22) 17-30-40; Sw. kr. (18-159) 4-45-95; Arg. pesos (11-45) 16-90-17-13; mail transfers, 16-90-17-15; Ned. f. (12-11) 7-58-62; mail transfers, 7-58-64; Ned. W. Ind. (14) 7-58-62; mail transfers, 7-58-64; Bel. Congo Fr. (176-54) 176-54; Portuguese Esc. (110) 99-80-100-20; Panama, 84-02-04; mail transfers, 4-02-04; Philippine (peso), 8-09-12; mail transfers, 8-09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 1/4 cent pm.-par. Canada, 1/2 cent pm.-par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia, 1 1/2 cents pm.-par.

MARKET RATES

London on	Par of Exchange per £	Dec. 5, 1940	Dec. 6, 1940	Dec. 7, 1940	Dec. 9, 1940	Dec. 10, 1940	Dec. 11, 1940
Budapest, Pen.	27-82	191*	191*	191*	191*	(d)	(d)
Belgrade, Din.	276-32	155*	155*	155*	155*	(d)	(d)
Sofia, Lev.	673-66	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Helsingfors, Mk	193-23	180-210	180-210	180-210	180-210	180-210	180-210
Alexandria, Pst	97-2	973-58	973-58	973-58	973-58	973-58	973-58
Madrid, Pt.	25-22 1/2	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Istanbul, £T.	110	505*	505*	505*	505*	505*	505*
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813-8	800†	800†	800†	800†	800†	800†
India, Rup.	†18d.	1715-16	1715-16	1715-16	1715-16	1715-16	1715-16
Kobe, Yen.	†4-58d.	1378-1458	1378-1458	1378-1458	1378-1458	1378-1458	1378-1458
Hongkong, \$	†15-999d.	1478-1518	1478-1518	1478-1518	1478-1518	1478-1518	1478-1518
Rio, Mil.	†15-999d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	†15-999d.	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol. (c)	†17-38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	†51d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	†28d.	2818-518	2818-518	2818-518	2818-518	2818-518	2818-518
Shanghai, \$	†	312-418	312-418	312-418	312-418	312-418	312-418
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.
(d) Special account.
(e) 90 days. (f) Trade payments rate.

SHORTER COMMENTS

(Continued from page 745)

Chilean Debt Service.—Chile has suspended amortisation payments on her external debt. About £25,000,000 in many different loans is quoted in London.

South Durham Steel and Iron.—Profit, year to September 30th, £188,576

(£355,463). The latter figure is before deducting £70,000 for tax. To depreciation, £100,000 (£105,000). Ordinary dividend 6 against 12 per cent. No dividend on "B" ordinary against 6 per cent.

Norwich Union Life Insurance Society.—With regard to 1940 valuation the directors will carry forward any surplus at December 31st, 1940, to a special war

contingency reserve. No distribution will be made until after the end of hostilities.

Steaua Romana (British).—Trading profit, year to June 30th, £53,025 (£16,534). Total revenue, £95,335 (£58,551). Net profit, £47,674. General reserve, £20,000 (nil). Ordinary dividend 2 1/2 per cent. (same). Carry-forward £38,811 (£39,454).

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.	
Breweries														
entley's Yorkshire	Sept. 30	209,632	£	£ 60,469	89,588	19,500	£ 30,397	10	£	+ 10,572	202,135	£ 47,692	10	
akenhead Brewery	Sept. 30	133,905	£	£ 61,638	83,024	37,709	11	2,500	+	1,071	95,225	38,108	10	
uchair, Robt.	Sept. 30	227,769	£	£ 38,583	81,938	13,750	15,000	20†	+	9,833	178,731	49,401	20†	
id Cooke and Allsopp	Sept. 30	1,369,046	134,978	389,712	854,851	75,204	313,735	22 1/2	+	773	1,258,749	518,018	23 1/2	
illers' Brewery	Sept. 30	86,670	...	38,524	135,970	8,400	36,000	30	+	5,876	87,933	68,222	30	
hips (P.) and Co.	Sept. 30	446,065	...	125,149	203,195	11,750	61,460	11 1/4†	+	1,939	401,210	128,113	13 1/4†	
monds (H. and G.)	Sept. 30	1,153,996	167,514	187,019	290,563	36,750	84,200	18	+	522	1,019,438	181,411	18	
alker and Son, Peter	Sept. 30	559,035	...	472,069	707,923	125,000	320,000	21 1/2	+	2,069	559,401	488,057	21 1/2	
olverhampton & Dudley	Sept. 30	273,845	...	235,847	375,839	5,250	160,000	16	+	10,597	271,961	233,947	16	
Iron, Coal and Steel														
las Steel Foundry	Sept. 30	98,789	5,000	31,107	39,954	23,906	42 1/2	10,000	-	2,799	106,341	39,959	42 1/2	
rown Bayley's Steel	Sept. 30	143,506	15,000	120,991	162,716	25,000	45,000	15†	+	991	135,564	103,784	15†	
argo Fleet Iron	Sept. 30	118,415	60,000	526	97,270	...	...	...	+	526	268,791	20,763	2	
ambert Bros.	June 30	123,889	1,227	120,662	216,509	10,312	84,375	15	+	5,975	99,236	89,746	15	
orth Durham Steel	Sept. 30	70,511	25,000	45,512	72,458	18,000	21,000	6	+	16,560	53,669	28,668	5	
hymcroft (J.)	Sept. 30	188,576	100,000	39,321	161,717	21,000	6	...	+	321	355,463	96,567	12(e)	
hymcroft (J.)	July 31	160,334	...	141,976	195,854	30,750	30,000	10	+	13,776	195,215	169,171	10	
Rubber														
asfield (Klang)	June 30	43,260	5,000	31,666	34,861	20,000	10	5,000	+	6,666	11,990	4,051	21 1/2	
len	June 30	5,334	...	692	2,043	660	5	...	+	32	4,173	408	21 1/2	
ulindle (Sumatra)	June 30	21,325	...	6,440	9,581	6,059	5	...	+	619	10,326	1,603	11 1/2	
ingapore United	June 30	9,950	...	7,381	9,688	2,086	4,758	2 1/2	+	537	4,330	2,238	Nil	
ingapore United	June 30	11,536	384	4,005	10,828	3,880	6	...	+	5	5,583	2,126	3	
ingapore United	June 30	5,391	404	3,669	6,904	3,830	5	...	+	161	3,050	2,041	2 1/2	
ingapore United	June 30	40,758	...	8,583	10,621	7,690	10	...	+	893	24,337	3,792	3	
ingapore United	Mar. 31	40,758	...	8,583	10,621	7,690	10	...	+	893	24,337	3,792	3	
Trusts														
ondon, Scot. Amer.	Oct. 31	101,766	...	62,474	153,401	22,500	40,000	8	...	-	26	102,261	62,498	8
elson Financial Trust	Oct. 31	67,270	...	22,347	44,937	7,137	16,666	5	...	-	1,456	71,354	26,940	5
ockholders Inv.	Oct. 31	61,617	...	22,493	36,523	22,500	...	...	...	-	7	64,190	25,117	Nil
Other Companies														
gar Cross and Co.	June 30	136,491	...	91,330	17,025	31,500	25,000	25	...	+	91,330	90,690	41,103	Nil
llen and Hanburys	June 30	153,086	...	76,880	112,913	31,500	25,000	25	20,000	+	380	79,848	67,499	25
quith (William)	Aug. 15	106,156	...	18,944	49,576	7,965	2,333	5	10,000	+	1,354	97,302	41,903	5
ustralian Pastoral	June 30	187,260	...	55,006	76,173	50,000	5,000	...	5,000	+	6	135,186	32,133	2 1/2
von India Rubber	Sept. 28	200,085	37,937	56,049	72,748	15,000	29,684	10	...	+	11,365	169,064	75,517	10
erger (Lewis) and Sons	Sept. 28	200,085	37,937	56,049	72,748	15,000	29,684	10	...	+	11,365	169,064	75,517	10
striford (S. & W.)	July 31	179,734	9,000	120,734	270,817	28,000	68,545	13	50,000	+	25,811	168,417	116,417	13
ind Industries	Sept. 30	90,001	...	75,760	90,225	7,500	47,250	21	20,000	+	1,010	71,968	65,192	18 1/2
lackpool Tower	Oct. 31	136,938	25,000	133,884	155,441	68,928	17 1/2	40,000	+	24,956	119,159	118,109	15	
ish Celanese	Oct. 31	71,308	43,208	50,992	1,380	41,508	17 1/2	...	+	320	31,138	28,826	15	
room and Wade	June 29	2,990,736	363,000	320,913	674,907	381,797	115,000	...	-	175,884	2,101,501	94,302	Nil	
larke (W. G.) and Sons	Sept. 30	99,944	12,130	47,829	74,534	6,900	33,750	22 1/2	+	7,179	96,794	41,588	22 1/2	
onstable, Hart and Co.	Sept. 30	164,493	8,645	56,307	76,777	8,409	29,666	12 1/2	20,000	+	1,768	10,182	62,111	12 1/2
rompton Parkinson	Aug. 31	40,369	...	38,969	55,694	18,750	8,000	2	10,000	+	2,219	29,734	27,734	1
ster Clark	Sept. 30	32,494	...	23,265	46,488	12,356	8	15,000	+	4,091	17,928	13,199	4	
onstable, Hart and Co.	Sept. 30	428,452	25,000	395,454	476,906	245,888	20	...	+	105,968	434,235	399,903	20	
ster Clark	Sept. 30	137,494	37,000	77,781	137,872	7,500	20,000	20	...	+	1,268	160,412	77,429	20
oster Clark	Sept. 18	(a) 90,284	...	24,043	38,466	7,908	15,125	25	...	+	281	87,158	75,634	20
entanos, Ltd.	June 30	135,208	...	27,598	68,702	9,000	15,125	25	...	+	1,010	91,806	31,650	25
alford Cycle	Sept. 28	119,695	...	72,732	102,862	38,900	49,536	8	...	+	3,990	74,258	30,277	15
ay's Wharf	June 30	221,648	...	221,648	345,639	89,400	80,000	8	...	+	52,248	188,618	188,618	7
echt, Lewis and Kahn-	Mar. 31	216,081	281	41,051	58,480	22,500	25,000	10	...	+	6,449	125,678	92,264	10
ford, Ltd.	June 30	132,996	1,000	84,784	102,862	38,900	5,386	11 1/4	...	+	52	134,267	101,097	8
intyre Teas	Oct. 31	12,995	4,565	6,219	1,175	2,875	10	1,000	+	24	9,482	4,986	7 1/2	
actagol	Sept. 30	20,545	8,462	393,063	604,841	35,467	(b)	...	+	2,596	513,222	379,914	(b)	
lanfre and Gartron	Sept. 30	531,495	4,316	15,627	16,588	3,281	3 1/8	...	+	12,346	6,895	2,967	10	
arco Refrigerators	Sept. 30	56,868	...	8,407	9,626	7,875	5	...	+	532	75,810	26,670	10	
l McCarthy, Rodway	June 30	546,149	...	109,136	155,789	50,000	37,500	3	...	+	21,636	411,328	74,526	2
ew Zealand Loan, etc.	Sept. 30	2,976,520	1,034,068	755,139	919,936	152,000	344,438	7 1/2	d 250,000	+	8,701	2,383,139	237,031	6 1/2
& O. Steam Navgn.	Sept. 30	203,865	110,000	15,865	31,497	...	17,293	21 1/2	...	+	1,428	146,327	10,637	21 1/2
ance Line	Sept. 30	35,895	...	(f) Dr. 6,124	22,242	...	11,000	5	...	+	17,124	20,284	10,712	Nil
ubber Regenerating	Sept. 30	9,993	...	9,274	28,439	15,125	4,714	5	2,059	+	1,484	6,499	4,400	4
haw (J.), Wolv'hmpm.	June 30	13,484	...	8,257	18,731	...	...	...	...	+	5,851	23,454	19,424	Nil
tanley Motors	June 30	95,335	...	48,107	87,561	...	28,750	21 1/2	20,000	+	543	58,551	44,436	21 1/2
causa Romana (British)	June 30	242,109	89,631	116,018	160,851	56,700	34,500	5	30,000	+	1,682	265,810	135,567	7 1/2
aterlow and Sons	Sept. 30	76,595	17,500	59,184	98,987	29,377	18,463	17 1/2†	10,435	+	909	79,285	64,285	22 1/2†
est Hartlepool Steam	Mar. 31	...	...	...	...	...	...	...	...	...	...	...	...	...
otals (£'000's):	No. of Cos.	16,647	2,309	5,886	9,290	1,495	3,216	...	1,409	+	166	14,221	5,253	...
Week to Dec. 14, 1940	62	393,423	32,136	202,040	293,044	45,873	122,827	...	2,034	+	8,906	361,202	210,531	...
Jan. 1 to Dec. 14, 1940	2,089	...	...	...	...	...	...	...	...	...	...	...	...	...

(a) 53 weeks, 1940; 52, 1939. (b) Represents Ordinary, 18 per cent. Deferred 99.4 per cent. (c) Represents £282,188 for 2 years' interest to April 30, 1940, on 7 per cent. preference and £99,609 for half year's interest to April 30, 1931, on 7 1/2 per cent. 2nd preference. (d) The 2 years' interest is not comparable. Represents £250,000 provision against receipts from charters not included in earlier years. (e) Also 6 per cent. on "B" shares. (f) Dr. 6,124

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.

[illegible]

(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.		Also
(m) Including bonus of 5% free of tax.	(n) Yield on 1.523% basis.	(p) Yield worked on a 2½ per cent. basis.	(q) Worked on 65% basis.	(r) For 15 months to December 31, 1939.	Free of Income Tax.
cash dividend 10 per cent. out of capital reserve.					

THE ECONOMIST
BRITISH WHOLESALE PRICES

				Dec. 3, 1940	Dec. 10, 1940					Dec. 3, 1940	Dec. 10, 1940					Dec. 3, 1940	Dec. 10, 1940
COTTON—continued.																	
Cloth, 36 in. Shirtings, 75 yds.,				s. d.	s. d.					s. d.	s. d.						
19 x 19, 32's & 40's				31	3					31	3						
" 38 in. ditto, 38 yds.,										12	9					12	11
" 18 x 16, 10 lb.																	
" 39 in. ditto, 37½ yds.,										11	9					11	11
16 x 15, 8¼ lb.																	
FLAX (per ton)—				£ s.	£ s.					£ s.	£ s.						
Livonian ZK				Nom.	Nom.					Nom.	Nom.						
Pernau HD				Nom.	Nom.					Nom.	Nom.						
HEMP (per ton)—Manilla, spot "J2"				25	0					25	0						
JUTE (per ton)—																	
Daisie 2/3, c.i.f. Dundee,																	
Nov.—Dec. (new)				25	10					26	0						
				s. d.	s. d.					s. d.	s. d.						
Common 8 lb. cops (per spindle)				4	4					4	4						
10½/40 Hessians, per yd.				0	5					0	5					5½	
8/40 Hessians, per yd.				0	4					0	4					4½	
SISAL (per ton)—African, Nov.—Jan.				£ s.	£ s.					£ s.	£ s.						
—No. 1.				26	0					26	0						
WOOL (per lb.)—				d.	d.					d.	d.						
Lincoln wethers, washed				19½						19½							
Selected blackclad, greasy				14						14							
Australian scrd. fleece, 70's				37						37							
Cape scrd. average snow white				29½						29½							
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				29½						29½							
MINERALS																	
COAL (per ton)—				s. d.	s. d.					s. d.	s. d.						
Welsh, best Admiralty				31	0					31	0						
Durham, best gas, f.o.b. Tyne ..				26	4½					26	4½						
IRON AND STEEL (per ton)—																	
Big, Cleveland No. 3, d/d				128	0					128	0						
Bars, Middlesbrough				312	6					312	6						
Steel rails, heavy				290	6					290	6						
Tinplates (home, i.e. 14 x 20) ..				29	9					29	9						
NON-FERROUS METALS (per ton)—																	
Copper (c)—Electrolytic				62	0					62	0						
Tin—Standard cash				257	10					256	15						
Three months				257	15					257	15						
Lead (d)—Soft foreign, cash....				25	0					25	0						
Spelter (d)—G.O.B., spot				25	15					25	15						
Aluminium, ingots and bars				110	0					110	0						
Nickel, home delivery				190	0					190	0						
Antimony, Chinese				90	0					90	0						
Wolfram, Empire				92	0					92	0						
Platinum, refined				2	10					2	10						
Quicksilver				9	0					9	0						
per 76 lb.				49	0					49	0						
				52	0					52	0						
				s. d.	s. d.					s. d.	s. d.						
GOLD , per fine ounce				168	0					168	0						
SILVER (per ounce)—																	
Cash				1	11½					1	11½						
MISCELLANEOUS																	
CEMENT , best Eng. Portland, d/d site, London area,																	
in paper bags or jute sacks 20 to ton—(a).																	
4-ton loads and upwards per ton																	
s. d. s. d.																	
44 6 44 6																	
CHEMICALS —																	
Acid, Oxalic, net																	
59/5/0 59/5/0																	
s. d. s. d.																	
2 6½ 2 6½																	
" Tartaric, English, less 5% lb.																	
Ammonia, Sulphate ... per ton																	
9/16/0 9/16/0																	
Nitrate of Soda																	
10/10/0 10/10/0																	
Potash, Sulphate																	
18/10/0 18/10/0																	
Soda Bicarb. per ton																	
11/0/0 11/0/0																	
Soda Crystals																	
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.)—																	
Wet salted Aust.—																	
40/50 lb.																	
0 5½ 0 5½																	
Cape, Jo'burg Ord.																	
0 512 0 512																	
Dry Capes, 18/20 lb.																	
0 7½ 0 7½																	
English & Welsh Market Hides—																	
Best heavy ox and heifer																	
0 4¼ 0 4¼																	
0 514 0 514																	
LEATHER (per lb.)—																	
Sole Bends, 8/14 lb.																	
1 6 1 6																	
3 6 3 8																	
Shoulders																	
0 11 0 11																	
2 0 2 0																	
Insole Belies																	
0 7 0 7																	
1 1 2																	
Dressing Hides																	
1 9 1 9																	
2 2 2 4																	
PETROLEUM PRODUCTS (per gal.)																	
Motor Spirit, England & Wales																	
1 9 1 9																	
(b) Kerosene, Burning Oil																	
0 11½ 0 11																	
" Vapourising Oil																	
0 11½ 0 11½																	
(c) Automotive gas oil, in bulk,																	
ex road tank waggons																	
1 6½ 1 6½																	
Fuel oil, in bulk, ex instal.																	
Thames—																	
Furnace																	
0 7½ 0 7½																	
Diesel																	
0 8½ 0 8½																	
25/0/0 25/0/0																	
ROSIN (per ton)—American																	
30/0/0 30/0/0																	
RUBBER (per lb.)—																	
St. ribbed smoked sheet																	
0 11½ 11½																	
SHELLAC (per ton)—TN Orange																	
81/0/0 86/0/0																	
TALLOW (per cwt.) London Town																	
22 10 22 10																	
VEGETABLE OILS (per ton net)—																	
Linseed, raw																	
41/10/0 41/10/0																	
"ape, crude																	
44/5/0 44/5/0																	
Cotton-seed, crude																	
31/2/0 31/2/0																	
Coconut, crude																	
28/2/6 28/2/6																	
Palm																	
19/15/0 19/15/0																	
Oil Cakes, Linseed, Indian																	
8/17/6 8/17/6																	
Oil Seeds, Linseed—																	
La Plata (new)																	
11/10/0 11/10/0																	
Calcutta																	
19/5/0 19/5/0																	

(a) + 5s. per ton net paper bags or jute sacks, charged 1s. 9d., credited 1s. 6d. on return.

(b) Higher Pool prices in some zones.

(c) Price is at buyers' premises.

(d) Including import duty and delivery charges.

(e) Average weeks ended November 30th and December 7th.

AMERICAN WHOLESALE PRICES

	Dec. 3, 1940	Dec. 10, 1940		Dec. 3, 1940	Dec. 10, 1940	MISCELLANEOUS (per lb.)	Dec. 3, 1940	Dec. 10, 1940
GRAINS (per bushel)—	Cents	Cents	METALS (per lb.)— <i>cont.</i>	Cents	Cents	— <i>cont.</i>		
Wheat, Chicago, Dec.	89½	90½	Spelter, East St. Louis, spot ..	7 25	7 25	Petroleum, Mid.-cont. crude	Cents	Cents
Winnipeg, Dec.	73½	74½	MISCELLANEOUS (per lb.)—			per barrel	102	102
Maize, Chicago, Dec.	61½	61	Cocoa, N.Y., Acara, Dec.....	4 94	5 26	Robber, N.Y., smdk. sheet spot	20½	20½
Oats, Chicago, Dec.	38½	38½	Coffee, N.Y., cash—			do, do Jan.-Mar.	20½	20½
Rye, Chicago, Dec.	43½	43	Rio, No. 7 ..	5½	5½	Sugar, N.Y., Cuban	Cent.	
Barley, Winnipeg, Dec.	43	44½	Santos, No. 4 ..	7½	7½	96 deg., spot ..	2 85	2 92
METALS (per lb.)—			Cotton, N.Y., Am. mid., spot	10 33	10 37	Sugar, N.Y., 96 deg., No. 4,		
Copper, Connecticut ..	12 00	12 00	Cotton, Am. mid., Dec.....	10 13	10 16	f.o.b. Cuba, Mar.	0 77	0 78
Tin, N.Y., Straits, spot ..	50 20	50 10	Cotton Oil, N.Y., Dec.	5 78	5 88	Moody's Index of staple com-		
Lead, N.Y., strike ..	5 50	5 50	Lard, Chicago, Dec.	4 47½	4 37½	modities, Dec.31,1931=100	167 8	168 8

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS
(000's omitted)

NOVEMBER, 1940	Date	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 Deacons Bank	Aggregate
	26th	25th	27th	26th	19th	27th	27th	27th	22nd	27th	28th	25th	
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	53,220	2,646	10,434	4,395	52,471	12,578	60,372	3,269	40,915	39,670	4,958	284,928	
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	18,482	833	3,165	4,326	15,382	3,097	13,197	262	15,233	12,715	3,418	90,110	17,885
Items in transit	20,067	3,254	7,005	8,561	22,564	5,740	21,482	3,588	18,425	21,123	8,507	140,316	338,659
Money at call and short notice	74,477	1,546	10,662	2,095	56,504	8,053	85,215	1,177	51,712	45,254	1,964	338,659	236,000
Bills discounted	50,000	1,000	10,000	4,500	43,000	8,000	48,000	500	27,500	38,500	5,000	236,000	742,820
Treasury deposit receipts	120,267	9,646	31,827	13,070	133,160	41,611	157,403	13,873	102,909	104,869	14,185	742,820	923,455
Investments	197,915	8,562	30,542	8,802	153,975	40,304	195,603	17,043	117,504	141,024	12,181	923,455	
Advances to customers and other accounts													
Liabilities of customers for acceptances, endorsements, etc.	14,922	759	4,346	4,311	24,563	8,254	16,779	121	10,758	27,161	2,808	114,782	45,218
Bank premises account	8,145	412	1,593	740	7,438	2,833	9,720	568	7,346	5,402	1,021	45,218	
Investments in affiliated banks and subsidiary companies	6,279	...	...	...	3,670	...	8,101	...	2,514	2,993	...	23,557	
	563,774	28,658	109,574	50,800	526,730	134,352	615,872	40,401	394,816	438,711	54,042	2,957,730	
Ratio of cash to current, deposit and other accounts...	10.20	10.22	10.51	9.86	11.00	10.63	10.56	9.02	11.18	10.10	10.23	10.55	
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	521,744	25,899	99,276	44,579	476,846	118,317	571,524	36,238	366,079	392,893	48,459	2,701,854	
Acceptances, endorsements, etc.	14,922	759	4,346	4,311	24,563	8,254	16,779	121	10,758	27,161	2,808	114,782	
Notes in circulation	...	...	...	...	11	21	...	1,382	...	17	...	1,431	
	563,774	28,658	109,574	50,800	526,730	134,352	615,872	40,401	394,816	438,711	54,042	2,957,730	

negotiator; he was the best Minister of Munitions the country has ever had; and his eminence is beyond challenge. But, unfortunately, at the age of 78, even Mr Lloyd George is beginning to feel a little elderly and he may well have concluded that he would not be equal to unremitting labours in a difficult climate.

Of the members of the present Government, the names of Mr Eden and Sir Archibald Sinclair have been mentioned, and that of Mr Amery might well be, though none of the three has much previous knowledge of the United States or detailed experience of war economics. Among those of outstanding eminence who are not of Cabinet rank or political profession, Lord Stamp's qualities are

almost exactly those required, and other suitable candidates could also be drawn from those business men who have had experience of negotiating in America since the beginning of the war or from the eminent in other walks of life, such as Lord Eustace Percy. But it would be foolish to indulge in a guessing game when the answer will be known so soon. The appointment is safe in Mr Churchill's hands, and the insistence of the public will only be that the field of selection should be as wide as the whole nation and the choice one that will reflect the importance the British people attach, in peace as in war, to having their concerns "mixed up a little" with those of the American Republic.

The Laval Mystery

RECENT events in France have the colour of a Ruritanian novel. The ashes of the Duke of Reichstadt are brought back to Paris, apparently only to create an opportunity for kidnapping the aged Chief of State. Plotters are unmasked in the Cabinet itself. Suspects are imprisoned in high-sounding chateaux. Foreign envoys race through the night. Only the masked lady is missing. And if the colour is there, so too is the sense of complete bewilderment which generally settles on the reader towards the middle of the tale. Any interpretation of the French crisis is at the best conjecture. Even the broad outline is difficult to trace. The details can be little more than inspired guessing.

We do know, however, one or two of the determining factors. Hitler must attempt to deliver a deathblow at this country if possible in the spring. When German commentators on the Mediterranean *débâcle* say that the battle will be won in Britain they are speaking the Führer's mind. It may well be that he is prepared to count Italy out now that she has proved her incompetence even in her own sea. She would hardly do better, exposed to the rigours of the Atlantic. But if the attack on Britain is to be launched with every weapon the Nazis possess, France cannot be disregarded. Her bases and ports are an essential part of Hitler's offensive. Passively, France is already of enormous assistance. As an ally, she could give incomparably more. In June, when the compromise of a small area of "sovereign" France was arrived at to save the face of Vichy, Hitler no doubt expected an immediate British collapse. Britain's resistance has created an entirely new situation in which control not only of France's Atlantic bases, but of her air force and navy as well would give the Nazis an immense advantage. Italy's disasters have increased the need. We are probably not far from the truth in saying that Hitler's whole effort in recent weeks has been to secure France as a compliant ally, if need be, at the expense of Italy. It is in this sense that it is permissible to talk of "swinging the Axis."

The Government which was set up at Vichy this summer was not, however, designed to do any more than salvage for France what could still be saved from the disaster. It was led by a man whose political sympathies lay not with the semi-Bolshevik principles of Nazi Germany, but with the rather milder authoritarian regimes of Catholic Italy and Spain. The "national revolution" as understood by Marshal Pétain is not a revolution at all. It is intensely conservative with an ideology—in so far as it has one—which is Catholic rather than Fascist. Its backbone is the army and the provinces. In Paris, from its inception, it has aroused nothing but contempt.

The split is important, for in Paris the Nazis found something closer to their own revolutionary temper in men who were really ready for a Nazi "new order." Maurras came over to them, then there was Doriot and Déat. After the second Vichy Cabinet reshuffle, Marquet and Ybarnégary left the Government; it is significant that they were both nearer to the right-revolutionary mentality of Paris. Thus, almost from the outset, there were two clear groups in France, hostile to each other: the Pétain-

Weygand group, which had nominal power in France and real authority in the French colonies, and the Doriot-Déat group in direct contact with the Germans in Paris.

Between the two moved Pierre Laval. By temper, cynicism and background he belonged to Paris. His passionate dislike of Britain also brought him closer to the Nazis. But his friendship for Italy and his opportunism and ambition brought him to the present Vichy. The old Marshal showered favours and position on him. He became Vice-Premier and Pétain's constitutional successor, also Foreign Minister and Minister for Propaganda. His policy from the first was to secure collaboration with Germany and the defeat of Britain. The price Hitler asked was almost certainly the French Navy and the use of the French Empire. As Laval's power increased, he no doubt imagined that he could carry Vichy with him into something very like a German alliance.

It was Laval who engineered the meeting between Hitler and Pétain on October 22nd, after which Vichy's readiness "in principle" for collaboration was announced, and in the month that followed Laval was in Paris almost every week conferring with the German Ambassador, ex-spy Abetz. We do not know what were the final terms which he and Abetz negotiated to fill in the framework of collaboration. Very probably the question of the French fleet and the Empire bases was raised. Nor can we exactly fix the day of their submission to the Cabinet at Vichy. Neutral observers stated that on November 27th after a stormy meeting, the terms were rejected on the grounds, put forward by General Huntziger, that their acceptance would involve France in war with Britain. They were rejected, however. Laval found that Pétain was less of a figurehead than he had given the Germans to understand.

Although we are of necessity limited to rumour and conjecture, it is probable that after his rebuff, Laval turned his attention to the Paris malcontents. It is significant that a particularly virulent Press and wireless campaign was launched from Paris towards the end of November, in which the Vichy regime was accused of being a "purely reactionary venture" and of allowing "aggressive clericalism" to raise its head. Laval's visits to Paris were as frequent as ever and it was announced early in December that the arrangements for "establishing the Head of the State at Versailles" had been discussed and were nearing completion.

It is now fairly widely believed that Laval's simple stratagem was to use the occasion of the re-interment of the Duke of Reichstadt's ashes at Les Invalides to get Pétain to Paris, there to make him virtually a prisoner and then use the plea either of his illness or of his lunacy in order to invoke Constitutional Act 4 under which, if Pétain could not fulfil his duties, full powers were to pass to Laval. However, suspicions were roused, Pétain sent General Laure to represent him in Paris and when Laval came posting back to demand explanations, he was deposed and arrested and the time-serving Flandin appointed in his place. The fact that Marcel Déat was arrested at the same time is an interesting confirmation of the suspicion that Laval had turned to the Paris revolu-

tionaries after Pétain's refusal to accept Hitler's terms.

The chief problem now is Germany's reaction to Vichy's singular demonstration of independence. We know that the Nazis were informed of Pétain's intentions only after the arrest of Laval, and the first comment on the proceedings in Germany was a grim reminder that Germany is still at war with France. Abetz has been to Vichy, Laval has apparently been released and is now reported to be on his way to Paris. Flandin—perhaps diplomatically—is ill. Naturally if Hitler decides to sweep away Vichy and occupy the whole of France, possibly setting up a Quisling regime of Laval and Déats in Paris, there is nothing at all to prevent him. The real question is whether, at this point, a total occupation of France would advance his plans against Britain. Free use of the Mediterranean harbours does not count for much unless he has French ships as well, and it is just possible that the French fleet has moved to North Africa. It was reliably reported to have left Toulon in November. And Pétain's strongest card is the loyalty of the colonies to Vichy. A total occupation

of the Mother Country combined with Britain's sweeping victories in Libya might swing the whole of the French colonial empire—including perhaps the fleet—back into the battle on the side of Britain and Free France. The only direct strategic advantage which occupation would give depends upon the extent of Italy's collapse. If the Nazis felt compelled to take over their unfortunate colleague, the transfer of troops across France to the Italian frontier would simplify and accelerate the manoeuvre. But it is not certain that Hitler intends to intervene at once.

Thus, by a curious irony, Vichy's chances of maintaining any rag of independence and any shred of authority depend upon the continuance and the success of British resistance. If Pétain remains an obstacle to the achievement of a Franco-German alliance, he is an obstacle entirely bolstered up by the British Navy and the R.A.F. And if we compare this fact with Vichy's uncompromising hostility towards us, it gives a crowning touch of fantasy to the astonishing drama of the last few days.

Why Not a National Maximum?

(By a Correspondent)

LIP-SERVICE is now generally paid to the principle that this war can only be won by the maximum of effort and sacrifice on the part of everybody in the country. Unhappily it is not necessary to look very far—most of us, to our shame be it said, need look no further than our own households—to see that the populace as a whole is very far from acting upon it. The standard at which we have to aim is the diversion of all resources, manpower, plant, and raw material, to absolutely essential purposes, which means, for the individual consumer, that he must buy nothing that he can possibly do without, and that he must give or lend to the Government all his savings from this economy.

To a considerable extent this transference is brought about by compulsion, in the form of taxation, of rationing, and of direct prohibitions. That the first of these methods has been gravely under-applied is scarcely open to question when even the comic papers represent the taxpayer as grumbling at the smallness of the increase in income tax. It would probably also have been possible to do more by rationing, without extending the elaborate machinery of food rationing to commodities where simpler methods would suffice. Experience with tea has shown that non-perishable goods can be rationed by comparatively simple methods. Our present system of rationing non-essential commodities at the wholesale stage has two drawbacks: it does not ensure fair distribution among consumers; and it tends to produce a certain amount of wasteful expenditure by leading people to buy, *faute de mieux*, things which are not the best, or even the most economical for their purpose. Both these difficulties would be to some extent overcome by comprehensive rationing of consumers on the German "point" system. Lastly, there is a wide field of consumption about which it is impossible to argue that prohibition would cause genuine hardship to anybody. In these cases, where the commodity is suitable for export, its domestic sale should be prohibited at once, as has been done with silk stockings and motor cars; where it is not, prohibition should be applied as soon as the plant can be adapted to more necessary uses.

That more has not been done along these lines is presumably due to a wholly unjustified fear that the people will not stand it. The people will stand a great deal more than the Government give them credit for, provided they are satisfied that the sacrifice is both necessary and of universal application. Another reason for timorousness in the ruthless compulsory curtailment of consumption has been the fear of dislocating production more rapidly than it could be reorganised, but surely this is far more likely to happen under voluntary economy than under an intelligently directed compulsory system. And if a precedent

is required, it can be found with a pedigree more than 600 years long: the Sumptuary Laws of Edward III, with their prohibition of the wearing of furs, their regulation of the apparel of all classes, and their detailed prescription of the number of courses to be served at meals in private houses, constituted a far more drastic "economy drive" than anything we contemplate now. Meanwhile it does seem an anomaly that a Government which has taken complete control of imports should allow shop windows to display all manner of imported luxuries while it entreats the public not to buy them.

There are two considerations which limit the field of compulsory economy and which will force us to supplement even the most stringent restrictions by acts of voluntary abstention. These are the extent to which genuine needs vary among different people and the disproportionate psychological effect of the deprivation of many things which on the face of them might seem to be completely superfluous. When we have pushed compulsory restriction to its utmost limit, there will still be a large gap to be bridged. It must be remembered that what has to be covered by increased production or reduced consumption is not only the gigantic war expenditure, but also the increased real costs, owing to the war, of all the necessary civilian consumption which still has to continue. The individual is sufficiently aware of that when it is the increased price of his own necessities which he has to meet by cutting down luxuries; what is less apparent is that he also has to pay for the increased cost of necessities to that large section of the community which, having had no margin before, cannot meet this increase itself, and therefore must have its wages raised. In so far as wages or salaries are raised where a margin did exist before, the recipients of the increase are simply pushing off their obligations on to others through the machinery of inflation.

As long as it remains possible to allow colour and variety in life, it will be necessary to leave a substantial part of the economics which have to be faced to the initiative and public spirit of the individual consumer. But for this to be effective, the consumer must have far more guidance than he has had hitherto. Much broadcasting time and newspaper space are devoted to exhorting people to save, but these exhortations would be far more useful if they were less vague. They should take account of the different interpretations put upon the word "necessary" by people of different income levels; of the immense part played by competition and convention in determining people's "needs," and of the fact that to maintain the steady stream of minor acts of abstention which constitutes saving calls for more sustained strength of mind than greater sacrifices which can be made once for all. It requires a

single exercise of resolution to give up a good job and accept war work at half the salary, but to save half one's salary requires the constant exercise of a determination which may break down several times a day.

This conflict is presumably going on all the time in everybody who has a conscience and a margin of income over necessities. In the housewife, who controls not only her own expenditure, but a large part of that of her family, it is a daily battle in which she needs far more help than she at present receives. For her it is a conflict not merely between inclination and duty, but between her duty to her family and her duty to the country. It is often difficult for the housekeeper to know whether, when she brings home a titbit for the children's tea, she is being a good mother or merely a bad citizen. One respect in which advice could be very valuable is in distinguishing luxuries which can legitimately be bought from those which cannot. Housewives who are old enough to remember the last war remember being told that it was patriotic to buy expensive food if one could afford it, in order to leave the cheaper food for the poor. Confused recollections of this still lead people to argue on the same lines, though actually there is only a case for buying expensive qualities of anything where they are in some sense a by-product of the others. In that case the purchase does not encourage the diversion of resources to unnecessarily expensive production, and it does help both the producer and the poorer consumer. If all other luxuries were prohibited, this problem would take care of itself; until they are, this offers another field in which more Governmental advice would be useful. The purchaser ought to know whether, for example, in paying 3s. 6d. per lb. for Dover sole, he is helping to keep down the price of cheaper fish by improving the return from the whole catch, or encouraging an extravagant industry. But how is the average housewife to know whether Dover sole has to be fished for separately or occurs as an accidental part of a mixed catch? A little elementary instruction from the Ministry of Food could solve many such problems.

The greatest difficulty which confronts all individuals in the conflict between saving and spending is in the definition of the term "necessary." People cannot define it for themselves, their ideas are too thoroughly conditioned by

their upbringing and the way in which their income has accustomed them to live. Many people "must" have, as a matter of course, things which others dream that they might one day have if they were very lucky in a large sweepstake. They are quite honest in regarding such things as necessities of life; it just has not occurred to them that life would be possible without these amenities, and so appeals for economy leave them unmoved, because they think their consciences are clear. Concrete suggestions as to things which they could give up might meet with a surprising response.

A strong case can be made for the provision, in peacetime, of a "national minimum," a certain standard of living to be aimed at as the minimum for the poorest families in the country. What we need now, in wartime, is a "national maximum," laid down as a guide to private conscience and public opinion. There are many difficulties in the way of formulating such a maximum. One of the greatest is the extent to which people's expenditure is determined by the size of their houses, and it is difficult to see any general way out of this. Still, if the Ministry of Food can give guidance for Christmas shopping as concrete as "buy only enough dried fruit for one Christmas pudding," there seems no reason why the appropriate Ministries should not give similar advice over a very wide field. All manner of secondary economies would follow, for example, if the employment of domestic servants were limited; it is fantastic that people should still be able to state in their advertisements for servants "Family two, staff five." This might well be a subject for some measure of compulsion, but at least there should be a well-understood convention in the matter.

By giving people a definite idea of what is expected of them, a "national maximum" would go far to strengthen the resolution of people who do not mind doing what is really necessary, provided other people are doing it too, but who have none of that almost Quixotic strain of self-sacrifice which leads an admirable minority to offer up new twenty-five guinea vacuum cleaners to be broken up for their aluminium content. Moreover, it would give public opinion a definite standard upon which to base its judgments, and so bring fashion and convention from the enemy's side to range them at our own.

Expectation of Happiness

SINCE Parliament a few years ago passed the Corpes Charter, and extended to dead men the rights and liabilities of actions for tort, there has flowed to the seat of justice a steady stream of litigation in which deceased of both sexes and all ages—"men and boys, the matron and the maid"—have had stated for them their case against insurance companies for a substantial cash payment; and many a deserving lawyer has pocketed a satisfactory fee for advancing or resisting their claims in sterling for a life cut short. The judges on the bench have found themselves in a less comfortable situation. Their task is clear before them—to assess the lost value of the life that was not lived. But how to assess it? By mere length of days or by the money outlook and the prospect of comfort that money brings; or by the disposition of the deceased—cheerful, despondent, friendly or morose; or by the chances of future peace and war; or by physical health or mental ability; by success already achieved or by the hope of success in the future? How shall they pry into the recesses of the human soul, cast the horoscope and evaluate the equation?

More than one learned judge has given an unmistakable show of embarrassment when called on to determine this problem and assess the damages. Standing with reluctant feet where Common Law and Statute meet, their Lordships have deplored the difficulty of the task imposed on them and prayed that they might have guidance from above in working the sum out in pounds, shillings and pence. That guidance has now been granted. The House of Lords has spoken.

A little boy aged two and a-half was killed while being

driven in a car and the administrator of his estate brought the usual action for damages.* The poor baby had brought nothing into this world and it is certain that he could take nothing out, but someone had to have cash damages on his account, and it fell to Mr Justice Asquith to decide how much that cash should be. His Lordship said in effect: "It is of no use my trying to decide what sort of life the boy would have had but for this accident. I cannot say whether he would have been happy or miserable, so I leave out of account the personal equation and I base myself simply on his expectation of life. I award the damages for length of days and for nothing else." Following this line, which certainly does not appear the most unreasonable way out of the dilemma, he took the Registrar-General's tables, found the little boy's expectation to be between 55 and 58 years and awarded £1,200 damages. If he had awarded £500, the insurers would probably have acquiesced and paid; but they decided to appeal, and after losing again in the Court of Appeal they went to the Lords, who reduced the damages from £1,200 to £200, settled once and for all the battle between length of days and prospects of happiness, and then showed rather pathetically what they thought of this life by declaring that for the loss of man's prospect of happiness very moderate figures should be chosen.

If the operation of cashing in on a dead baby's death were not the unpleasant thing that we all feel it to be, the scene in the House of Lords would have been rich in comedy. Lawyers of eminence and learning solemnly

* *Gambling v. Benham.*

assembled to argue, to ponder, to determine the true intent and meaning of a law, and not a soul among them but knew how the law was hatched and the purpose it was meant to serve. Six years ago the House of Commons and the House of Lords combined to pass an Act of Parliament intended to remedy a weak point in Common Law. In providing the remedy they relied on a Parliamentary draftsman who produced a Bill that most of them did not understand and led them to do something which they never had any intention of doing. They did not mean to give the legal personal representative of a tiny baby the right to make money in the baby's name out of the baby's death. They never thought about expectation of life as one of the assets of a deceased estate, or troubled their heads about the prospects of happiness and its value in hard cash. They never intended learned judges either to "satisfy themselves that the circumstances of the individual life were calculated to lead on balance to a positive measure of happiness of which the victim has been deprived by the defendant's negligence," or to consult "the tables of expectation of life prepared by the Registrar-General according to which a newly-born child had an expectation of life of about 58 years, a child of ten 55 years and a person of twenty 46 years."

What our legislators actually did was to vote for a Bill which some one had drafted because the Whips had told them so to vote. They probably did not understand what it

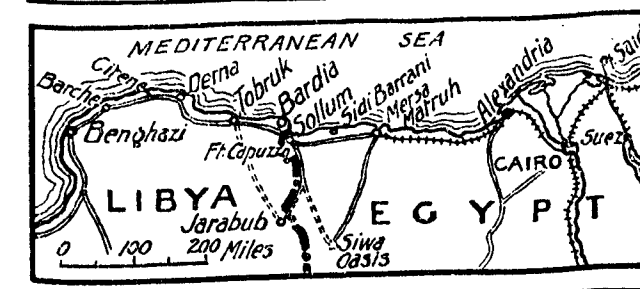
was all about, but they knew vaguely that it was going to put right some legal anomaly far too boring to bother about in detail, and the rest they left to the draftsmen and the law officers, who turned out between them the Law Reform (Miscellaneous Provisions) Act, and pushed it out into the world. Immediately the lawyers seized on it, and perceiving that it could be made to mean what no one had ever expected it to mean, they took it to the Courts, got the silliest possible interpretation of its meaning accepted as its true meaning, and set all the High Court judges scratching their heads to decide how a law which had been turned into nonsense by a freak of drafting was to be administered in terms of cash. Which accounts for the Court of First Instance, the Court of Appeal and the House of Lords all wallowing together in a bog of false values, false psychology and false deductions.

As soon as the first judicial interpretation of this unhappy Act was delivered the Act ought to have been amended. But legislation in this country passes through a very narrow bottle-neck, and once a piece of stupidity has slipped on to the Statute Book it is likely to remain there for years until the responsible Government Department can work the amendment in on its ration of Parliamentary time. And that is probably the reason why eleven judges, four or five counsel, with a corresponding complement of solicitors, must waste endless man-hours weaving yards of sonorous language into a complicated web of no-meaning.

NOTES OF THE WEEK

The Retreat Goes on in Libya

The fall last week of Sidi Barrani has been followed by a rapid advance to the Libyan frontier and beyond. Sollum and a number of frontier forts—including the familiar Fort Capuzzo—have fallen, and not an Italian remains to fight on Egyptian soil. Some 30,000 or 40,000, however, remain to be housed and fed by their British captors. It is perhaps a permanent feature of mechanised warfare that vast numbers of prisoners are taken. France lost about 2,000,000 captive in June. The advance of *Panzerdivisionen* is so rapid and in the confusion created by the sense of encirclement so great that thousands surrender before they have even fought. The Italian rout is therefore a proof, not so much of the inveterate military incompetence of the Italian people, as the overwhelming effect of *Blitz* tactics carried out by fully mechanised troops. Nevertheless, it is difficult to understand



why Italy has been so inactive in the air. Italian aircraft have been brought down in plenty, and at Sollum 15 planes were discovered on the ground, put out of action by earlier R.A.F. raids. Yet even when all due account is made of the activity and superiority of our own bombers, the Italians appear to have run surprisingly short. Just possibly this is due to lack of petrol. There are rumours to that effect. We are sending up reinforcements, and clearly our plan of campaign is not to end with the cleansing of Egypt. The battle-field—which must remain a narrow strip along the coast—is difficult ground for a routed and retreating army, since their main line of withdrawal is constantly exposed to shelling from the sea. And given Britain's control of the Mediterranean, an evacuation would be virtually impossible. Nevertheless, we must expect a hard struggle. There are probably 70,000 fresh troops in Libya, and our men have been engaged on a running fight for over a week now. Supplies are probably Italy's chief problem. Incredible amounts of equipment, all ready for the advance to the Nile, have apparently been lost, and the R.A.F. is pounding away at depôts in the Libyan interior.

—And in Albania

Heavy snowstorms and lengthening lines of communication over high mountains and difficult roads have slowed down the speed of the Greeks' advance, but they have consolidated their position in the areas they hold already, their methodical clearing up of isolated points of resistance is going ahead, and as usual they are making a successful bid to control the mountain summits of strategic importance before launching their main attack against the valley roads and towns. Tepelini and Klisura are surrounded, and from Yugoslavia come rumours of their capture. They are probably premature, but the Italians are certainly faced with an almost impossible problem of defence. Other Greek troops are advancing up the Adriatic coast and are not far from Himara. If Tepelini falls, the fate of Valona is almost certainly sealed. On the northern front the Greek advance has made some headway towards Elbasan, but the Italians are fighting stubbornly and the advance is slow. Nevertheless, the Greeks have nowhere been brought to a standstill and nowhere have the Italians been able to establish a new defensive line. Even the stiffest resistance amounts to little more than rearguard action. Thus, whether it is Libya or Albania or the skies and waters of the Mediterranean, nothing but disaster has met the Italian forces since the opening of the ill-fated Greek campaign. As it grows more and more possible that Italy cannot, out of her own resources, restore her front, and that as a consequence Britain may secure complete control in the Mediterranean, Germany's attitude is becoming the central problem of both campaigns. The German Press has, on the one hand, given it to be understood that they are indifferent to the Mediterranean and that no collapse there will divert them from the main attack on England. On the other hand, candid comments in papers such as the *Frankfurter Zeitung* speak of "Germany's responsibility" should Italy be near to prostration. We can only speculate what shape the assumption of that responsibility would take on. Rumours that German troops and equipment are ready at Bari and Naples for embarkation are already current; others that Hitler is planning the occupation of north Italy and Italy's ports. Whatever form it takes, it entails complete Italian servitude.

* * *

Acceleration in America

Many political observers in the United States felt a sense of anti-climax in the weeks immediately after the Presidential Election, when Mr Roosevelt's new mandate failed to produce an immediate quickening of the flow of aid to Britain. But the last fortnight has brought a distinct acceleration of the

tempo. Mr Cordell Hull, in particular, has given fair warning that Britain still has her gravest emergency to face, and that the issue may well depend on the speed with which the wheels of American industry can be set turning. Lord Lothian's judgment of timing in bringing up the question of financial aid has been proved to be exactly right; for instead of the feared revulsion when this forbidden topic was first mentioned, the reaction has rather been to set Americans thinking—and talking—about practical ways and means. Persons as influential—in their varying ways—as Senator Taft and Mrs Roosevelt have openly advocated gifts rather than loans. The President cannot go as far as that—not yet at any rate—but his own ingenious scheme for the production of armaments by the American Government and their lending or leasing to Great Britain would very substantially reduce the financial burden. It is not, of course, a complete solution. It could hardly be adapted to cover raw materials and components for munitions; even among the finished articles, America's needs may differ in numbers and types from our own. But the President is doubtless aware of these difficulties and ready to meet them. It is certainly true that new and fruitful methods of international co-operation are being forged every day, and that the principle of leasing weapons is a particularly promising one. It could, for example, be adapted at once to what is rapidly becoming our gravest need—merchant ships and destroyers.

* * *

Compensation for Property and Persons

The War Damage Bill has been received with a chorus of approval in principle and an equally loud chorus of criticism on some of the details. In the first day of the second reading debate the only opposition to the Bill as a whole came in a thoughtful speech by Mr Benson, the Labour member for Chesterfield, whose opposition was not to the principle of compensation but to that of levying the cost of it from the special class of property owners—and at a uniform rate from all of them, regardless of the risk they run—rather than meeting it as a national liability. Of detailed criticisms, the one which has recurred most frequently is against the voluntary basis of the "personal chattels" scheme; but there are undoubted administrative difficulties in a compulsory scheme, which would require a complicated machinery of assessment and collection. The gravest defect in the Bill, however, remains the discrimination in the treatment of those who suffer a total loss—who are to be paid, after the war, the pre-war value of their houses—and of those whose houses are repairable, who will not suffer from any post-war fall in the value of money. The defence of this provision is that it is unfortunate, but unavoidable. But this shows a lamentable failure of ingenuity. It would be perfectly possible to arrange that every beneficiary, whether for total loss or partial damage, should have the choice of immediate compensation on a pre-war scale or deferred compensation on a post-war scale. Any immediate payments would, of course, have to be "blocked" for any but capital purposes; but that, again, need not present any insuperable difficulties: the payments could be made in bonds transferable only in redemption of mortgages and for other such approved purposes. If the Bill is left as it is, the unfortunate owner of a demolished house will be compelled not merely to exchange a real for a money asset, without any possibility of protecting himself, but will have to go on paying interest on his debts from year to year while the interest owed him by the Treasury accumulates until after the war. It is pure escapism to say that this provision increases the necessity of avoiding inflation; we have already seen enough of the Government's financing methods to know that inflation cannot be avoided.

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Coincidentally with the great advance in the protection of property that the War Damage Bill represents, the Government have announced an extension of the scheme of compensation payments and pensions to virtually all adults who may be air-raid casualties. The rates of compensation for injury are also to be increased. So, step by step, we slowly approach a practical implementation of the principle that the financial burden of damage to the persons and properties of individual citizens arising out of the community's actions should be borne by the community.

* * *

Britain's Blockade

Britain and Germany are attempting to blockade each other, and British sea-power gives Britain the upper hand. It is the more important, therefore, that the naval blockade

should not be slackened by weak policy or the toleration of evasion. Before the German conquests, there were loopholes in the contraband control, through neutral countries whose ability to beat the blockade rested upon kindly agreements made with them by the British Government; but Hitler stopped these loopholes up when he made them German. There is a school of thought which believes that the work of the British blockade is harder now than it was then, because of Germany's extended coastline from Norway to the Pyrenees. This should not be the case, except for the cover given to occasional blockade-runners over this long front by winter darkness. Apart from Spain, the problem of permitted cargoes passing to neutrals adjacent to Germany has gone, and every ship on the approaches to Western Europe is exposed to "remote control" by the British authorities. No cargo to the parts of Europe within Hitler's reach can be shipped without a navicert from British representatives in the place of departure, and no ship can ply in this trade without a ship's warrant declaring the owner's intention to respect the control. Yet the blockade is not tight. Dr Dahlo's recent plea to the United States to refuse financial facilities to German traders implied that Germany still has exports overseas, and statistics of the United States Department of Commerce show that an appreciable volume of imports, including American cotton, Chilean copper, castor seed from Brazil and copper, mercury and metal ores from Mexico, is passing into Germany over the Trans-Siberian Railway—handled by Japanese merchants. It is probably on the return journey via Harbin to Vladivostok that German exports too bulky to be sent by air are being dispatched. Much of this trade can only be wholly stopped by co-operation from the American Republics or by agreement with Soviet Russia. Some, however, could be stemmed by stricter action by British officials in the exercise of their control. German goods are reported to be leaving Switzerland endorsed "Swiss made" and accepted by the British control, while the dispatch of small but valuable articles like optical instruments by plane from neutral Europe could be more sternly checked by suitable approaches to the responsible governments. The only real weakness in the British blockade, like the only real strength of the German counter-blockade, arises from the world-wide calls now being made on British naval strength, and it would be a grave betrayal if the navy's work was to be vitiated for lack of firmness in diplomacy.

* * *

Parliament in Prospect and Retrospect

This week Parliament adjourned for its Christmas holidays. In peacetime, it would have departed with the knowledge that it had left much undone and would be faced with an accumulation of business on its return. This time, it will come back to face two measures only: the War Damages Bill, which has already had its second reading, and the Bill to remove the household means test, which it had been hoped to pass before Christmas. The smallness of the carry-over is not due to any poverty on the part of Parliament itself. It has sat for three days in almost every week since the summer recess; and though it is true that there has been a complete absence of far-reaching legislation—the Prolongation of Parliament Act, which extends its own life, is perhaps the most important measure to be introduced since the summer—the House of Commons has been active in other spheres. Question time is still a period of probing individual Ministries for actual or suspected defects, and the practice of debating the motion for the adjournment has enabled Parliament to carry out what Mr Churchill called its "larger duty of giving guidance and encouragement to the nation and administering when required the necessary corrective to the Executive." The varied subjects dealt with in this way have included civil defence, the Railways Agreement, detention and internment, the colonial war effort, the Home Guard—and the powers and status of Captain Margesson. In addition, there have been debates in public and in secret on the war situation, while the war effort was critically discussed during the debates on the Address. Parliament, because of its great age, is no longer truly representative of the people. But the voice of the people is still heard.

* * *

Sanity in South Africa

The retirement from the South African Parliament of General Hertzog and his colleague Mr Havenga, once Minister of Finance, ends a peculiarly bitter chapter in the perennially bitter political history of the Union. General Hertzog still refuses to support the war, but he has learned from a year's hard experience that General

Smuts is right—that there is no *via media* for South Africa and her politicians between loyalty to Britain and pro-German treachery. The claim of the retiring statesman that he has done all in his power to reunite Afrikanerdom will not be contested. Nor could he himself deny, from what he has seen of the councils of the Nationalist opposition, that this reunion can only be secured, not on the basis of neutrality, but in co-operation with General Smuts and the British. The followers of General Hertzog who think like him will swell the many more than half-a-million Afrikaans-speaking South Africans who already support the Prime Minister and the war. The recalcitrant minority, who see in Nazi racialism and the stablemate of their own, may realise from events in Egypt and Libya—and Greece—that the *gleichgeschaltet* days they have been looking forward to are still very much further off than they seemed at the time of Dunkirk.

* * *

India and the War

Indian troops are playing their part in the Near Eastern battle, and every official speech gives prominence to India's industrial war effort. But the political clash continues. Many of the leading figures of the Congress party, including men of character, ideals and intelligence like Pandit Nehru, are in gaol; and Lord Linlithgow has declared it impossible yet to implement his offer (made in August) to bring representative Indians into his Executive Council and into a new War Advisory Council, for the offer has not been sufficiently widely accepted for a representative selection to be made. There are signs, however, that no section in India wishes to push the conflict to the point of danger. Mr Gandhi has put a brake on the anti-war movement which has roused the authorities to such strict measures; the Viceroy has restated "the proclaimed goal of Dominion status as soon as may be"; and moderate Indian opinion has shown itself increasingly impatient of a dispute which in no way reflects the wish of a majority of the Indian people to give aid in the war against Hitler and German domination. The quarrel between Congress and the Government conceals the realities of the situation. Mr Gandhi's pacifist agitators are in the main not pacifists at all in the Mahatma's moral and religious sense. They represent a political party seeking to impose their own party solution to India's constitutional problem, and it is a pity that Mr Gandhi's wider reputation and influence have caused the Viceroy to negotiate with him almost as the representative of India.

*

The most recent spokesmen of the impatience of the moderates has been Sir Tej Bahadur Sapru, lawyer, landlord and Liberal, whose appeal for reconciliation and constructive agreement was addressed to all parties in the political *mélée*. To the Indians, he called for a meeting of Mr Gandhi and Mr Jinnah (of the Moslem League), together with spokesmen for the Hindu Mahasabha, the Sikhs and the scheduled classes—a discussion on communal lines which Congressmen who believe that Congress can represent all Indians would no doubt reject—to agree upon a policy for the duration of the war; and then, on the basis of that agreement, to press the Viceroy to reconstruct his administration as a National Government with a predominantly non-official membership. To the Viceroy, he addressed a plea, not only for readiness to set up such a Government—in addition to the offers made in August—but also for a clearer definition of the proposed status of "representative Indians" in the enlarged Executive Council and the War Advisory Council. Would they be merely advisers or simply departmental chiefs, or would they be collectively responsible members of an Indian Cabinet? Sir Tej Bahadur Sapru rightly believes that the present *impasse* is due to "the failure of both British and Indian statesmanship." What is imperatively needed is an honest effort on the part of Indian leaders, in accord with general popular feeling, to find a common platform, and a courageous attempt on the part of the representatives of Britain to make quite plain, to the people of India and not simply to certain politicians, what precisely they are prepared to do to fulfil Mr Amery's recent promise of "India first."

* * *

Free Colonies

Long before the collapse of France, arrangements were made to promote co-operation between her colonies and Britain's by means of liaison officers in Paris and London and contact between colonial officials. According to an

announcement by Lord Lloyd in the House of Lords on Tuesday, this co-operation has been renewed with the French African territories which have declared for General de Gaulle and extended to the Belgian Congo. Economic agreements have been concluded, under which the British Government will give effect to its pledge that the colonies will not be allowed to fall into distress during the war. Britain is to buy as much of their products as possible, and provide necessary imports in return, thus giving them exactly the same benefits that are extended to British colonies. Co-operation is also taking place with the Dutch East Indies. The Governor of the Straits Settlements can undertake direct discussions with the authorities in Batavia, and a joint Anglo-Netherlands Committee on Economic Matters has been set up in London. These agreements and co-operation are particularly opportune, for the time has come when, for shipping reasons, imports from many of the colonies must be drastically curtailed. Though the war has emphasised the importance of an overseas Empire, it has also emphasised the weakness in the economic structure of various parts of it. The chief weakness has been reliance on one or two export crops, with the result that some territories which provide food for Europe cannot even feed themselves. Jamaica's bananas, West Africa's cocoa and palm products, Palestine's citrus—these, as Lord Lloyd said, are the black spots in our own colonial empire, and similar problems are common to French Equatorial Africa and the Belgian Congo, which have now lost their former markets. Now that there is the experience and advice of other colonial powers to draw upon, there is a great opportunity to plan the economic structure of the colonies in a way that will enable them to face not only the hazards of war but also the vicissitudes of peacetime fluctuations in business.

* * *

Exports and Purchase Tax

It is very naturally an object of the United States tariff to penalise dumping—in the sense of the sale of foreign goods in America at prices below the prices ruling in their

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country of origin. Before the war an important check was given to the flow of "strategic" subsidised exports from Germany on this account. It is now the turn of the British exporters to suffer. Goods made for export are not subject to the British purchase tax, but since *ad valorem* duties in the United States are calculated on the prices at which the goods are supplied to retailers in the exporting country, the amount of the purchase tax is added to the prices at which British exports are offered for sale in the United States. At the moment, the chairman of the Executive Committee of the British Export Council is discussing the matter in America. From the British point of view, the stimulation of exports by extraordinary means which might not be used in peacetime—or, more correctly in this case, the refusal to penalise exports as a result of measures which are necessary to the war effort at home—is an imperative part of war economy; and from the American point of view, as a "co-operator" in the war, it may seem scarcely logical to place a deterrent in the path of the British effort to pay their way so far as possible in goods, when they themselves are now searching anxiously to ease the strain imposed by purchases from the United States on Britain's means of payment. There is, indeed, no case at all for maintaining that there is an attempt at dumping in the exemption of export goods from the extra burden of the purchase tax, which is simply a war measure intended to cut down home consumption. A simple comparison of *wholesale* prices in the home and export markets shows that there is no attempt to sell our goods abroad at prices below cost of production or at cut prices made possible by charging more to the home consumer. Dumping may indeed be a legitimate device in war economy, but there is no evidence at all that it is being used against the United States. The truth is that the basis of American tariff calculations—the price to foreign retailers—happens to be unfortunate in this instance. It is an administrative point, and it should not be beyond the wit of the United States administration to secure that the calculation is made *ex purchase tax*. It is only fortuitous that the British tax is collected at the stage between wholesaler and retailer and not, as in most similar taxes, at the final stage of sale to the customer; and it is even doubtful whether the amount of tax can properly be regarded as part of the "price to retailers."

* * *

The Fighting in Thailand

A frontier war seems to have been in progress on the borders of Thailand and Indo-China since November 23rd, when either Thai troops or Indo-Chinese troops violated the frontiers. Both sides claim naturally that it was the other, while Japan, the only external witness, supports the French claim that Thailand was the original aggressor. This account certainly squares with the events of the last few months. In June, Thailand was busy negotiating non-aggression pacts with Japan, Britain and France. The treaty with France was completed, but not signed, on June 12th, just six days before France's collapse. Then followed the clash between Japan and Indo-China in which the weakness of France was made manifest. Thailand began to talk of her *terre irredente* in Cambodia and Laos and it is possible that discreet encouragement came from Japan, for whom any method of increasing France's embarrassment was pure gain. Finally, early in September, the Thai Government presented its official claims for a rectification of the Indo-Chinese-Thai frontier. Vichy made a conciliatory reply. They were ready to conclude the non-aggression pact even though it had been negotiated by the Reynaud Government. True, they were not prepared to make any territorial concessions, but offered

to convene a meeting of the mixed Commission which had already been set up to repartition the islands in the Mekong river. Bangkok replied at the end of October by restating its claim to Laos and Cambodia. Fighting broke out a few weeks later. In all this, Japan's attitude has been equivocal. We can only guess at her policy by examining where her interests are at stake. Indo-China and Thailand between them are the land route to Singapore. Control of both might compensate Japan for the thousands of miles her navy would have to traverse to make effective an attack on Netherlands India. And if we accept control as the basis of her policy, her reactions to the crisis make sense. In July, the Japanese were bringing Indo-China to heel. So Thailand was encouraged to exert pressure in the rear. But Indo-Chinese resistance collapsed quickly and Indo-China sank to the status of unincorporated protectorate. Now, therefore, it is the turn of Thailand. The small country has already been accused of having concluded a military agreement with the United States and Britain. We may wonder now whether Japan will not find it necessary to "go to the aid" of her Indo-Chinese puppet.

* * *

Rations for Animals

The Ministry of Agriculture has announced that rationing of concentrated foods for farm animals will begin on February 1st, and not on January 1st as was originally hoped. The ration is based on the census of animals taken on December 4th, and for cows it will be 3 lb. of concentrates per day, plus 3½ lb. for each gallon of milk in excess of 1½ gallons per cow. Other cattle will get 1½ lb. per head per day, with a double allowance for fattening beasts. The rations for pigs and poultry are to be based, not on the numbers on farms in December, but on one-third of the numbers shown in June, 1939—in fulfilment of the warning given six months ago that supplies of concentrates for pigs and poultry would be drastically reduced. Horses, sheep and goats are also provided for, and there will be special rations for town horses and pig clubs. The object of this elaborate rationing scheme, according to statements of the Ministry of Agriculture, is to ensure that milk production will be maintained by being given priority in the limited supplies of concentrates. The danger is that these rations may be quite insufficient to maintain normal milk yields. The cows included in the East Anglian milk recording scheme,* for instance, were fed about 10 lb. of concentrates per day in the winter months of 1936-37; as their average milk yield was 1.9 gallons a day, their allowances of concentrates under the new rationing scheme would be about 4½ lb. per day—less than half of the amount actually fed. Nor is it probable that a deficiency of this size can be remedied by the use of other foods. Farm production of cereals will be deducted from the rations allocated (except for those cereals grown on land ploughed up in 1939-40). The 1940 hay crop was short, owing to reduced yield and smaller area. The effect on milk yields of a deficiency in cows' rations of concentrates cannot very well be made good by feeding larger amounts of bulky foods, such as roots and hay, which have a lower food value. Moreover, a fixed ration per cow ignores entirely all the local variations in feeding practices, variations based on differences in soil, in markets and in climate. If supplies of concentrates are insufficient to provide a larger ration for dairy cows, then the time may have come to consider the slaughter of some of the beef cattle and lowland sheep, which are the cows' main competitors for food. Meanwhile, it is announced that the temporary milk shortage has abated, and the restriction on consumption has been removed. Milk yields normally increase from December onwards. But if the possibility of a severe shortage next autumn is to be avoided, quite considerable modifications in the rationing scheme may be necessary. (A Note on page 776 discusses alternative diets for other cattle.)

* * *

Food for Europe

Twice recently Ministers have addressed themselves to the people of the United States in broadcasts to counter the movement there for sending food to German-occupied Europe. Both Dr Dalton and Mr Cross argued—rightly—that no means can be found to send food to the conquered countries which will not aid Germany herself. It is not simply a question of whether food allowed through the blockade would go direct to Germany. Possibly it would not. But it would at the least relieve Germany's need to draw upon her own reserves of food to feed or pacify the people

* University of Cambridge Department of Agriculture, Farm Economics Branch Report, No. 28.

for whom she has with brutal deliberation seized responsibility; and it would render easier the process, already far advanced, of stripping the captive lands of stocks and supplies of foodstuffs likely to make up deficiencies in the German diet or useful for conversion into munitions of war. Whatever the arrangement, the fact that any imports would swell the stocks of food in German Europe—to Germany's advantage—remains. As Mr Cross said, "You cannot feed some of the people under German power without adding to the total German food supply any more than you can put a bucket-full of water into a tank without adding to the total amount of water in the tank." In the United States a committee to save Finland, Norway, Belgium, Holland and Central Poland from famine and pestilence is at work under Mr Hoover, and its plan is to arrange with the belligerent countries and some neutral for the delivery of a fortnight's supply of food at a time to these distressed countries. The only official comment in Washington has been that these undoubtedly sincere and well-intentioned people should approach Germany first. Here, concern for the well-being of Hitler's unhappy victims is taking the practical form of preparing schemes to store foodstuffs overseas to be rushed to them when the Germans have gone. To the schemes of the humanitarians, our answer is, and must be, plain: "There are scores of millions of subject peoples living under the power of Germany to-day, and Germany has got to see that they are fed." The character of this war, in which, incidentally, Germany is making every effort to starve the people of this country, will allow no compromise. Nor need there be any famine in the conquered countries if Germany will make their feeding a first charge on the food supplies and transport facilities available.

* * *

Shorter Notes

This week's signature of a Pact between Axis Hungary and neutral Yugoslavia made no mention of the "new order." On paper at least Yugoslavia has not added to her commitments, except, of course, not to fight Hungary, which she had no intention of doing in any case.

THE WORLD OVERSEAS

Industrialisation in South America

(By a Spanish Correspondent)

HALF a century ago the South American Republics were known chiefly for raw materials derived from agriculture, stock-breeding or mining. At the beginning of this century some European States, in particular Great Britain, France, Germany and Belgium, began to invest capital in South America, chiefly for building railways, mining or otherwise developing the country's raw materials. It was obvious, however, that they had no intention of developing the country industrially; their main interest was raw materials and not the products of industry.

In Latin America, the world economic crises had curiously paradoxical effects. Periods of depression and low prices for raw materials encouraged internal industrial development, since the chances of exporting at a good profit were poor. Again, periods of inflation and high prices abroad caused local industry to be neglected, since it was now more profitable to export raw materials. As a rule, war has also had the effect of encouraging industrial development in these Republics. Thus, at the beginning of the war of 1914-18, the European countries supplying South American markets found their business seriously curtailed, and this encouraged the foundation of local industries in the South American Republics. On the other hand, the export of raw materials went on, often at very high prices, which improved the economic situation in these countries.

After the end of the war, the European exporters tried to recover their South American markets, where they found the exporters of the United States firmly established. This competition, together with the high prices then obtainable for

The Ministry of Information is fifteen and a half months old. During its short life it has had five Director-Generals; their names, the length of their tenure of office, and the reason for their departure are given below:—

LORD PERTH: Appointed June 14, 1939, before the Ministry was born; resigned September 9, 1939, on consenting to undertake the duties of Chief Adviser on Foreign Publicity.

SIR FINDLATER STEWART: Appointed September 9, 1939; resigned November 11, 1939, on resuming his normal duties as Permanent Under Secretary of State for India.

SIR KENNETH LEE: Appointed November 11, 1939; resigned August 8, 1940, because, after he had given "nine months of valuable and devoted service to the State in that exacting position," without remuneration, Mr Duff Cooper came to the conclusion that a change was desirable.

MR FRANK PICK: Appointed August 8, 1940; resigned December 14, 1940; had "nothing to say."

SIR WALTER MONCKTON: Appointed December 14, 1940; still in office.

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The following table shows the number of air-raid casualties in the United Kingdom since the mass raids began in September:—

1940—	Killed	Detained in Hospital	Total serious Casualties
September...	6,954	10,615	17,569
October	6,334	8,695	15,029
November...	4,588	6,202	10,790
Totals to date	17,876	25,512	43,388

*

It might have been expected that provincial towns would have benefited from the experience of London and established communal feeding centres. But though the Minister of Food wrote to local authorities on the point some time ago, arrangements have so far been made in only ten towns. Now he has again urged that a centre should be set up in every town. Such centres are most obviously necessary for bombed cities, but their advantages are no less great for places, both large and small, in reception areas where one of the chief difficulties of billeting is the provision of cooking facilities.

Textiles in Brazil

Brazil is one of the countries that are speedily developing their industrial capacity. A steady flow of foreign machinery

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ESTABLISHED 1810

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Established 1872

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Tel. No.: HINDHEAD 680

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Paid-up Capital - £2,000,000

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The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

is finding its way into the Republic for the manufacture of its own raw materials. The textile industry has made substantial progress in recent times. Whereas in 1928 the imports of cotton manufactured goods amounted to 5,032 metric tons, valued at £2,789,487, in 1939, 11 years later, they totalled only 925 metric tons valued at £394,035.

The centre of the textile industry in Brazil is the go-ahead State of Sao Paulo. The consumption of raw cotton there in the first half of this year was 25,000 metric tons, compared with 47,557 for the whole of 1939. The number of spindles working in the cotton mills is increasing; there were 925,008 on June 29th this year, compared with 910,699 on December 30th last year. Moreover, machinery for mills in Brazil is still being imported; spinning and weaving machinery to the value of £171,000 was imported in the period January-June, 1940, and for the same period last year the figure was £244,000.

The fall in cotton textile imports has run parallel with a rise in exports. From the State of Sao Paulo alone in the period January-August this year, 1,423 metric tons of cotton piece-goods were exported, compared with 166 metric tons in the corresponding period last year. In 1939 the exports for the whole country amounted to 1,982 metric tons, compared with 247 metric tons in 1938. Their best customer nowadays is Argentina, which will be buying even more after the trade agreement between the two Republics signed on October 7th. It provides for a yearly quota of 30 million Argentine pesos for textile imports from Brazil.

Late in October, the Board for the Defence of National Economy passed several measures for the protection of the textile industry. Its recommendations included the restriction of working hours in the mills, increased export of cotton goods, financial assistance to manufacturers, with long-term loans for the purchase of modern machinery, and a ban on the importation of old looms and second-hand machines of small output. These measures suggest that the manufacturers are striving to improve their output by organising well-equipped, modern factories.

As for the rubber industry, 15 factories are already established in the federal district of Rio de Janeiro. Last year, they absorbed 1,127 metric tons of home-produced rubber, and their output, estimated at £380,000, included 75,000 tyres, 65,000 inner tubes, and 80,000 overshoes. During the period January-June, 1940, refining and manufacturing machinery was imported to the value of £138,000, whereas none was imported in the same period of the previous year.

Mining and metallurgy are being developed under the recently formed National Council for the purpose. Special attention is being paid to improved methods of coal-mining and the increased use of national coal. (The annual production is 850,000 tons, and 1,382,000 tons are imported.) The programme of the Council includes assistance to mining concerns, the improvement of transport, and the installation of a plant for the manufacture of patent fuel. The best coal comes from the State of Santa Catharina, where three furnaces are now being established for the production of foundry coke, as well as a plant for washing coal.

The production of pig iron is also going ahead. The estimate of the total production for the current year is 200,000 tons, an increase of 40,000 tons over that of 1939, while in 1934 output was only 58,000 tons. An ambitious programme includes the production of rails, sheets, shaped iron and steel, under the Executive Commission for the National Siderurgical Plan, whose projects will take five years to develop fully.

Meanwhile, an agreement has been made with the United States Government for the construction of a large steel plant in Brazil. The Brazilian Government, the banks and private investors will subscribe \$25,000,000, and the Export-Import Bank of Washington will lend \$20,000,000 more on condition it is spent on plant and material from the United States.

In Argentina, a big project of industrialisation has been going on for the last 25 years. In 1914, imports were 40 per cent. greater than the national industrial production,

while in 1935 they amounted to only 36 per cent. of it. The value of the national industrial production has increased from 1,822 million pesos in 1914 to 3,265 millions in 1935. The following figures, taken from the last industrial census (1935), show the extent of this development even more clearly:—

	1914	1935	% Increase
Industrial firms.....	39,189	43,207	10
Workers	383,000	544,000	41
Horse-power	678,000	2,827,000	316.6

While the closing of European markets has had a profound effect on the economic situation in Argentina, plans for industrial development are still going ahead. The Government is starting a scheme to encourage local manufactures for home consumption. In recent years, textiles have made great strides both in quantity and quality, and further improvements are expected.

Machinery from the U.S.A.

The Argentine Government has come to an agreement with the Export-Import Bank of Washington for a credit of \$20,000,000—one of the largest amounts ever granted to any South American Republic. This is to be devoted to the purchase of machinery and material for industry and transport from the United States, and it will form the basis for a general scheme of industrial development.

One of the first matters to be attended to under the loan will be the construction of an oil pipe-line from Mendoza to San Lorenzo, as projected by the State Oil Fields. Mendoza is becoming an important oil centre. New wells have recently been sunk there, and the output has shown a remarkable increase, from 60,000 cubic metres in January-August last year to 224,563 cubic metres in the corresponding period of this year, while the total output from Government-controlled wells during those eight months was 1,259,986 cubic metres, an increase of 20 per cent. over the same period last year.

Tyres in Chile

Chile is treading the same path of industrial development. The industrial production index (1927-29 = 100) was 169 last August, compared with a mean annual average of 141 in 1939. Particularly since the beginning of this year, increased industrial activity is reported as a result of difficulties in getting goods from Europe. The Chilean Corporation for the Stimulation of Production has reached an agreement with certain American concerns to set up a tyre factory, the output of which is expected to be 100,000 a year, or sufficient to meet the national needs and leave a surplus for export.

In Colombia an *Instituto para el Fomento Industrial* has been set up in connection with the plan for developing the national economy, which was issued last June. Its function will be the provision of facilities for new industries.

The two characteristic features of the present economic outlook in South America are a surplus of raw materials, due to the curtailment of exports to Europe, and a trend towards increased industrialisation. When normal trade relations between this country and South America are resumed after the war, we shall have to reckon with the implications of the industrial development that has been going on there meanwhile.

November 26th.

Palestine's Industrial Potential

[FROM OUR JERUSALEM CORRESPONDENT]

THE recommendations of the Delhi Conference are not yet known, but from the Palestinian standpoint the very fact that this country was represented is nearly as important as the results of the Conference itself. For Palestine's participation proves that its economic significance is greater than its mere size and economic past would seem to warrant. Strategically, the importance of its geographical position has probably changed very little since biblical times, but to-day it can boast of a much larger war potential than it could ever have done in the past, even in 1914-18. To foreign observers the big increase in our citrus crop may appear to be the most valuable development during the Mandate, but other results, less spectacular, will now probably



On you alone this man depends

... he is the skipper of a mine-sweeper
and he is stretching out his hand to you
for your binoculars.

... so is a coast-defence watcher — an
A.A. gunner — a tank commander in
the desert.

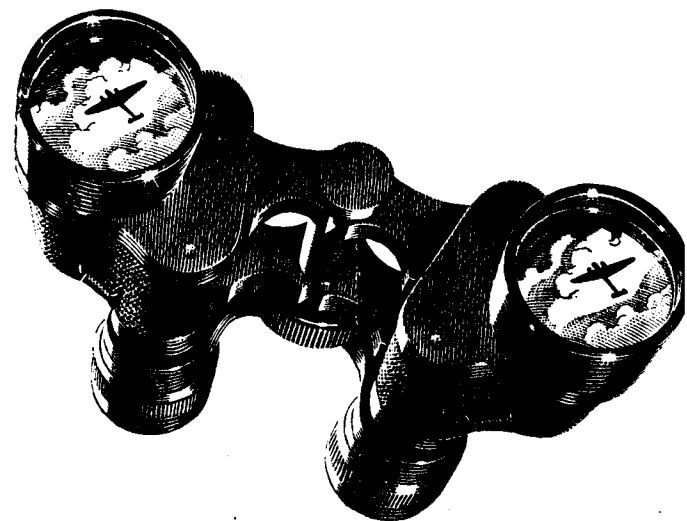
* * *

Week by week, as our battle front
grows wider, the need for binoculars
grows larger and more urgent.
It would take thousands of workers
at least twelve months to manufacture the
binoculars we need at this
very moment.

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gun-sights and bomb-sights.
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is needed — for that skipper — for some
fighting man.

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Regent St., London, W.1. Attach a label giving
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binoculars, mark the label "Gift".

ISSUED BY THE MINISTRY OF SUPPLY

be more important. We are, for instance, in a position to supply a considerable portion of the vegetables necessary for the armed forces in the country. Many foodstuffs, such as certain edible fats, biscuits, chocolates and jams, served to the troops in the Middle East, could be prepared locally by expert manufacturers. However, the sugar necessary for the latter items would have to be imported like the cocoa.

With the mention of "experts" we come to the core of the problem. As a result of the developments in Central and Eastern Europe during the last decade or so, Palestine abounds in experts of the most diverse kind, their number being out of all proportion (compared with European or American standards) to the size of its population. It would be a mistake to assume that recent immigrants were only either unskilled labourers on the one hand, or college graduates and capitalists on the other. Many skilled foremen, coming mostly from Poland and the Danubian countries, have settled here. The transfer of capital, on the other hand, often consisted of very modern tools and machines (even electrical steel furnaces). During recent years, and especially since the outbreak of war, many manufacturing processes, ranging from the production of accessories and spares for automobiles, and the production of building materials, to the manufacture of hosiery and ampullae for pharmaceutical uses, have been established here.

The War Effort

For the war effort of the Empire, the strength of Palestine lies, firstly, in the fact that several thousands of highly skilled workmen, in the European sense of the term, are available in the country and can be put to work at once and, secondly, in that many modern machines are also available. At present Palestine's industry is not working to its full capacity, although the military and civil authorities have lately placed some important orders with local firms. In Egypt, the military authorities spend about £E.20 millions annually, which relatively is far in excess of the amount spent by the authorities in Palestine up to now. According to a reliable estimate, industry is working on an average of 40 to 60 per cent. of its capacity and is working only one shift daily. This being the case, output could be increased several times over.

As all our industries are still rather young and have not yet had time to accumulate substantial reserves, some help from the State would naturally be a necessity. To-day, the regular flow of raw materials can only be guaranteed by Government aid; similarly, the country is dependent upon the Government for cheap financial facilities and for a part of depreciation costs. Subject to these qualifications, not only automobile accessories could be manufactured locally, but also surgical and medical instruments and apparatus, tools, precision instruments, and even electrical appliances. Some hundreds of pharmaceutical preparations are being made locally, although admittedly mostly from imported semi-finished substances. However, the latter are gradually being replaced by semi-finished substances produced here. The war and the Delhi Conference may act as a great stimulus to all these developments.

November 8th.

Portugal and Spain

[FROM OUR LISBON CORRESPONDENT]

THERE is general satisfaction in Portuguese official circles at the completion of the Anglo-Spanish agreement. Here, the state of Spain's food supply is a matter of widespread knowledge; all Portugal knows that, while scarcity over the border is universal, in some regions conditions verge on famine. Generous and warm-hearted though she is, Portugal can spare but limited amounts of staple foods. She can and does sell tropical goods, notably coffee and cocoa, but hitherto Spanish purchases, despite control, have been open to suspicion. Under the new Anglo-Spanish financial settlement, the despatch of merchandise to Germany through Portugal and over Spain will be next to impossible. No diplomatic conditions attach to the agreement, but it is common sense that, were Spain to adhere to Axis policy, all advantages to her would cease. The fear of that possibility, acute in Portugal a few months ago, to-day hardly exists. On humanitarian and diplomatic grounds, Portugal is glad to see Spain's material needs more fully met, and the negative side of Spain's international status, non-belligerency, automatically accentuated.

December 5th.

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THE BUSINESS WORLD

The Price of Labour

SOME measure of inflation can hardly be avoided in the present war; but if we are to limit the extent and unequal incidence of the upward movement in prices and avoid social unrest and a fall in production we must have a price policy. So far we have none. True, the rise in prices has so far been comparatively small; yet its unequal incidence is already giving rise to serious concern, and it has brought to the fore, as a major political issue, the problem of the distribution of sacrifices among the various sections of the people. In view of the urgency of the problem, it is proposed in this and subsequent articles to examine the present methods of fixing the prices of services and commodities, to indicate the disadvantages and dangers of the present state of affairs, and to outline the principles that should guide the Government in the formulation of a national price policy.

The price of labour (including non-manual services) is the most important single item in the cost of the national product. According to Colin Clark, wages and small salaries of less than £250 per annum in 1938, at £2,378 millions, accounted for 41 per cent. of the gross national income. The total number of persons aged fourteen years and over gainfully occupied but not on their own account in Great Britain was estimated by the Committee on Holidays with Pay at 19½ millions at the end of 1937; of these, 18½ millions were manual workers and non-manual workers not in receipt of more than £250 a year.

How are their wages fixed? For the purpose of this article three methods may be distinguished: Collective bargaining between trade unions and employers' associations; Government control, either direct or by delegation; and individual bargaining between employee and employer. The effect of Government intervention, by the imposition of the "fair wages clause" on contractors and public bodies, is to extend the application of recognised rates of pay, arrived at by bargaining or other means, to more workers.

The number of persons having their wages fixed by collective bargaining considerably exceeds the trade union membership which, in the United Kingdom, was 5,842,000 at the end of 1937 and 6,234,000 at the end of 1939. Indeed, it is estimated that the number of non-unionists benefiting from collective agreements almost equals the union membership. On this assumption, some twelve million workers—or two-thirds of the total number of manual workers and of non-manual workers not in receipt of more than £250 a year—are covered by collective agreements. The principal industries in which wages are largely subject to collective bargaining are coal-mining, the metal, textile, building, heavy chemical and printing industries, the transport and ancillary industries, national and local government service, and part of the teaching profession. The actual terms of the collective agreements, however, differ widely from industry to industry. Thus, a large number of unions have their wage rates linked to the cost-of-living index, though not by a uniform formula; the number of workers thus covered exceeds 2½ millions. The Iron and Steel Trades Confederation has the wages of its members related to the selling price of one of the commodities they produce by a sliding-scale arrangement. The movement of coalminers' wages is related to an agreed quarterly ascertainment of profits in each district. Yet other unions have adopted the more empirical policy of demanding rises, or of resisting reductions, by selecting the evidence most favourable to their case at any given time.

There are, however, many large industries which are not sufficiently well organised for effective collective bargaining. In a number of these, minimum wage rates are directly or indirectly controlled by statutory regulations. Thus from the beginning of July this year the Government raised minimum wages for agricultural workers, of whom 710,000 were insured under the unemployment insurance scheme in July, 1939, to the uniform rate of 48s. per week. Road haulage

wages, too, are subject to statutory regulations. Again, in a number of occupations, covering some 1½ million workers, wages are regulated by Trade Boards. But, as already mentioned, wage rates subject to direct or indirect Government control are themselves influenced by those paid under collective agreements.

But there remains a large category of workers, numbering some millions, whose wages are determined by individual bargaining. These include domestic servants—who number some 1½ millions—many of the workers in the service trades, such as retail distribution, office employees, and, in general, all the more highly remunerated salaried workers. As a rule, employers naturally hold the strongest cards in individual bargaining, though freedom to move from job to job, especially in times of good business, ensures some bargaining powers even to individuals, such as typists and clerks. In many of the larger businesses, as in the Civil Service, scales of payment have been adopted for different kinds of work.

In times of peace the methods of fixing wage rates in this country, though defective in some respects, work satisfactorily on the whole. They make for economic flexibility in so far as differential wage rates tend to encourage the movement of labour from the less well-paid to the better-paid occupations which are usually the more profitable ones. Moreover, the method of collective bargaining, which dominates the wage system, stimulates economic progress by reason of the continuous pressure for higher wage rates.

But do they work satisfactorily in times of war? Mr Bevin seems to think they do, for he has put on record his intention to maintain the pre-war wage-fixing machinery, supplemented by the National Arbitration Tribunal set up to settle disputes. But it is difficult to reconcile Mr Bevin's views with the realities of the present emergency. First, the country's labour resources must be re-distributed in accordance with the national interest and not with money demand; secondly, in view of the coming reduction in the total volume of commodities and services available to the public to the minimum compatible with the maintenance of its health and efficiency, an efficient system of wage-fixing must ensure a fair distribution of the smaller cake.

The pre-war methods of fixing wages satisfy neither of these two criteria. The Government is now the chief customer of industry—it is spending more than one-half of the national income—and the prices it pays for munitions and stores are based largely on costs of production. Over a large part of industry, costs are therefore no longer being kept down as rigidly as under competitive conditions. And as, in addition, business profits are subject to E.P.T. at 100 per cent., there is now less incentive for employers to resist demands for higher wages and to strive for technical progress to offset an increase in the price of labour. The present system will thus encourage an upward movement in wages without eliminating the disparities of the wage rates in individual industries. In times of war it is inequitable, inefficient and likely to cause social unrest.

What are the principles which should govern wage-fixing in war? Given the need for a swift and large-scale distribution of our labour resources in the national interest, and the need for an equitable distribution of the smaller volume of goods and services that will be available to the public, a national wages policy must be substituted for the present bargaining system. The far-reaching re-distribution of labour that is required would seem to justify, not the complete elimination of the system of differential wages, but the adoption of a limited number of wage categories, supplemented by family allowances. Such a system would not only remove many of the objections to the transfer of workers from civilian occupations to munitions work, but it would also bring about a more equitable distribution of the smaller volume of goods and services available to the public. The

wage categories should be based, not on the present rates of remuneration, but on the cost of the essentials of life. And, as an alternative to maintaining unchanged the cost of essential goods and services, the rates of pay could be varied with—but not necessarily in direct proportion to—changes in the cost of essential goods and services.

If the scales of pay are to be based on the cost of essentials, it will probably be found that current wage rates are too low in some occupations and too high in others. Where present rates are too low they will have to be raised to conform to

the national categories; where they are too high, steps could be taken to draw off the surplus by compulsory saving or higher taxation or both, and to prohibit any further increase, unless and until they are justified by a rise in the cost of essentials. The difficulties in the way of the inception of a national wages policy for the duration of the war are formidable but not insoluble. But it is for the Government to elaborate and impose such a scheme, for the trade unions, by their terms of reference, are virtually debarred from taking the initiative.

Finance and Banking

Credit and the Note Circulation

Credit continues in abundant supply despite the further expansion in the note circulation and the approach of the year-end. The banks are diffident buyers of bills, but this attitude suits the discount market, which got a small allotment at last week's Treasury bill tender. Such loans as have been arranged into the New Year have been made at 1 per cent., a fact which provides all the commentary that is required on the prospects for the period of "stringency" which lies ahead. The authorities have already made clear their decision to keep credit abundant between now and the end of the month. One indication of this intention is provided by the rise in Government securities held by the Bank of England over and above the seasonal expansion in the circulation. During the week to last Wednesday the circulation rose by a further £8,635,000, bringing the last three weeks' expansion to £19,829,000. Over the same period Government securities have risen by £31,780,000, far more than neutralising the effects of the larger circulation. It was thought at the end of last week that the Government's previous recourse to Ways and Means advances from the Bank would be followed by much increased borrowing from the banks through Treasury deposits this week. This expectation was not realised. The amount paid over through Treasury deposits remained at £15,000,000, the authorities evidently deciding consciously to remain indebted at the Bank for rather longer than is customary in order to help the market over the turn of the month. The result is seen in the maintenance of bankers' deposits at the very high level of £129,272,000—a rise of £13,370,000 on the week.

Seasonal Trend in Discount Rates Reversed

Last Friday the discount market again attempted to make sure of getting a reasonable allotment of Treasury bills and cut the rate to a point at which the profit in reselling the bills, or running them on clearing bank money, had virtually disappeared. Owing to the incidence of the 28-day month of February in the currency of the full-dated bills now being issued, the range of bills on offer varies between 89 and 90 days, and this will continue until next March. It is owing to this that the market can tender £99 15s. for 90-day bills and 1d. over this price for 89-day bills, as it did last week, and still earn a minute profit on reselling the bills at 1 per cent. Unfortunately, the market did not earn an allotment commensurate with the keenness of the price at which it bid for the bills. The proportionate allotment on the 90-day bills (on which the market syndicate focused its tenders) was only 33 per cent. compared with 54 per cent. the previous week. The total applications had risen from £140,680,000 to £143,980,000, and the average rate at which the £65,000,000 of bills on offer were allotted was £1 0s. 1.25d. per cent., the lowest recorded since August, 1939. It is interesting to note that this lowering of discount rates to the lowest level touched since a fortnight before the outbreak of the war is directly connected with balance sheet preparations, that is, with the close of the year, a period when all precedents would demand not a fall but a rise in discount rates. This year's reversal of the traditional year-end hardening of bill rates is an illuminating commentary on the complete abeyance into which the former machinery of credit control has fallen. The market assumes that the authorities will see to it that a sufficient supply of credit is available to carry it comfortably over the turn of the year. It is not, therefore, making the slightest allowance for the possibility of dear year-end money in the allowance for which it is now discounting bills. On the contrary, rates at which it is now discounting bills. On the contrary, since it has fewer bills in its portfolios than it cares to reveal

in the end of year balance sheets, it has carried the rate of discount to the almost uncompetitive level of just under 1½ per cent. It may be well to utter a word of warning about the facility with which a level of rates, once established, obtains rigidity and powers of resistance. This is particularly true of the present moment, when so large a part of the normal application for Treasury bills comes from semi-official quarters for whom the profit factor in the operation is the least of the considerations involved. There is thus a danger that the return to a Treasury bill rate of 1½ per cent. may be more difficult than was the recent move to a rate of rather less than 1½ per cent.

* * *

Japanese Note Issue Revision

Legislation is to be introduced in the next session of the Japanese Diet with a view to altering the system of note issue of the Bank of Japan. The system at present in operation is that of the fiduciary issue. The Bank of Japan may issue notes up to the amount of 2,200,000,000 yen against Government bonds, Treasury bills and other sound securities or commercial paper. Every note issued over and above this figure must be covered fully by gold and silver provided the value of the silver does not exceed one-fourth of the metallic reserve. The Bank may issue uncovered notes in excess of the fiduciary maximum, but if the fiduciary issue remains over the legal maximum for more than 15 days, the approval of the Minister of Finance is required, and a penal tax on the excess becomes payable. During the past year these provisions for meeting temporary periods of exceptional currency demands have, in fact, been called upon to function permanently. Up to a year ago the circulation could, except for short periods, be kept within the bounds of the 2,200,000,000 yen fiduciary circulation. On October 28, 1939, the notes outstanding stood at 2,686.9 million yen, of which 549.4 million yen were covered by bullion, leaving 2,137.5 million yen as the fiduciary circulation. On October 26 of this year the total issue had risen to 3,636.1 million yen, of which 3,110.1 million yen was fiduciary. The circulation in Japan, owing to its expansion and to the steady diminution of the metallic backing, has thus burst the bonds of the former system of note issue. The new system that is to be substituted for it is that of the maximum issue, the maximum to be fixed by the Finance Minister each year.

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Bank of London and South America

The balance sheet of the Bank of London and South America as at September 30th last provides a contrast to the trend of banking in this country and the Dominions. Deposits, for instance, are down by £5,000,000 at £55,403,000 and investments are £2,787,000 lower at £2,557,000. Bills for collection, on the other hand, are higher by £2,141,000, which, according to Lord Wardington's address to shareholders at the annual general meeting, is due to British export bills covering shipments to South and Central America. He explained part of the fall in deposits by the tendency of depositors to seek more remunerative investment in Government bonds and Treasury bills, and the fall in advances of £3,158,000 partly by a normal liquidation of forward exchange contracts and partly a falling off in the demand of credit towards the end of the year under review as the war inevitably curtailed business between Latin America and Europe. In the circumstances, the bank has done well to show an increase in the net profit of £63,278, and though the dividend is the same at 5 per cent., a transfer to contingency and taxation reserves has been made amounting to £330,000, compared with £270,000 to contingency reserve alone last year.

B. O. B. Anglo-International Bank Deal

The latest report of the British Overseas Bank is chiefly of interest for its announcement that arrangements have been concluded under which the bank will, as from the beginning of next year, undertake the management of the Anglo-International Bank. The two organisations are of very similar character; both have in recent years had to submit to the tribulations of a disordered Europe and the new arrangement should at least help the work of consolidation and retrenchment which is all that can be achieved in present circumstances. For the rest, the B.O.B. report is an inevitably dismal document. The current operations of the bank in the year to October 31st last yielded the small profit of £3,367. As against this, however, there were losses of £65,586 on realisation of investments and a further £35,215 had to be provided for further depreciation of investments. Of the realised losses, £42,904 could be provided for by the appropriate reserves. The balance and the further depreciation on investments had to be carried to profit and loss account, which thus closes with an adverse balance of £54,529. The latest balance sheet shows £1,517,526 to be held in Germany and £5,698 in Roumania. The value of these assets must be deemed highly problematical.

Investment

Lifting the Ban

Two days under six months after the seizure of and suspension of dealings in the so-called S.I. (B) stocks, the Treasury has completed arrangements for the resumption of business between residents in a further list of these securities, which includes almost all of those which were at all widely held in this country. It will be recalled that on November 23rd a first list of some 130 stocks was freed, but these included few in which the investing public was interested, while it was only on October 1st that permission had been given for the sale of S.I. (B) stocks to non-residents. The new list comprises some 115 stocks and includes such securities as Brazilian Tracção, Canadian Pacific, International Nickel, Royal Dutch and Unilever N.V. It also takes in a large number of Canadian provincial and city stocks and the external loans of the Commonwealth, States and Cities of Australia. It continues to exclude those stocks in which the principal market is not in this country, and in particular a number of "Yankees" and Swedish securities, such as Swedish Match, S.K.F. and Electrolux. Business is made contingent on the prior permission of the Bank of England, obtained on Form S.2, but the securities which have not already been transferred to Canada are not to be collected, and may be passed in the normal way from seller to buyer. As was long ago suggested, deposit receipts are to be issued in respect of transferred securities, and pending the completion of these a call ticket, issued against the request for the receipt, will constitute good delivery. This is virtually the machinery advocated here from the very start and it remains difficult to understand why—even granted the large number of holdings involved and the initial error of undue haste—it should have taken six months to complete the arrangements. The delay is the more extraordinary in that two and a-half months ago it was possible to permit sales to non-residents, so that the sorting and listing of securities must then have been nearing completion. It is understood that the list may be amended by either additions or withdrawals. Business began in a few of the leading stocks on Tuesday morning. The prices quoted for shares of companies operating, or domiciled, in Canada show considerable improvement as against the low levels of mid-June, but Unilever N.V., to take only one European stock, is a purely nominal 15s. compared with 17s. at that time. The market seems well satisfied with the arrangement. While the rise in prices against June seems reasonable at first sight, a word of caution is necessary. Current quotations are well above the London equivalents of the prices ruling in either New York or Montreal, or both. If, as seems probable, these stocks are taken over by the Treasury it will almost certainly be on the basis of the overseas and not of the London quotation. Investors may therefore easily incur a substantial loss.

E.P.T. under Fire

The flow of company reports and annual meetings, long held up and now running in full flood, is bringing with it a miscellaneous collection of strictures upon the effects of

E.P.T. at 100 per cent., not only on the standing of the extractive and plantation industries, but upon manufacturers who are working full time on Service contracts. Unfortunately, much of this criticism is based on a failure to understand the extent of the effort, and the sacrifices, which the country has to face. It thus does, perhaps, more harm than good so far as securing an adjustment of the tax is concerned. There have been valuable contributions both in chairman's speeches and in letters to the Press, but they are few, and there has been no case where the statement relating to a public company has been sufficiently well documented to be really effective. For the most part, it is clearly not yet realised that there will in general have to be some consumption of physical capital, and the complete closing down of considerable sections of industries whose output makes no direct or indirect contribution to the war effort. This is in part the answer to those who complain that they are asked to tap their rubber to excess, or to develop their mines ahead of schedule, with less than no profit to themselves, as it is to those who deplore the inadequacy of depreciation allowances under both Income Tax and E.P.T.

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It is, however, far from being a complete answer. On the one hand, it is unreasonable that those enterprises which make the largest contribution should reap the smaller net advantage. On the other, if businesses have to be closed—and it is certain that they must—it is the least efficient which should go first. E.P.T. at 100 per cent. and a more or less fixed base period penalises the young and progressive concern to the benefit of the rival who had the good fortune to do well in the base period, or who is still floundering in a sea of troubles, largely of his own making. It renders impossible the establishment of new concerns, and, worst of all, it removes any initiative to economy and hampers the task of those who are striving to obtain a maximum output from industry. When all this is said, however, it remains true that the aggregate effect which E.P.T. is achieving in cutting down production and in curtailing the distribution of profits would have to be secured by some means. The real problems are to provide a stimulus to production, where output is needed; to assist, rather than impede the selection of the firms best fitted to carry on, where retrenchment is necessary, and to remove, as far as may be, the more crying injustices. So far, no alternative has been put forward by the spokesmen of industry, but the general line of their arguments suggests that a minor cut in the rate would go some way to meet the worst defects of the tax. Such a policy, coupled with blocking of the sum left in the business, was put forward in *The Economist* of November 9th and was also suggested at the end of last week by Mr C. V. Thomas, chairman of Ayer Hitam Tin Dredging. The ban on spending the money could be lifted when outlays were in the national interest and the company was prepared to undertake them at its own expense. Taxation alone cannot solve the problems of effecting necessary transfers of labour and capital, which call for energetic action in other fields. A sound tax should, however, at least avoid the creation of new difficulties.

Further Vesting Order

Over the week end, the Treasury made a further order vesting in itself 66 United States dollar securities, of which six are bonds and some 40 odd equity shares. Among the latter are, on this occasion, several which are fairly widely held in this country. These include General Motors, American Rolling Mill, Eastman Kodak, Marshall Field and F. W. Woolworth New York, National Dairy Products, Pennsylvania Railroad and Socony-Vacuum Oil. Except for the difference in date, the basis of payment is identical with that of recent orders. Payment is deferred for a minimum period of one month, that is to January 14, 1941, when delivery is completed by December 20, 1940. Otherwise, payment is made one month after completion, or when instructions to deliver in New York are cabled one week after advice of delivery, but in no case before January 14th. In every case, delivery should be effected through bank or broker, and preferably through the house which effected the original registration of the holding. Once again, holders are urged to invest the proceeds, in whole or in part, in gilt-edged stocks, and payment may be secured direct in 2½ per cent. National War Bonds to the nearest penny over £100, or in 3 per cent. Defence Bonds in multiples of £5, subject to a maximum holding of £1,000:—

DESCRIPTION AND PRICE OF SECURITIES VESTED

Shares	£ s. d.	Shares	£ s. d.
American Gas and Elec. Common \$10 (A).....	7 11 6	National Power and Light \$6 Cum. Prefd.	23 3 10
American Home Products \$12 (AB).....	12 13 4	New Jersey Zinc \$25 (A).....	17 1 6
American Locomotive 7½% Cum. Pref. \$100.....	21 2 3	Niagara Hudson 5% Cum. First Prefd. \$100 (C).....	19 12 5
American Rolling Mill \$25 (A).....	3 17 0	Niles-Bement-Pond Common (A).....	14 5 8
American Smelting and Refining 7% Cum. Pref. \$100 (A).....	37 0 2	Ohio Oil 6% Cum. Prefd. \$100 (A).....	27 3 11
Atchafson Topeka and Santa Fe 5% Non-Cum. Pref. \$100 (C).....	15 19 2	Owen-Illinois Glass Common \$12.50.....	10 17 4
Atlantic Refining Common \$25 (A).....	5 18 8	Pacific Gas and Electric 6% Cum. First Prefd. \$25.....	8 7 1
Atlas 6% Cum. Prefd. \$50.....	12 3 5	Pacific Lighting Common \$25.....	7 14 8
Atlas Common \$5.....	1 14 10	Pennsylvania Railroad \$50 (A).....	9 3 10
Bankers Trust Co., New York \$10 (B).....	14 15 0	Procter and Gamble Common \$25.....	5 11 2
Beneficial Industrial Common (A).....	4 18 2	Sears, Roebuck.....	13 17 7
Blaw Knox (A).....	2 6 7	Sherwin-Williams (Ohio) Common \$25.....	19 6 3
Blue Ridge Optional \$3 Cum. Conv. Pref. Series 1929.....	9 11 3	Socony-Vacuum Oil \$15.....	2 1 8
Boston Edison \$25.....	8 2 9	Southern California Edison Common \$25.....	6 7 11
Chase National Bank \$13.55.....	8 7 8	Timken-Detroit Axle Common \$10 (A).....	7 7 10
Cleveland and Pittsburgh 7% Regular \$50.....	20 9 10	Union Oil of California \$25.....	3 2 2
Continental Can Common \$20.....	9 3 10	United Gas \$7 Cumulative (First) Prefd.	27 8 3
Crown Cork and Seal Common (A).....	6 13 6	United States Steel 7% Cum. Prefd. \$100.....	31 17 8
Crown Zellerbach \$5 Cum. Conv. Prefd.	22 10 2	Walcen (Ill.) Common (A).....	5 8 1
Detroit Edison \$100.....	27 11 5	Wayne Pump Common \$1 (E).....	5 3 1
Dresser Mfg. (Pa.) Common (A).....	5 0 8	Woodward Iron Common \$10 (A).....	8 0 3
Eastman Kodak Common (B).....	33 15 7	Woolworth (F.W.) (N.Y.) \$10.....	8 0 3
Electric Bond and Share \$6 Cum. Prefd.	16 12 10		
General Motors Common \$10.....	12 9 0		
Goodyear Tire \$5 Cum. Conv. Prefd. (A).....	20 14 10		
Inland Steel Common.....	22 1 6		
International Harvester 7½% Cum. Pref. \$100.....	41 14 6		
Kalamazoo Stove \$10 (A).....	2 19 8		
Lehigh Portland Cement Common \$25.....	5 14 11		
Liggett and Myers Common \$25.....	22 17 0		
Ditto, Class "B".....	23 7 7		
Lima Locomotive Common.....	7 7 10		
Loew's \$6.50 Cum. Prefd.	26 16 6		
Macy (R.H.) Common.....	6 12 4		
Marshall Field Common (D).....	3 19 6		
Mueller Brass \$1.....	5 9 11		
National Dairy Products Common Stock (A).....	3 5 3		

(A) Ex December dividend. (B) Ex January dividend.
(C) Cum February 1st dividend. (D) Cum December 31st and January 31st dividends. (E) Cum January 2nd dividend.

This is the third order affecting United States securities, apart from the mopping up of those which had missed the original calls, which was notified on November 16. The first order, dated February 17th, covered 60 shares, almost all equities and few popular with British investors. The second, of April 13th, took a further 117, including 25 bonds and one or two favourites, such as United States Steel common. In all, 243 securities have now been taken over apart from 61 Canadian stocks, of which Grand Trunk Consolidated debentures is a sterling stock. It is quite impossible to assess the amount of money involved in the latest order, but it will be substantial, and it is the fourth in 50 days. Others may be expected in the not distant future, but it is prob-

able that before long other methods of financing our growing deficit on merchandise account will begin to assume importance.

* * *

An L.C.C. Conversion

In these days of rigid control of the capital market even conversion operations are matters of importance, and the reception given to the conversion offer made by the London County Council to holders of the 3 per cent. Metropolitan stock, maturing February 1st next, will be watched with interest. The terms are sufficiently favourable, namely, a 3½ per cent. stock repayable in 1958-68, in view of the fact that the 3½ per cent. L.C.C. stock 1968-73 stands at about 102 ex dividend. The Council is, however, banned by the Treasury from raising any money in the market to pay off those who do not convert, and until recently it would certainly have been the case that the discount houses would have tried to buy up the bulk of such a stock, and equally certain that they would require a substantial "turn" if they were to accept a long-dated security in its place. Recently, however, the money market has burnt its fingers over



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such operations, notably in the case of 4½ per cent. Conversion, and it was widely assumed that it would hold little of this stock. This was all the more probable in that Metropolitan Threes, issued in the eighteen eighties, are well tucked away in trust accounts and similar funds, whose guardians, while little disposed to snatch the small capital profit which may arise from a bid by the discount houses, will undoubtedly be tempted by the offer of an additional half point in interest. Actually the money market appears to hold enough of the maturing stock to feel uneasy at the prospect of pressure being put upon it to take the long-dated stock offered in conversion. No doubt on any issue which now stands at some £8,644,570, the Council will easily be able to raise—it has not already in hand—sufficient funds outside the Stock Exchange to pay off those who reject the offer.

Company Notes

Burma Corporation

A further reduction in the Burma Corporation dividend from 6.25 to 4.86 per cent. tax free for the year to June 30th is happily not accompanied by a comparable setback in profits. Income from metal sales at £2,310,911 has fallen by only £5,544, against £172,904. With a reduction in general expenses and a small increase in subsidiary sources of income, total profits are actually higher at £1,043,044, against £941,087, a result which must be regarded as highly satisfactory in view of the temporary loss by the Corporation of its important markets in Germany and the Low Countries. A rise in tax requirements from £429,181 to £489,410—it is satisfactory that no draft has been made on general reserve against £67,500 in 1938-39—has reduced the equity surplus from £522,807 to £510,927, representing a tax-free rate of 5.6, against 5.7 per cent. The reduction in the ordinary dividend leaves an ample margin of earnings, and the carry-forward is up from £38,026 to £104,616. Three years' profit figures are analysed in the accompanying table:—

	Years ended June 30th		
	1938	1939	1940
	£	£	£
Metal sales, etc.	2,489,359	2,316,455	2,310,911
Operating expenses	1,473,505	1,350,739	1,244,310
Total profit*	1,007,973	941,087	1,043,044
Depreciation (and exch. loss) ..	57,525	56,599	42,707
Taxes and duties	293,493	361,681½	489,410
Shares (tax free):—			
Earned	656,955	522,807	510,927
Paid	634,767	571,290	444,337
Earned %	7.2	5.7	5.6
Paid % (approx.)	6.95	6.25	4.86
Carry forward	86,508	38,026	104,616

* After deducting general expenses and fees and adding other income. † Excluding £67,500 transferred direct from general reserve.

Production statistics are withheld in the national interest, and shareholders are deprived of the usually full account of technical aspects of the enterprise. The directors are, however, able to state that separation from Germany and the Low Countries, which provided the main markets for copper matte, nickel speiss and zinc concentrates, forced the Corporation to curtail production of these commodities in the early months of the year and to rely on sales of lead and silver as the main sources of income. Later, Ministry of Supply contracts for lead and zinc, and the development of a new market for copper speiss, has again widened the basis of profitable production, and it is expected that an outlet for nickel speiss will also be negotiated. The balance-sheet position does not show any notable shift in the distribution of assets or liabilities. Investments at or under cost have declined from £248,988 to £156,742, assisting an increase in cash holdings from £680,694 to £967,497. Stores and plant

are up from £367,364 to £404,637 and debtors and creditors both show a normal appreciation. Burma Corporation appears to have weathered satisfactorily the difficult transition from peace to war economy and, apart from the hazards of wartime transport, should be in a position to maintain gross receipts in the current year.

B.A. Western Improvement

Although the report for the year to June 30th still shows a net loss, B.A. Western results disclose considerable improvement on 1938-39 earnings. Profiting by a rise in gross receipts from £3,422,383 to £3,555,572, for which the improved wheat crop was mainly responsible, and by a reduction in operating costs from £2,999,028 to £2,962,590, total earnings rose from £651,731 to £819,486. This figure is the highest since £977,422 was earned in 1936-37, the latest year in which any distribution was made on preference capital. Exchange differences required £248,141, against £216,513, and after meeting debenture charges and other expenses, the net loss is reduced from £116,132 to £7,764. Thus, the company is able to avoid a draft on general reserve, which has been necessary in the previous two years, and to liquidate the loss by reducing the carry-forward from £21,318 to £13,554. The following table indicates the improvement in earnings during the past three years:—

	Years ended June 30th		
	1938	1939	1940
	£	£	£
Operating receipts	3,340,028	3,422,383	3,555,572
Working expenses	2,891,093	2,999,028	2,962,590
Rentals, etc., received	210,763	228,376	226,504
Total profit	659,698	651,731	819,486
Exchange differences	229,562	216,513	248,141
Misc. expenses	92,472	89,929	95,603
Deb. and note interest	454,774	461,420	483,506
Earned for divs.	Dr. 117,110	Dr. 116,132	Dr. 7,764
Pref. divs. paid	...	...	...
General reserve	Dr. 100,000	Dr. 125,000	...
Carry-forward	12,451	21,318	13,554

As in the case of B.A.G.S., the reduction in working costs, in the face of generally rising prices, has required the strictest economy and must be regarded as extremely satisfactory. The ratio of expenses to receipts fell from 87.63 to 83.32 per cent. In common with other Argentine railways, the chief anxiety is the closing of export markets which has followed on the outbreak of war. Cattle traffic is reduced in the current year, while the export of pork has fallen to a minimum, and transport of wool and maize are also at a low level. Thus, the railway's prospects for 1940-41 are conditioned largely by external political developments. To date gross traffics show a fall of 1,335,000 pesos, or 9.1 per cent. The balance sheet reveals no significant change. General reserves are reduced from £1,228,004 to £1,192,730, but the allocation to renewals fund which is charged against profits is increased from £63,375 to £65,443, bringing the total of this fund to £2,857,094. The company's 4 per cent. debenture stock at 28½ yields £14 0s. 9d. per cent.

Central Argentine Relapse

Shareholders in the Central Argentine Railway, although prepared for the worst by the moratorium scheme submitted in October, cannot but find the results for 1939-40 disappointing, compared with the partial recoveries achieved by B.A.G.S. and B.A. Western and after the progress of Central Argentine itself in 1938-39. Falls in both passenger and goods receipts have brought total gross receipts to the lowest level in the chequered history of the past ten years at £8,404,084, against £9,421,113. While gross traffic revenue has dropped by more than £1,000,000, the reduction in expenses, to a total of £6,856,526, amounts to little more than £300,000, leaving total revenue, after addition of investment income, at the exiguous figure of £1,579,821. At this level, a decline in exchange differences from £962,984 to £712,662 does not suffice to prevent a net loss of £415,409, a figure which is nearly double the only other loss of the last decade—that of £222,722 in 1937-38. The liquidation of last year's loss has required the elimination of the previous year's carry-forward, amounting to £263,963, and the transfer of £151,446 from reserve, leaving no balance to be carried forward. An analysis of three years' revenue and expenditure is provided in the accompanying table.

	Years ending June 30th		
	1938	1939	1940
	£	£	£
Passenger receipts	2,483,553	2,302,103	2,176,011
Goods receipts	5,233,916	5,607,457	4,830,667
Total gross receipts	9,315,262	9,421,113	8,404,084
Working expenses	7,401,431	7,174,398	6,856,526
Total profit†	1,948,053	2,279,471	1,579,821
Exchange differences	915,040	962,984	712,662
Other expenses	...	24,823	26,833
Debenture interest, etc.	1,255,735	1,255,735	1,255,735
Earned for dividend	Dr. 222,722	35,929	Dr. 415,409
Pref. divs. paid	...	...	...
Carry forward	228,034	263,963	Nil*

* After transfer of £151,446 from general reserve. † After crediting investment income.

The cause of last year's severe setback is the partial failure of the wheat crop in the area in which Central Argentine operates. It is particularly hard both for the railway and for shareholders that a poor wheat crop should have coincided with a year in which Argentina was cut off from the markets to which she would normally have exported an excellent maize crop. The improved results of B.A. Western, discussed above, are due in large measure to the fortuitous coincidence of a good wheat and poor maize crop in the district which it covers. Unhappily, no mere improvement in crops can put Central Argentine on its feet as long as war conditions continue to disturb trade, and the directors have, therefore, obtained sanction for a 2½ years' moratorium until December 31st, 1942, on 4 per cent. debentures, 5 per cent. redeemable debentures and 5½ per cent. bearer notes. The balance sheet shows general reserve at £1,054,089, against £1,301,555, while renewals fund is lower by some £332,000, at £3,567,000, owing to the lack of any allocation from revenue and an increase in expenditure on renewal of electrical plant, partially offset by smaller withdrawals of rolling stock. Other items show little change except that the company's temporary secured loan has increased from £498,000 to £856,000. Until the existing moratorium on the specified debenture services is lifted, Central Argentine stocks cannot prove an even moderately attractive investment. At the moment the outlook is extremely gloomy as there is a fall of 11 million pesos, or some 26½ per cent., in gross traffics for the past five months. The 4 per cent. debenture stock is now quoted at 25.

Kaffir Dividends

The South African mines are now allowed to receive the full market price for gold, but owing to increased taxation and the payment of gold realisation charges it was

generally expected that the December dividends would not be materially affected as compared with those in June last. This has proved to be the case. In the Johannesburg Consolidated Investment group, the old trio, New State Areas, Government Areas and Langlaagte, have all maintained their June payments. The time cannot be far distant, however, when reduced dividends must be paid by these three old properties, and the old Van Ryn Deep Mine has, in fact, been forced to reduce its dividend. The payments made by the Johnnies Group are highly satisfactory, but it is well to bear in mind that most of the mines in this group are on the decline and that the position of Randfontein is not altogether satisfactory. Details of the dividend announcements of the "Johnnies" and Rand Mines-Central Mining groups are set out below:—

DIVIDENDS PER SHARE

	Dec., 1939	Total, 1939	June, 1940	Dec., 1940	Total, 1940
"Johnnies" Group					
East Champ d'Or (2/6)	1/10½	1/9	1/-	1/-	2/-
Govt. G.M. Areas (5/-)	1/9	3/4½	1/10½	1/10½	3/9
Langlaagte Estate (£1)	1/-†	1/6	7/6	1/-	1/-
New State Areas (£1)	3/-	6/-	2/9	2/9	5/6
Randfontein Est. G.M. (£1)	2/3	4/6	2/3	2/3	4/6
Van Ryn Deep (£1)	1/9	3/6	1/9	1/6	3/3
Witwatersrand G.M. (£1)	3/-	5/6	3/-	3/-	6/-
Rand Mines—Central Mining					
City Deep (£1)	2/6	4/-	2/6	2/6	5/-
Consolidated Main Reef (£1)*	3/-	6/-	3/-	3/-	6/-
Crown Mines (10/-)	9/6	19/-	9/6	9/-	18/6
Durban Deep (10/-)	1/6	2/9	1/6	1/9	3/3
E. Rand Prop. (10/-)	1/9	3/6	1/9	1/9	3/6
Goldenhuis Deep (£1)	2/6	4/6	2/-	2/-	4/-
Modder B. Gold (5/-)	1/3	2/6	1/3	1/3	2/6
Modder East (£1)*	4/-	8/-	4/-	4/-	8/-
New Modder Gold (10/-)*	2/6	5/-	2/3	2/-	4/3
Rose Deep (£1)	2/-	3/6	2/-	2/-	4/-

* Financial year ends June 30th.

† Including 6d. bonus from sale of land, etc.

In the Rand Mines-Central Mining group, the dividends are in line with market expectations. City Deep maintains the 2s. 6d. June payment and is likely to continue to do so for years to come. A slight fall in the Crown Mines dividend is solely a reflection of increased taxation and should not in any way be connected with future underground prospects of the mine. The rise in the Durban Deep payment is due to the exceedingly good prospects of this property resulting from the important extension programme which has been carried out. A fall in the New Modder payment was to be expected as this mine is now approaching the end of its career. There is little comment to make upon the other mines of the group except that the dividends may generally be considered satisfactory.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

BUSINESS at the close of last week was fairly unresponsive to good news from the Middle East and turnover was on a small scale. On Monday, an improved demand developed in most sections, but by mid-week uncertainty as to the meaning of the Laval crisis in France caused a further minor setback, and prices generally eased. At no time did any selling pressure develop and the reaction has the character only of a pause pending fuller information. The resumption of dealings in a number of dollar stocks was a feature of business on Tuesday.

After an irregular close before the week-end in the gilt-edged market, demand was stimulated at the beginning of the week by the further requisition of dollar stocks. Prices reacted in mid-week in sympathy with the general movement, but a number of gains took place on Monday, when 2½ per cent. Consols and Conversion and 3 per cent. Funding rose ½, and ¾ per cent. War Loan and Local Loans, &c. Dominion and colonial stocks were firm, and in the foreign bond market securities affected by the Middle Eastern campaign continued to

be in demand. Greek 7 per cent. bonds rose steadily until they reached 25½ on Tuesday. In mid-week, they suffered a small setback, but Egyptian securities continued to improve, and throughout the week interest extended to Turkish issues. In the Far Eastern section, Chinese bonds reacted at the close of last week, and Japanese securities returned to favour on Tuesday, when the 5 per cent. issue of 1907 gained 2½ points. On Friday, the announcement of coupon payments raised Peru Guano bonds by 12½ points to 47½.

Demand for home rails was on a small scale, although prices on the whole remained firm. L.M.S. ordinary lost ½ and Southern 5 per cent. preferred ½ point on Monday, but the following day a good demand was evident for debenture stocks, which generally rose ½ point. Some bargain hunting was evident in Argentine rails, resulting in small rises for the senior issues of Central Argentine and B.A.G.S., and Canadian Pacific preference continued to be in demand.

Conditions were uncertain in the industrial market and no consistent trend made itself felt. At the beginning of the week, Turner and Newall suffered from profit-taking prior to the issue of the report. The recent progress of Associated Portland

Cement and London Brick was continued. Tobacco leaders recovered some of the losses of the previous week, and brewery shares were mainly firm, though Meux lost 1s. on Tuesday. Demand for textiles was encouraged by improved reports from Lancashire, and, among provision companies, Manbré and Garton and Hovis attracted attention. Sudan Plantations was well supported on the political developments at the close of last week, but on Wednesday the price reacted 1s. 6d. Among the recently de-restricted dollar stocks dealings took place at around 43½ for International Nickel, around 8 for Brazil Traction and 8½ for Can. Pac. ordinary.

Kaffir prices remained firm, but demand was never on more than a moderate scale. Crown Mines gave way on the reduction of the dividend, but a long list of companies were quoted higher, including City Deep, E. Daggas, Sallies and W. Wit Areas. No revival of interest took place in the rubber market. Until mid-week, when Anglo-Iranian were easier, demand for oil shares was encouraged by the military news. On Tuesday, Anglo-Iranian ordinary, Burmah, V.O.C. and Trinidad Petroleum Developments all gained ½, while Shell Transport ordinary put on ¾.

(Continued on page 774)

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

Industry and Trade

Insurance of Commodities

In addition to schemes for the compulsory insurance of buildings and of business equipment, and for the voluntary insurance of personal belongings, such as furniture and clothes, the War Damage Bill, published on December 11th, also provides for the amendment of Part II of the War Risks Insurance Act, 1939, relating to the insurance of commodities. Broadly, Part II of this Act provided for the insurance against war risks of goods produced or purchased for sale in the United Kingdom. It gave the Board of Trade (which administers the Act) the power to exempt goods altogether from the scheme, but not to make insurance voluntary. As was shown in actual practice, this rigidity proved unsatisfactory. It was found desirable to exclude certain classes of goods from insurance on the ground that they were indestructible or, in war conditions, unsaleable. It is now proposed to rectify this anomaly by permitting voluntary insurance in such cases under the commodity insurance scheme. The War Damage Bill proposes to extend the scope of the commodity insurance scheme by making insurable goods supplied under hire-purchase agreements; the new provision to permit voluntary insurance is to be applicable to goods supplied under hire-purchase agreements concluded after the date when the Bill becomes law, while goods supplied before that date will be made insurable voluntarily under the "business scheme" relating to plant, machinery and other business equipment. Further, the Bill proposes to widen the definition of the insurable risk, though the new definition applies also to the other schemes. Formerly the expression King's enemy risks meant "risks arising from action taken by an enemy, or from action taken in combating an enemy or in repelling an imagined attack by an enemy." In addition,

the new definition covers "damage occurring (whether accidentally or not) as the direct result of measures taken under proper authority to avoid the spreading of the consequences of such damage" as well as "accidental damage occurring as the direct result of precautionary or preparatory measures taken under proper authority in anticipation of action by the enemy."

Dearer Scrap

Slowly but inexorably the pernicious principle of passing on increases in prime costs—sanctioned by the Government over a wide field—is sapping the incentive to increased industrial efficiency. Scrap is only one instance, and not the most important one, of this state of affairs. Take the price of heavy steel scrap on the North-East Coast. It was fixed at 58s. 6d. per ton on September 22, 1939. By the Control of Iron and Steel (No. 7) (Scrap) Order, the price was raised to 68s. 6d. per ton on March 5, 1940. A Direction under that Order subsequently added a further 9d. per ton as a compensation for the rise in railway rates. The Control of Iron and Steel (No. 14) (Scrap) Order, which came into force on December 9, 1940, raised the price by a further 6d., thus bringing it up to 69s. 9d. per ton. Compared with the rise in the prices of other materials, this advance of 19 per cent. in the maximum price of heavy steel scrap may seem small. The cost of imported scrap, moreover, has risen much more steeply. But this is not the test at all. Nor can the absence of larger profits—or, indeed, falling profits—be accepted as conclusive evidence in justification for higher prices. The real measuring rod is the degree of efficiency. And since the labour and material resources at our disposal

are strictly limited, efficiency in their utilisation is now even more important than before the war. We cannot afford to employ three men, or three machines, where two can do the job.

The Atlantic Front

Our Atlantic front is undoubtedly the one that is at present most seriously threatened, for, as the table below shows, the Nazis have been able, ever since last summer, not only to increase their sinkings of British, allied and neutral merchant shipping tonnage, but to maintain them consistently at a level which we cannot afford in the long run:—

	AVERAGE WEEKLY SHIPPING LOSSES (In gross tons)		
	British	British and Allied	British, Allied & Neutral
Sept. 3, 1939–May 27, 1940 ...	20,000	25,900	40,800
1940 June	63,400	100,000	100,200
„ July	56,100	66,800	81,900
„ August	63,600	71,500	80,000
„ September	76,200	90,300	100,200
„ October	63,700	75,700	85,000
„ November	65,000	82,300	86,400
Week ended December 8th.....	86,700	99,700	101,200

True, the continuance of losses, even at the present rate, will not render our shipping position precarious in the immediate future. Moreover, while we cannot replace ships at the present rate of sinkings, we can replace a substantial proportion of the losses, partly from our own shipyards and partly by purchases abroad, especially in the United States. Sixty new cargo ships, totalling about 300,000 gross tons, have been ordered in the United States for delivery next year, and it should be possible to purchase further large numbers of second-hand ships in that country. But in the long run of the problem cannot be solved merely by the replacement of the tonnage lost, for the current rate of sinkings means the loss of many valuable cargoes and seamen. It must be solved by the defeat of the Nazi tactics at sea. The high rate of losses cannot be attributed to any failure of the convoy system, but, as the case of the *Empress of Britain* and of the *Ferret Bay* showed, it must be ascribed largely to inadequate protection by air and naval craft. Stronger protection should enable us to reduce the rate of loss quite substantially. But to this end we must have more aircraft suitable for the purpose, and more naval craft, as well as improved tactics. The defeat of Italy, which would release many fighting vessels at present occupied in the Mediterranean, would go some way towards easing the strain on the Navy, while assistance from the United States in the protection of munition ships crossing the Atlantic would probably enable us to nullify Hitler's threat to our communications.

Shipping Delays in Ports

In view of the consistently heavy rate of shipping losses, it is absolutely essential to prevent any unnecessary delay in the turn-round of ships in home ports. The bombing of ports is naturally causing some delay in the discharging and loading of vessels, but it appears that a good deal of time is also being lost by inefficiency. Thus, a good many cases have been cited recently where delay has been caused by inadequate labour, handling facilities and lack of co-ordination between sea and inland transport. This is a state of affairs that cannot be tolerated in the present emergency. The answer to the bombing of ports is flexibility in the handling of ships in ports and in the distribution of the cargoes inland. Steps must be taken to divert cargoes from one port to another at short notice. There is, of course, an upper limit to the traffic in individual ports. But much can be done by a mobile labour force and by making available rail and road facilities in the form and in the quantity in which it is required. During the last war a good deal was achieved by the formation of transport workers' battalions at the behest of Mr Lloyd George; these could be transferred rapidly from one port to another and made an appreciable difference to the speed of the turn-round. Any further delay in speeding-up the turn-round at this stage would be inexcusable.

Diamond Cutting in Great Britain

On December 4th the extension of the diamond-cutting industry in this country, previously centred largely in Holland and Belgium, was inaugurated by the Diamond Corporation. Factories established in London, Birmingham and in North Wales are already fully occupied, though they lack skilled labour. Most skilled workmen are still in the occupied territories, but it is reported that the Government is taking steps to bring from Portugal and Morocco those who managed to escape there. While about 12,000 specialists used to work in Amsterdam and Antwerp, there are scarcely 150 sawers, cutters and polishers in this country. The law of supply and demand has naturally come into operation, and the wages paid are now three times as high as before the war. The diamond is one of the most essential instruments in precision work. Aeroplanes, tanks, tools are nowadays impossible to produce at full speed, if at all, without diamonds. And the products of the fine wire-drawing factories (wires down to 1/1,000 inch diameter) in Holland, Switzerland and France are not available to us. The demand for smaller diamonds for industrial purposes in the United States is very large, and as they cannot be produced in this country at the moment, their price has increased considerably; thus, a unit of industrial diamonds now costs 6s.-7s., against 4s.-5s. before the war. Rough stones are not more expensive on the world market than before the war, but in Great Britain their price has risen with the fall in the dollar value of the pound. London is the leading market for rough diamonds, and it is hoped that the inception of new cutting and polishing works will also make it an important market for cut stones. Before the war Britain's imports of rough and polished diamonds amounted to £10-£12 millions per annum, about 80 per cent. of which were re-exported to the United States. Approximately £1 million of this sum had to be paid to the cutting and polishing industry in Belgium and Holland. Current exports are estimated to be at the rate of £3-£4 millions per annum; of these £1.5 millions are industrial diamonds. It is hoped, however, to increase exports appreciably as a result of the extension of the industry.

Tin Restriction and the Market

According to the terms of the tin regulation agreement, the International Tin Committee is to recommend its renewal or discontinuance "not more than twelve calendar months and not less than nine calendar months prior to December 31, 1941." It is understood that discussions were to have begun this week, but no decision need be taken before the end of March. There are no indications, at present, that the agreement will be allowed to lapse, especially as Bolivia, in her agreement for the supply of concentrates with a metal content of 18,000 tons each year to the new United States smelting industry, has reserved the right to reduce her deliveries in accordance with any reduction in the international quota.

Meanwhile, the price of tin on the London market has tended to decline, from £260 per ton early in November to the current price of about £257 per ton, which is well below the New York price. The downward trend in prices in this country has been due, in the main, to the slack demand, the growth of stocks in warehouses (from 3,900 tons to 4,700 tons in the past three weeks) and some reluctance in the issue of export licences. Arbitration, which normally tends to equalise prices in London and New York, is no longer effective. The prospect of higher prices in the United States, where a smelter is to be erected, may tempt Bolivian suppliers to hold up ore shipments to this country. This may be the explanation for reports of recent purchases on behalf of the Government which arrested the decline. Actually, it should not be difficult to hold prices around the present level. In spite of the fact that the quota has been fixed at 30 per cent. above the basic tonnages until the middle of next year, exports from producing countries during the year ended June next are unlikely to total much more than 210,000 tons. True, consumption in countries that still have access to supplies will probably not exceed 150,000 tons during this period, but the margin of some 60,000 tons does not fully cover the 75,000 tons that the American Government wishes to buy as a war reserve, especially if private consumers in the United States and the British Government are also anxious to increase their stocks.

(Continued from page 773) "FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Dec. 12 ...	2,032	4,062	69.4	124.6
„ 13 ...	2,006	4,265	69.4	124.6
„ 16 ...	2,969	4,764	69.4	124.8
„ 17 ...	2,016	3,575	69.8	124.9
„ 18 ...	2,109	3,575	69.6	125.0

* July 1, 1935 = 100. † 1939 = 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

THE cheerful display provided by Wall Street on December 13th, when gains ranged up to \$1 under the lead of steel and copper issues, was not maintained. Before markets closed for the week-end the tone became irregular, although on balance the upward trend continued. This week sentiment was hesitant, partly on account of uncertainty as to the next step which American aid for Britain will take. Prices were also depressed by a certain amount of year-end selling to meet tax charges. Steel prices eased, but record output maintained the demand for motor issues. Again in mid-week, a hesitant rally was not maintained. The *Dow Jones* industrial index is down some 2 points on the week. The *Iron Age* estimates steel mill activity at 97 per cent. of capacity, against 96.5 per cent. last week and 97 per cent. in the previous week.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940		Nov. 27, 1940	Dec. 4, 1940	Dec. 11, 1940
	Low	High			
347 Industrials	80.9	111.4	94.0	94.3	94.7
32 Rails	20.7	30.7	26.9	26.5	26.7
40 Utilities	71.2	89.4	77.6	77.4	78.4
419 Stocks	69.9	94.8	80.5	80.6	81.10
Av. yield*	6.61%	4.30%	6.20%	6.15%	6.19%
* 50 Common Stocks.		a May 22nd.			

DAILY AVERAGE 50 COMMON STOCKS

Dec. 5	Dec. 6	Dec. 7	Dec. 9	Dec. 10	Dec. 11
102.70	103.00	103.70	103.90	103.90	104.00
1940 High: 123.7, January 3rd. Low: 86.7, June 10th.					

New York Prices

Total share dealings:—Dec. 11, 810,000;
Dec. 12, 780,000; Dec. 13, 960,000;
Dec. 14, 390,000; Dec. 16, 660,000;
Dec. 17, 700,000.

	Close	Close	Close	Close	Close
	Dec. 10	Dec. 11	Dec. 12	Dec. 13	Dec. 14
1. Railroads	104.0	104.0	104.0	104.0	104.0
Balt. & Ohio	31 1/2	31 1/2	31 1/2	31 1/2	31 1/2
Chesapeake & Ohio	26 1/2	26 1/2	26 1/2	26 1/2	26 1/2
Illinois Cent.	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2
N.Y. Cent.	13 3/4	14 1/4	14 1/4	14 1/4	14 1/4
Norfolk & Wm.	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
Pennsyl. R.R.	22 1/4	22 1/4	22 1/4	22 1/4	22 1/4
Southern	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2
2. Utilities, etc.	170	168 1/2	168 1/2	168 1/2	168 1/2
Amer. Tel. & Tel.	6 3/4	6 3/4	6 3/4	6 3/4	6 3/4
Pac. Light & Heat	37	36 1/2	36 1/2	36 1/2	36 1/2
Pub. Serv. N.Y.	28 3/4	30 1/2	30 1/2	30 1/2	30 1/2
Stpn. Cal. Ed.	26	25 1/2	25 1/2	25 1/2	25 1/2
United Gas	9 3/4	9 1/2	9 1/2	9 1/2	9 1/2
3. Commercial and Industrial	19 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Amer. Metal.	15 1/2	15	15	15	15
Am. Roll. Mil.	44 1/2	43 1/2	43 1/2	43 1/2	43 1/2
Am. Smelting	27 1/2	26 1/2	26 1/2	26 1/2	26 1/2
Anaconda	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
Briggs	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
Celanese of A.	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2
Chrysler	76 1/4	75 1/4	75 1/4	75 1/4	75 1/4
Curt. Wr. "A"	28 1/2	28 1/2	28 1/2	28 1/2	28 1/2
Eastman Kdk.	136	133	133	133	133
Gen. Elec.	33 1/2	32 1/2	32 1/2	32 1/2	32 1/2
Gen. Motors	49 1/4	49 1/4	49 1/4	49 1/4	49 1/4
Inland Steel	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2
Int. Harv.	45 1/2	45 1/2	45 1/2	45 1/2	45 1/2
Int. Nickel	24 1/2	23 1/2	23 1/2	23 1/2	23 1/2
Liggett Myers	90	94 1/4	94 1/4	94 1/4	94 1/4
Nat. Dairy	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2
Nat. Distillers	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2
Nat. Steel	67	67 1/4	67 1/4	67 1/4	67 1/4
Proct. Gamble	56	55 1/2	55 1/2	55 1/2	55 1/2
Sears Roebuck	76 1/2	76 1/2	76 1/2	76 1/2	76 1/2
Shell Union	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2
Socony Vac.	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Stan. Oil N.Y.	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2
20th Cen. Fox	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
U.S. Steel	69 1/2	69 1/2	69 1/2	69 1/2	69 1/2
West. Hse. EL.	103 1/2	103 1/2	103 1/2	103 1/2	103 1/2
Woolworth	32 1/2	31 1/2	31 1/2	31 1/2	31 1/2
Yngstn. Sheet	40 1/2	40 1/2	40 1/2	40 1/2	40 1/2

Capital Issues

Week ending	Nominal	Con-	New
December 21, 1940	Capital	versions	Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs.	4,817,225	4,817,225	4,817,225
3% Defence Bonds	4,929,245	4,929,245	4,929,245
2 1/2% Nat. War Bonds	20,777,597	20,777,597	20,777,597
† Week to December 10, 1940. ‡ Week to December 10th, making total since June 25th, 1940, £192,492,120.			

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis) ...	1,398,106,525	1,044,850,492
1939 (New Basis) ...	1,011,307,387	1,011,307,387
1940 (Old Basis) ...	1,382,374,805	1,028,882,843
1939 (Old Basis) ...	1,086,455,554	82,656,723

Destination (Conversions Excluded)			
Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis) ...	1,043,507,850	1,342,642	Nil
1939 (New Basis) ...	1,065,509,173	25,467,788	2,245,732
1940 (Old Basis) ...	1,028,710,387	142,456	Nil
1939 (Old Basis) ...	66,496,632	15,840,091	320,000

Nature of Borrowing (Conv. Excl.)		
Year to date	Deb.	Ord.
1940 (New Basis) ...	1,028,276,861	1,382,130
1939 (New Basis) ...	77,572,895	8,831,629
1940 (Old Basis) ...	1,027,541,211	332,500
1939 (Old Basis) ...	69,808,921	2,688,459
"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
Metropolitan 3 Per Cent. Consolidated Stock.—London County Council is to make a conversion offer to holders of £8,644,571 3 per cent. consolidated stock maturing February 1, 1941. Holders can exchange into an equal amount of new 3 1/2 per cent. stock repayable 1958-68. Offer to remain open until January 31, 1941.

Shorter Comments

This Week's Company Results.—Lower net profits at £68,371 against £90,555, despite a rise in gross revenue from £249,355 to £297,171 are responsible for a reduction in the ordinary dividend of NEWCASTLE BREWERIES from 17 1/2 to 16 1/2 per cent. The ordinary payment of STEWARTS AND LLOYDS, S.A., is cut from 15 to 10 per cent. Gross income rose substantially from £365,933 to £458,061, but a rise in tax provision from £45,000 to £115,000 caused a setback in net profits from £169,983 to £145,113. Recent investment trust results show a satisfactory stability of earnings and in all

(Continued on page 786)

Home-Grown Cattle Feed

The Department of Agriculture for Scotland has followed up, in *Notices for Farmers*, its valuable advice about war time feeding of dairy cows with corresponding advice on the feeding of other classes of cattle. These present a much less difficult problem, as, except for calves, they need fewer concentrates than cows in milk, and so can be fattened entirely, or almost entirely, on home-grown fodder. The chief effect of the omission of concentrates is to lengthen the period required for fattening, and this has some compensating advantages in additional manure for the land. Where a small allowance of concentrates is available, its use is recommended as making for a more economical utilisation of the bulky produce of the farm. An experiment is quoted in which a group of cattle weighing 6½ cwt. and aged 21 months were given a daily ration of 72 lb. swedes, 6 lb. rye grass and clover hay, and unlimited straw. They increased on an average 14.4 lb. per week over a 13-week period. A second group on a similar ration but with an additional 3 lb. (later 4 lb.) of crushed oats and decorticated cotton cake, increased 19.8 lb. per week. As the protein requirements of beef cattle are estimated at only 1½ lb. of digestible protein equivalent daily, the concentrates in their diet may consist mainly of the carbohydrate rich foods such as oats, barley, wheat, maize and sugar-beet pulp. Grass silage can be used in place of purchased concentrates, in the proportion of 6 lb. silage to one of concentrates. As there was a tendency before the war to overdo concentrates, with the effect of actually retarding fattening, it seems that when rationing is introduced on February 1st farmers should not find insuperable difficulty in fattening their beef herds. Indeed, these conclusions suggest that the proportion of the ration allocated to fattening cattle might well have been reduced in favour of dairy cows.

International Sugar Problems

There has been a substantial increase in the European sugar beet acreage this year and the first crop estimates are now being compiled. Climatic conditions have not been very favourable, but a yield of about 8½ million metric tons of sugar is expected from Europe, including Russia but excluding the United Kingdom, compared with 7½ million tons in 1939-40 and 6½ millions in 1938-39. The increase in production is partly due to the shortage of animal feeding stuffs for the leaves and residual pulp form valuable fodder, and it is understood that even greater quantities are to be grown in Nazi-controlled territories in future. But it is not certain that this is feasible, for sugar beet requires intensive cultivation and an ample labour supply, which Germany may find it difficult to provide. Any increase in acreage must reduce that for other products, especially grain, and unless this year's grain harvest is better than is at present expected it will be impossible to sacrifice the necessary acreage. The extension of sugar beet production on the Continent may have an important effect on the international sugar market after the war. The British Government has decided to draw the sugar requirements of this country mainly from countries within the sterling area. As the United Kingdom was the only large free sugar market, it is difficult to see how the exporting countries outside the sterling area can find purchasers for the sugar by which our requirements will be reduced by rationing. British India, which imported sugar until a few years ago, is now supplying it to Britain, and the rest of our consumption is obtained chiefly from the Empire, from Java, which has based its currency on sterling, and from the domestic beet crop. The difficult situation thus created outside Europe will prevent any increase in the production of cane sugar, such as occurred during the last war.

COMMODITY AND INDUSTRY NEWS

A COMMITTEE under the chairmanship of Sir John Anderson has been appointed by the War Cabinet to deal with coal distribution problems. The Mines Department and the Ministries of Transport and Shipping are to be represented, and there will be consultation with the General Council of the Trades Union Congress.

Cotton (Manchester).—The general volume of inquiry in the market has continued to be encouraging and more business has been done in yarn and piece-goods than for some time. There has been a welcome improvement in offers from abroad for piece-goods. Only occasional miscellaneous sales have been put through for India, but substantial quantities of several types of cloth have been booked for Java. Government buying has reached large dimensions. Contrary to expectations, the Ministry of Shipping has decided to allocate freight for 15,000 bales of American cotton for private use this month, against only 7,500 bales in November. There have been an active demand and substantial sales in the yarn market, especially in coarse counts in both American and Egyptian quantities.

RAW COTTON delivered to Spinnings				
Variety ('000 bales)	Week ended		From Aug. 1 to	
	Dec. 6, 1940	Dec. 13, 1940	Dec. 15, 1939	Dec. 13, 1940
American	20.4	24.3	503	410
Brazilian	8.6	10.1	144	145
Peruvian, etc.	2.6	2.7	88	55
Egyptian	4.0	3.7	127	89
Sudan Sakel	3.3	0.7	74	16
East Indian	4.2	5.9	109	112
Other countries ..	12.2	10.2	73	121
Total	55.3	57.6	1,118	948

Source: Liverpool Cotton Association's Weekly Circular.

Grains.—The wheat market has been dull during the week and prices of Canadian wheat have tended to move downwards. The Control has shown little interest, and reports that Canadian farmers oppose the restriction of acreage helped to depress quotations. Australian grades were dearer at the end of last week due to the expansion of the demand for wheat and flour on Far Eastern account. La Plata maize has remained at about the official minimum. A licence will again be

required to export edible flours to the British Colonies under a Board of Trade Order which came into force on December 16th.

WORLD SHIPMENTS OF WHEAT AND FLOUR				
From ('000 quarters)	Week ended		From Aug. 1 to	
	Nov. 30, 1940	Dec. 7, 1940	Dec. 9, 1939	Dec. 7, 1940
N. America	523	412	8,965	7,051
Argentina, Uruguay ..	203	125	8,236	3,970
Australia	...	...	612†	...
Russia	64	35	114	119
Danube and district ..	...	...	2,795	182
Other countries	...	...	315	...
Total	790	572	21,037	11,322

* Unobtainable. † Incomplete.
Source: The Corn Trade News.

Metals.—The tin position is discussed in a Note on page 775. Prices have been fairly steady during the last week, and they improved on Tuesday with a slight increase in the commercial demand. The New York price of this metal is slightly lower on the week. There have been reductions in the United Kingdom price of antimony and of quicksilver.

Rubber.—Rubber prices have been firm during the greater part of the week. There has been some discussion of an

THE ECONOMIST SENSITIVE PRICE INDEX (1935 = 100)					
	Dec. 12, 1940	Dec. 13, 1940	Dec. 16, 1940	Dec. 17, 1940	Dec. 18, 1940
Crops	105.3	105.4	105.2	105.1	105.1
Raw materials	166.5	166.5	166.5	166.0	166.0
Complete Index	132.4	132.4	132.3	132.2	132.0

	Mar. 31, 1937	Aug. 31, 1939	Dec. 18, 1939	Nov. 11, 1940	Dec. 11, 1940
Crops	147.9	92.2	124.8	100.8	105.3
Raw materials	207.3	122.9	164.4	165.9	166.2
Complete Index	175.1	106.4	142.8	129.3	132.3

* Highest level reached during the 1932-37 recovery.

amendment to the rubber contract which will enable rubber held at various ports to be tendered against the contract and not only that held in London or Liverpool.

Oils and Oilseeds.—There is a comparatively good supply of vegetable oils and stocks are constantly being augmented by the Control, principally from India. Indian shippers are still holding out for higher rates, and Argentine linseed has a stronger tone due to interference in harvesting in some districts by excessive rain. There are, however, hopes of a generally good outcome.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927 = 100)					
	Mar. 31, 1937	Aug. 30, 1939	Dec. 12, 1939	Dec. 3, 1940	Dec. 17, 1940
The Economist Index (U.K.) ..	93.0	66.9	87.3	95.9	97.5
Cereals and meat	70.4	61.1	79.6	84.8	85.3
Other foods	74.2	54.3	77.4	87.8	88.3
Textiles	113.2	95.4	104.3	128.0	128.0
Minerals	87.0	77.6	96.1	106.4	106.8
Miscellaneous	87.2	70.3	89.0	100.2	100.9
Complete Index	119.9	96.8	122.5	137.9	138.9

* Highest level reached during the 1932-7 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION					
	Sept. 2-29, 1940	Sept. 30-Nov. 3, 1940	Nov. 4-11, 1940	Sept. 2-29, 1939	Sept. 30-Nov. 3, 1939
(Thousand gross tons)					
British:—					
Merchant ships:—					
Normal trading	305	318	260	1,548	883
Naval operations	...	...	30	71	...
Naval auxiliaries	...	...	...	151	...
Naval trawlers	1	4	3	17	8
Total	306	322	293	1,787	921
Allied	56	60	69	489	185
Neutral	43	47	16	775	106
Grand Total	405†	429†	378	3,051	1,212

* Evacuation of B.E.F. † Formerly commercial vessels, including drifters. ‡ Revised figures.

COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

STEADY PROGRESS IN A DIFFICULT YEAR

STRONG AND LIQUID POSITION

THE EARL OF MAR AND KELLIE'S ADDRESS

The annual meeting of the shareholders of The Commercial Bank of Scotland, Limited, was held at Edinburgh on the 19th instant. The Earl of Mar and Kellie (Governor of the Bank) presided.

In submitting the report the Governor said:—

It gives me pleasure to meet the shareholders again in annual meeting and to be in the position to submit for approval a report and statement of accounts which continue to show steady progress, notwithstanding the difficulty of the times through which we are passing.

YEAR'S PROFIT

The profit for the year, after payment of all expenses and making provision for all bad and doubtful debts, contingencies, income tax and National Defence Contribution, amounts to £332,700, which is £20,398 less than the previous year. I have previously referred to our policy of improving the emoluments of the staff and the salary item in our charges account now amounts to a very large figure. The directors some time ago authorised a scheme of war-time special allowances for the staff, and we are informed from all sides that these and the allowances to men on service with His Majesty's Forces are highly appreciated by the recipients. We have also had further special outlays in connection with Air Raid Precautions, and, bearing in mind the increased income tax charge, it is not surprising to find the reduction in profit to which I have referred.

ALLOCATIONS

Out of the profit the directors have allocated to contingency account the sum of £75,000, to property accounts £30,000, to the trustees for the officers' pension scheme £30,000, and to the widows' and orphans' fund scheme £10,000.

Interim dividends on the "A" shares of 7½ per cent. and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year) and on the "B" shares of 5 per cent. (making 10 per cent. for the year), both subject to income tax, be approved. After payment of these dividends and allocations, the carry-forward to next year's account amounts to £68,097, a slightly larger figure than that brought in.

BALANCE SHEET ITEMS

Turning to the balance sheet, the note circulation at £4,579,000 and the deposits and other credit balances at £53,357,000 are record figures and are approximately £600,000 and £8,000,000 higher than a year ago, and it is satisfactory to note that the large increase in deposits is well spread over our offices. The item representing acceptances and engagements on account of customers is less by approximately £500,000, which is not surprising, as these items are identified with foreign trade.

ASSETS

On the assets side you will observe that cash, bank balances and other readily available items aggregate £20,000,000 and exceed last year's figure by £6,000,000. You will also observe that for the first time British Government Treasury deposit receipts are shown. These represent short loans to His Majesty's Government under an arrangement made with all the banks some time ago. I may say that the figure of £4,500,000 has since the date of our balance been increased to £7,000,000.

British Government securities at £30,000,000 exceed last year's figure by £5,000,000, and this increase in the main reflects our applications for new Government loans. Adding the amount of our British Government securities to the cash items already referred to gives a total of £50,000,000, or £11,000,000 more than at the date of the previous balance sheet. Having regard to the fact that our liabilities to the public by way of note circulation and deposits are rather less than £58,000,000 an exceptionally liquid state is shown.

With regard to bills discounted in the ordinary way of business

and loans and advances, the aggregate of £11,850,000 is less than the previous year's figure by very nearly £2,500,000. This contraction has taken place notwithstanding the very liberal attitude adopted by the board towards applications for advances required in connection with the war effort. It is hardly necessary for me to say that the bank is in a very strong position to meet all legitimate demands upon it by its customers for advance facilities.

Our property accounts standing at £1,100,000 are slightly higher than last year, and in passing I might mention that the very considerable expenditure on properties incurred during recent years, particularly in connection with the provision of modern strong room and safe equipment, has been found to be of the greatest value under present circumstances.

In every way possible the bank is endeavouring to further the war effort, and facilities are readily available at all our offices for investment in Government loans. I think it is worthy of note that we have issued National Savings Certificates and the small 3 per cent. Defence Bonds to an amount exceeding £4,000,000.

TRIBUTE TO STAFF

In presenting their annual report to the shareholders, the directors have always had occasion to acknowledge their indebtedness to the loyal service of all the members of the staff. To-day that tribute must be a very special one, for the work of the bank has been carried on in the past year in circumstances of exceptional difficulty. No less than one-third of those in the service of the bank have joined His Majesty's Forces. This reduction of the permanent staff, coupled with the other difficulties incident to a year of war, made it necessary for the general manager and the head office to revise the arrangements for the conduct of business so as to obviate, so far as possible, the inconvenience due to the loss of so many trained officials; and it necessarily cast a greater burden of responsibility on those of the staff who were left to carry on the business of the bank. In these circumstances it would not have been surprising if there had resulted considerable dislocation in that business; and that this has not been so is in itself the highest tribute to the efficiency of the remaining staff. For the manner in which these difficulties have been overcome and the business carried on in this anxious year, we desire to tender our special thanks to the general manager and the members of the staff throughout the service.

AIR RAIDS AND LONDON STAFF

In the case of some of our branches a special trial has been added in the shape of air raids. In London, in particular, Mr Alston and the staffs of the three offices have been subjected to a very severe strain. But, despite the dangerous and harassing conditions of service in these branches, work has been carried on with regularity and efficiency, and the staffs have never failed to respond to any demands on their services. I feel sure that the shareholders would wish me to convey their sympathy to the staffs in these trying circumstances, and the admiration for their courage and devotion to duty.

RE-ELECTION OF DIRECTORS

It is proposed that I be re-elected Governor and that Lord Milne be re-elected Deputy Governor, and that the Extraordinary Directors, whose names appear on the list, be re-elected.

During the year the directors nominated Mr Douglas Mure Wood to fill the vacancy created by the death of Mr Howden, to which I referred at our last meeting, and the appointment falls to be confirmed by the shareholders. This being the first general meeting at which Mr Wood has been with us, I would extend to him on your behalf, and on my own, a very hearty welcome. It is also proposed that Mr Salvesen, who, as senior director, retires at this time, be re-elected. Mr Macfarlan and Mr Annan, the auditors, being eligible, offer themselves for re-election for the current year.

The Governor then moved the adoption of the report, and the

motion, having been seconded by Mr Durham, was put to the meeting and carried.

VOTE OF THANKS TO DIRECTORS AND STAFF

At the close of the meeting on the motion of Mr F. T. Mackintosh, W.S., a vote of thanks was accorded to the directors and the staff for their services during the year and acknowledgment was made by Mr Henderson on behalf of the directors and by Mr Erskine, the general manager, on behalf of the staff.

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY

ON GOVERNMENT SERVICE

The one hundredth ordinary general meeting of the Peninsular and Oriental Steam Navigation Company was held, on the 18th instant, in London.

Sir William C. Currie (the chairman) said that the balance at credit of profit and loss account, including £164,797 brought forward from last year, amounted to £670,733. After deducting the interim dividends paid in May last on the preferred and deferred stocks, there remained £502,883 available for distribution. It was proposed to pay a final dividend of 2½ per cent. on the preferred stock, a final dividend of 3 per cent. on the deferred stock and a bonus of 2½ per cent. on the deferred stock, leaving £173,498 to be carried forward to the current year.

Immediately after the outbreak of war a considerable number of the company's mail and passenger ships had been requisitioned by the Government for special service, and, although the remainder of the fleet was left for the company to operate on its own account in the usual trades, Government requirements were to take precedence over all other considerations. Since the early part of the current calendar year, those latter ships in common with ships of other liner companies, had been operated under the Liner Requisition Scheme. The basis of rates of hire was broadly so much per ton per month in respect of running costs, plus an allowance to cover depreciation and interest, in addition to which Government paid the major portion of organisation expenses.

TONNAGE REPLACEMENT RESERVE

Among the many problems with which British shipping would be faced after the war would be its re-establishment in foreign trades from which withdrawal had been necessary in order to meet the immediate requirements of the nation. From an economic point of view, the resumption of those services with a minimum delay was imperative and, in certain circumstances, it might even be necessary to invoke Government assistance. Another grave matter was the replacement of tonnage which had either been lost or become uneconomic to operate on account of age. Shipbuilders throughout the country were at present fully engaged on Admiralty and Ministry of Shipping work, and consequently it was not possible for them to accept orders for ships of the type suitable for the company's trades. After the war, new tonnage would be obviously unobtainable at anything like the prices at which existing ships had been secured. That went to prove that a 5 per cent. depreciation charge on original cost of ships was in itself insufficient to take care of a future replacement programme, and, as nothing had been allowed by the Government for that purpose in rates of hire, the desirability of strengthening the position by allocating sums to replacement reserve from time to time as opportunity offered would be appreciated. Already differences between book values of vessels lost and recoveries under war risk insurance had been credited to "tonnage replacement reserve." All the companies within the group had adopted a similar policy.

Judging by the Government White Paper issued in August last, both present and future difficulties of the British Mercantile Marine had been, he was glad to say, fully understood and appreciated. Whilst some Government assistance might be necessary after the war, it was hoped it would be of a temporary nature only. The British Mercantile Marine owed its development entirely to private enterprise, and it was incumbent to do everything possible to maintain its stability unaided.

In conclusion, the chairman referred to the unflinching courage and devotion to duty of the sea-going members of the organisation. With regard to the shore staff, at home and abroad, he desired to express appreciation of the manner in which all concerned had carried out their duties.

The report was unanimously adopted.

ELECTRIC & MUSICAL INDUSTRIES, LIMITED

IMPROVED RESULTS

The ninth ordinary general meeting of Electric & Musical Industries, Limited, was held, on the 18th instant, in London.

Mr Alfred Clark (chairman and managing director) said: The year has been one of great activity and there have been many problems to face. The Government is urging all manufacturers to speed up production and you will be glad to have my assurance that we are exerting every effort to that end.

During the period under review, the output of gramophone records has been considerably larger than in the previous year. The demand is healthy and indications are that the record business will continue to expand in spite of the handicap of the Purchase Tax. The need of entertainment in the home, and the great difficulty in receiving broadcasting programmes of good quality during air raids, will, we believe, counteract to some extent the bad effect of such a tax on our sales.

Your company's export business has been detrimentally affected by the closing of many markets on the Continent of Europe. Our efforts have, therefore, been turned towards the stimulation of our trade in countries outside Europe with some success.

We do not consider our assets in Continental Europe as irretrievably lost, but in the extreme case of their destruction it is well that you should know that the figures appearing in these accounts, less the reserves already made, are represented by assets outside of Continental Europe. Of these subsidiary companies of the operating companies outside of Continental Europe all have made profits during the year, except one.

A welcome change in the profit and loss account has taken place during the year showing a profit instead of a loss, and representing an advance over the previous year of some £170,000. While last year the trading of the operating companies for the months of July, August and September had resulted in a loss, this year the reverse is the fact, and during these three months there has been a profit.

Our technical policy is aimed at readiness to enter at once such markets as may be available to us when this unhappy war is ended.

The report and accounts were unanimously adopted.

TREPCA MINES LIMITED

STATEMENT BY THE CHAIRMAN (MR A. CHESTER BEATTY)

The thirteenth ordinary general meeting of Trepcia Mines Limited is to be held, on the 23rd instant, at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The accounts show that the company has earned a net profit of £178,124. The directors recommend the payment of a dividend of 3d. per 5s. unit of stock free of tax, leaving £79,772 to be carried forward.

Operating costs are practically the same as those of the previous year. Mining operations at the Stantrg Mine are being continued at a rate of approximately 600,000 tons of ore mined per year. In addition, preparations are being made to produce as soon as possible from the Kopaonik Mine at a rate of 120,000 tons per year.

No development has as yet been done below the 435 metre level at Stantrg, and the general manager estimates the ore reserves as at September 30, 1940, at 4,848,000 tons. This estimate includes only ore lying above the bottom or 435 metre level.

Our investments in Topionica Olova and Topionica Cinka at the date of the balance sheet amounted to £159,454 on share account, and £77,061 advanced to Topionica Olova to complete construction.

In conclusion, I need only say that, under the circumstances, I consider the result of the year's operations to be satisfactory, and I wish to draw your attention to the extent to which this result is due to the efforts of Mr W. C. Page and his staff in Yugoslavia. Difficulties of communication and the general disorganisation caused by the war have given them responsibilities which it was never intended they should have to assume, and they have handled excellently a very difficult situation.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Bouverie Street, E.C.4.

THE NATIONAL BANK OF SCOTLAND LIMITED

PROFITS WELL MAINTAINED

THE MARQUESS OF ZETLAND'S REVIEW

The one hundred and fifteenth annual general meeting of the proprietors of The National Bank of Scotland Limited was held in the Bank's head office on the 19th instant, the Most Honourable the Marquess of Zetland, P.C., G.C.S.I., G.C.I.E., the Governor of the Bank, presiding.

The Governor, in the course of his speech, said:—The period covered by the accounts in your hands embraces a full twelve months of the war in which our country and Empire are so vitally engaged, and the results have been affected by the increased taxation which it has been necessary to impose towards meeting the colossal war expenditure. This greater tax upon our revenue has been to a considerable extent offset by the larger resources at our disposal and the more extensive business passing through our hands, and the profits have been well maintained at £279,434, only some £3,000 less than those of the previous year, results which in the opinion of your directors are very satisfactory. With the balance of £86,363 brought forward from last year, the directors have had a sum of £365,797 to deal with, and they have made the following appropriations, namely:—

To Reserve Fund	£50,000
Investment Reserve Fund	50,000
Heritable Property Account	30,000
Trustees for Officers' Pension Scheme	30,000
Staff Widows' Fund	5,000
A total of	£165,000

They recommend that dividends be now declared at the rate of 16 per cent. per annum on the consolidated capital stock and at the rate of 5 per cent. per annum on the "A" stock which is held by the public, absorbing, less tax, £112,700, and that the balance of £88,097 be carried forward to the present year's accounts.

The chairman then dealt at some length with various items in the balance sheet, after which he said:—This brief consideration of the bank's accounts reveals clearly the strength and liquidity of the bank's position as well as the continued vitality of its business.

TRADE CONDITIONS: DECLINE IN BANKING ADVANCES

It has long been the custom at these meetings to offer some review of the state of trade and industry at home and overseas, but in present circumstances, when our efforts at home are concentrated on war production, save for certain branches engaged in export trade, and when so many Continental markets are for the time being wholly closed, our consideration of business conditions must inevitably follow different lines. An examination of the causes of the general decline in banking advances, of which our own figures the already referred to give evidence, reveals some of the effects of the war upon the normal peacetime activities of the country. It might have been expected that the undertaking by industry of numerous and extensive Government contracts would have involved financial assistance from the banks, and it is, of course, the case that advances have been readily granted to enable these contracts to be carried out. The completion of work undertaken before war commenced enabled many advances to be liquidated, while the arrangements recently made by the Government for making more promptly payments to account for work done under contract has also eliminated to a considerable extent the need for direct banking accommodation to the contractors concerned. The concentration of industry's efforts upon essential war work has naturally and properly reduced the output of non-essential production, with the result that the financial accommodation from the banks usually required at times by such manufacturers or traders has been rendered largely unnecessary. Again, advances to private individuals for personal purposes, often against Stock Exchange securities, have in general been steadily liquidated since war began. More important even than some of the causes mentioned has been the revolution occasioned by the war in a great part of our commercial organisation. Government Departments have themselves in many cases become the purchasing agency for commodities, financing the business themselves, where formerly traders or merchants were assisted by their bankers in acquiring and carrying their stocks. Thus Government financing of purchases, whether of wheat or wool or cotton, or whatever the commodity may be, slips past the banking organisation

unless in so far as the disbursements are represented by additional holdings of Treasury bills, Treasury deposit receipts or new issues of Government securities taken up by the banks.

INCREASED CREDIT TO DISTRIBUTING TRADES

On the other hand, bank credit has been extended perhaps more largely than usual to the distributive trades, which have been urged by the Government to increase their stocks in order, not only to provide reserves of food and materials, but to spread these over wide areas. And it is the case, as already mentioned, that the carrying out of many Government contracts has necessitated assistance from the banks which has been readily granted. Such additional requirements as I have referred to, however, appear to have been more than offset by repayments, with the result that banking advances generally show a fall and a declining tendency. It may be mentioned—though it is now generally known—that the Government is making use of the resources of the banks to help in financing the war by borrowing from them on Treasury deposit receipts, which accounts for the new item under that name appearing in the balance sheet.

EXCESS PROFITS TAX

The chairman, after dealing with the position of agriculture in Scotland, said:—

There are ample indications that industry is at present fully occupied, largely no doubt with war work; but I am not so sure that adequate thought is yet being given to the conditions which will be likely to prevail when the flow of war orders comes to an end and the inevitable problems of the post-war period have to be faced. Little forethought is required to bring home to us the supreme importance of every branch of industry being thoroughly equipped when that time comes, both technically and financially, to cope with the difficulties that are bound to arise in connection with the change-over from wartime to peacetime conditions; and it seems to me to be at least open to question whether the nature of these problems has been fully borne in mind by those who have had the responsibility of devising the various measures of taxation by which it is sought to raise the huge sums required to finance the war effort. That unprecedented burdens have to be shouldered by industry, as by all sections of the community, is common ground, and no one is likely to dissent from the principle underlying the slogan "Take the profit out of the war." But I entertain the gravest doubts whether in the case of the Excess Profits Tax the Government's second thoughts were best. There were good reasons for fixing it, as was done in the first instance, at a rate below 100 per cent.—there was perhaps justification in the particularly critical circumstances of the early summer for raising it to 100 per cent.

REPLACEMENT OF MACHINERY AND EQUIPMENT

But if Excess Profits Tax is to continue to be levied at this rate, how are our industries to be able to replace machinery and equipment worn out by the continued pressure of output during the war? The maximum efficiency will be required in post-war conditions, and unless industry is allowed to retain a small proportion, though it were only 10 per cent., of its excess profits, to enable it to re-equip and bring up to date its plant and machinery, it is bound to be severely handicapped in the future. With a small percentage of excess profits allowed to industry, there would also be an incentive to keep costs as low as possible, a most desirable inducement which is wholly absent at present. Some such concession is surely also called for in fairness to the large number of cases where businesses were only a year or two ago emerging from the period of depression and have such a low standard of profit, if any at all, that they will be deprived of practically the whole of the profits which they have for years struggled to earn. New enterprise is likewise unduly and inequitably penalised, and has a strong case for some concession. The small percentage of revenue which would be involved in this modification of a 100 per cent. tax would, I am sure, be more than compensated by thus placing industry on a footing to tackle post-war problems and thereby helping to avoid the misery and burden of unemployment.

After the chairman had paid a tribute to the staff, the report and accounts were adopted.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

SUCCESSFUL RESULTS DESPITE YEAR'S DIFFICULTIES

LORD WARDINGTON'S ADDRESS

The seventy-eighth ordinary meeting of the Bank of London and South America, Limited, was held, on the 17th instant, at the head office, London, the Rt. Hon. Lord Wardington (chairman of the bank) presiding.

The secretary (Mr J. A. Stark) having read the notice convening the meeting and the report of the auditors,

The Chairman, in the course of his speech, said:—When it is considered that, before the war, markets on the European continent absorbed about 40 per cent. of Argentine and Brazilian exports, at least 30 per cent. of Chilean products, excluding nitrate, and some 25 per cent. of Peruvian exports—to mention only four instances—it is hardly surprising that the monthly figures of shipments from many South American countries, after having been maintained during the first few months of the war at satisfactory levels, have now fallen to new low records, and that adverse trade balances have emerged.

POSITION IN SOUTH AMERICA

The very general sympathy in South and Central America with the Allied cause has become, if possible, even more intensified during the past year, and the various States show sympathetic understanding also of British economic policy. Likewise, Britain has the strong desire to do all in her power under wartime conditions to ease the burden imposed by surplus products upon South American economy. Britain alone, however, obviously cannot deal with so vast a problem, but recent developments indicate that President Roosevelt has much in mind the part which can be played by the U.S.A. The position now is that the United States and the United Kingdom are practically the only two important markets remaining open for South American products, and, conversely, are also the chief sources of supply to South America. The U.S.A. is, of course, free from transport and other wartime difficulties which beset Great Britain and already there has been a very large increase in exports from the U.S.A. to Latin-America—as much as 42 per cent. during the first year of the war, compared with the like period of 1938-39, while North American imports from Latin-America expanded by 30 per cent. The Export-Import Bank is granting many large credits to South American countries, mainly for the importation of capital goods from the U.S.A.

On its part, the British Government has taken important steps to support the trade drive in South America, both to recapture import markets now that German competition has been eliminated, as also to replace the lost European markets for British goods. The primary move in this direction was the formation early in 1940 of the Export Council with the object of promoting the greatest volume of export trade which could be achieved under war conditions, and this Council is now actively operating, assisted by representative groups in each branch of British export trade. Paramount among other developments has been the despatch—with the approval of the Governments concerned—of a special Trade Mission to South America under the leadership of Lord Willington, who is accompanied by representatives of important industrial and export interests. This Mission will be able to make specific recommendations for the development of British export business during the war and for laying the foundations for mutual trade thereafter. Our bank is naturally co-operating fully with this Mission, as well as with the officially-sponsored United Kingdom Commercial Corporation, which is extending its operations so as to facilitate trade with South America.

BALANCE SHEET

And now let us examine our balance sheet, which, despite censorship and irregular mails, I am glad to lay before you at the usual time. We commenced the year with a largely increased turnover in international trade, but as market after market became lost to South and Central American countries, due to the blockade, it will be no surprise to you to see our figures slightly lower than those ruling at the outbreak of war. Deposits and other accounts show a reduction of some £5,091,000, half of which is accounted for by the gradual liquidation of forward exchange contracts. The other half mainly represents a reduction in our liability to depositors. In some

countries deposits have actually increased and in others, where decreases have taken place, these have been quite normal and can be attributed to a tendency for savings bank and fixed deposits to seek more remunerative investment in Government Bonds and Treasury bills. It is highly encouraging that in a time of such unexampled international difficulty the prestige of this bank has never stood higher.

Our holding of British Government securities is lower by £1,467,000 and foreign Government and other securities by £1,320,000, while, on the other hand, our cash in hand at bankers and at call has increased by £1,043,000 to a total of £22,488,000, which item alone represents more than 40 per cent. of our total liabilities to the public, revealing a state of liquidity which I am sure will be comforting to you in these very exceptional times.

Advances and other accounts show a decrease of some £3,158,000, due as to 50 per cent. to liquidation of forward exchange contracts in the ordinary course of business. The remainder denotes a lesser demand for facilities during the latter months of the year under review, owing to a diminution of business caused by war restrictions.

The only other item which merits comment appears on both sides of the balance sheet, viz., bills for collection, which shows an increase of £2,141,000; British export bills covering shipments to South and Central America account for this increase—an eminently satisfactory feature.

PROFIT AND LOSS ACCOUNT

Our profit and loss account reflects a satisfactory year's trading, last year's net profit having been exceeded by £63,278. The net profit now brought in is £535,564, which together with the amount of £173,763 brought forward from last year makes a total of £709,327. The directors now recommend payment of a final dividend of 3 per cent., payable December 18, 1940, making 5 per cent. for the year, leaving a balance to be carried forward to profit and loss account of £177,327 2s. 2d.

Some of you may possibly have expected that part of the increased profit would be distributed in dividends. In normal times I should have felt justified in recommending a higher dividend. But the directors' decision, arrived at after mature consideration, to strengthen the bank's contingency fund and to create reserves for taxation, will, I am sure, be considered by you as a justified step in view of the impossibility of foreseeing future events.

THE FUTURE

Should the present European situation persist, South America's exports may be expected to run at low levels, with a consequent lowering of purchasing power leading to a reduction in imports.

I would strongly emphasise that the success of both official and private endeavours to increase our South American trade depends basically upon British exporters being enabled to keep their prices keenly competitive as also to be in a position to quote smooth terms of delivery, and I have reason to believe that this essential point is fully borne in mind by the Government authorities responsible for the control of raw materials.

There are already many indications of increasing industrial development in South America because of the present war—as occurred after the great war—and, should hostilities be prolonged and shipping difficulties accentuated, this movement, aided by the influx of foreign capital, is likely to become much accelerated and thereby permanently affect the import trade in many lines of goods. Another feature is the increase in trade interchange between the various Republics themselves, as evidenced by the recent trading agreement between Argentina and Brazil.

Continuation of the serious decline in South American overseas trade may be expected to reduce banking earnings, due to smaller commissions, etc., and also may lead to a tendency towards increased exchange restrictions.

Taking the long view of South American affairs, it is safe to assume that the countries there, so rich in natural resources, will eventually be called upon to help revitalise an exhausted Europe.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended December 14, 1940, total ordinary revenue was £18,553,000, against ordinary expenditure of £80,130,000 and issues to sinking funds of £145,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £1,818,361,000, against £595,141,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Dec. 16, 1939	Apr. 1, 1940, to Dec. 14, 1940	Week ended Dec. 16, 1939	Week ended Dec. 14, 1940
ORDINARY REVENUE					
Income Tax...	510,500	100,324	170,666	2,506	3,682
Sur-tax...	83,000	13,060	20,567	640	1,270
Estate, etc., Duties...	86,100	54,740	54,258	1,200	1,422
Stamps...	19,000	11,710	9,378	270	750
N.D.C.	70,000	18,680	15,247	700	2,390
E.P.T.			40,862	...	...
Other Inland Revenue...	1,000	520	329	40	19
Total In. Rev.	769,600	199,034	311,307	5,356	9,533
Customs	309,350	190,256	214,358	4,906	6,020
Excise	213,550	92,036	128,200	2,488	2,100
Total Customs and Excise..	522,900	282,292	342,558	7,394	8,120
Motor Duties P.O. (Net Receipt)...	35,000	9,821	12,988	...	...
Crown Lands Receipts from Sundry Loans Misc. Receipts	13,291	7,604	10,200	650	900
	1,150	940	800	...	...
	5,000	4,061	970	366	...
	13,250	13,194	21,159	357	...
Total Ordinary Revenue ..	1,360,191	516,946	699,982	14,123	18,553
SELF-BAL. Post Office and Broadcasting	86,222	54,246	58,500	1,150	1,500
Total.....	1,446,413	571,192	758,482	15,273	20,053

Expenditure	Issues out of the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Dec. 16, 1939	Apr. 1, 1940, to Dec. 14, 1940	Week ended Dec. 16, 1939	Week ended Dec. 14, 1940
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	188,598	194,405	3,164	3,130
Payments to N. Ireland ...	9,400	5,258	5,487	...	...
Other Cons. Fund Serv.	7,600	3,803	3,776	...	...
Total.....	247,000	197,659	203,668	3,164	3,130
Supply Serv ..	321,970	907,456	230,749	44,500	77,000
Total Ordinary Expenditure	346,670	1,105,115	251,116	47,664	80,130
SELF-BAL. Post Office and Broadcasting	86,222	54,246	58,500	1,150	1,500
Total.....	355,301	1,159,361	256,966	48,814	81,630

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £287,220 to £2,883,522, the other operations for the week (no longer shown separately) raised the gross National Debt by £62,467,525 to about £10,767 millions.

OTHER ISSUES AND RECEIPTS

(£ thousands)	
OTHER ISSUES (NET)	
P.O. and Telegraphs	350
Overseas Trade Guarantees	107
Anglo-Turkish Armaments Agreement	2
Total.....	459

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to December 14, 1940, are:—

(£ thousands)	
Ordinary Exp. 2,511,166	Ord. Revenue.. 699,982
Misc. Iss. (net) 9,069	Gross Borr. 1,827,919
Inc. in balances 489	Less—
	Sinking fds. 7,177
	Net borrowing 1,820,742
2,520,724	2,520,724

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Land		
1939						
Dec. 16	740.0	705.6	50.5	...	...	1496.1
1940						
Sept. 14	836.0	...	...	...	...	...
Oct. 5	836.0	1085.1	91.5	...	124.0	2136.7
Oct. 12	836.0	...	...	...	...	...
Nov. 2	845.0	1145.9	69.0	7.7	1199.5	2262.2
Nov. 9	845.0	...	...	...	...	...
Nov. 16	845.0	...	...	...	...	...
Nov. 23	845.0	1238.6	87.5	...	1269.5	2440.5
Dec. 7	845.0	...	...	...	...	...
Dec. 14	845.0	...	...	...	...	...

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted at Minimum Rate
	Offered	Applied for	Allotted		
1939					
Dec. 15	65.0	92.6	65.0	25 3/8	70
1940					
Sept. 13	65.0	124.7	65.0	20 6/72	35
Sept. 20	65.0	123.5	65.0	20 7/06	37
Sept. 27	65.0	131.9	65.0	20 6/33	81
Oct. 4	65.0	122.5	65.0	20 4/63	42
Oct. 11	65.0	127.0	65.0	20 4/60	37
Oct. 18	65.0	129.8	65.0	20 4/61	36
Oct. 25	65.0	135.3	65.0	20 4/41	30
Nov. 1	65.0	147.3	65.0	20 4/11	25
Nov. 8	65.0	139.6	65.0	20 4/36	31
Nov. 15	65.0	140.8	65.0	20 4/56	32
Nov. 22	65.0	131.8	65.0	20 5/15	41
Nov. 29	65.0	152.2	65.0	20 5/23	20
Dec. 6	65.0	140.7	65.0	20 1/99	54
Dec. 13	65.0	144.0	65.0	20 1/25	33

On December 13th applications at £99 15s. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 33 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday were accepted in full. £65.0 millions of Treasury bills are being offered on December 20th. For the week ending December 21st the banks will be asked for Treasury deposits to the maximum amount of £15.0 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)	
Week ended	
Nov. 5	3,028
Nov. 12	3,071
Nov. 19	5,332
Nov. 26	6,055
Dec. 3	4,404
Dec. 10	4,817
Dec. 17	...
Totals to date	195,631*

* 55 weeks. † 26 weeks.

Interest free loans received by the Treasury up to December 17th amounted to 11,081, of a total value of £24,943,779. From the beginning of the campaign up to November 30th, principal of Savings Certificates to the amount of £25,272,000 has been repaid.

BANK OF ENGLAND RETURNS

DECEMBER 18, 1940

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In Circul. ...	613,175,060
In Bkng. Department..	17,066,515
Govt. Debt..	11,015,100
Other Govt. Securities..	615,311,094
Other Secs...	3,667,950
Silver Coin..	5,856
Am't. of Fid. Issue	630,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	241,575
630,241,575	630,241,575

BANKING DEPARTMENT

(£ thousands)	
Props.' Capital 14,553,000	Govt. Secs... 169,127,838
Rest	3,293,621
Public Depts.* 12,021,295	Discs., etc... 3,808,644
	Securities... 20,830,041
Other Depts.:	
Bankers ... 129,272,484	Notes..... 24,638,685
Other Accts. 52,664,257	Gold & Silver Coin
	971,619
211,804,657	211,804,657

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Compared with	
	Dec. 18, 1940	Last Week
COMBINED LIABILITIES		
Note circulation	613,175	+ 8,635
Deposits: Public	12,021	+ 4,409
Bankers'	129,272	+ 13,369
Others	52,664	+ 1,370
Total outside liabilities ..	807,132	+ 18,965
Capital and rest	17,947	+ 23
COMBINED ASSETS		
Govt. debt and securities†	795,454	+ 19,356
Discounts and advances	3,809	+ 109
Other securities	24,498	+ 53
Silver coin in issue dept.	6	+ 65
Coin and gold bullion ...	1,213	+ 203
Reserves	807,132	+ 18,965
Res. of notes and coin in banking department...	18,038	+ 8,838
"Proportion" (reserve to outside liabilities in Bkng. dept.)	9.3%	+ 5.3% — 6.0%

COMPARATIVE ANALYSIS*

(£ millions)

	1939		1940		
	Dec. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18
<i>Issue Dept :</i>					
Notes in circ.	552.3	593.3	598.3	604.5	613.2
Notes in bank- ing dept.	27.9	36.9	32.0	25.7	17.1
Govt. debt and securities† ...	576.3	626.3	626.2	626.3	626.3
Other sec's. ...	3.1	3.7	3.8	3.7	3.7
Silver coin ...	0.7	0.0	0.0	0.0	0.0
Gold, valued at \$. per f. oz. ...	0.2	0.2	0.2	0.2	0.0
<i>Deposits:</i>	168.00	168.00	168.00	168.00	168.00
Public	34.5	27.1	22.0	16.4	12.0
Bankers'	114.9	110.8	105.8	115.9	129.3
Others	40.4	50.3	51.6	51.3	52.7
Total	189.8	188.2	179.4	183.6	194.0
<i>Bkng. Dept. Secs.:</i>					
Government...	145.2	137.3	139.8	149.8	169.1
Discounts, etc.	5.4	6.9	3.9	3.9	3.8
Other	28.0	23.9	20.4	20.8	20.8
Total	178.6	168.1	164.1	174.5	193.7
Banking dept. reserve	28.9	37.8	33.0	26.9	18.0
"Proportion"	15.3	20.1	18.4	14.6	9.9

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 May 8th; Switzerland, of June 15th; Java, of June 22nd; Greece, of June 29th; Prague, of August 31st; Latvia, of October 5th; Estonia, of October 26th; Melite Iran and Turkey, of Nov. 23rd; U.S. Reporting Member Banks, Bulgaria, Egypt, Lithuania and Roumania, of Nov. 30th; Jugoslavia, of Dec. 7th; Hungary, Sweden, International Settlements and Japan of Dec. 14th.

BANK OF PORTUGAL

Million escudos

ASSETS	Sept. 1, 1939	Aug. 28, 1939	Sept. 1, 1940	Sept. 1, 1940
Gold	920.4	921.6	921.7	922.4
Balances abroad	755.0	648.7	649.4	651.7
Discounts	405.0	470.6	460.8	458.1
Securities	117.9	278.4	278.4	278.4
LIABILITIES				
Notes in circulation	2315.5	2678.5	2722.7	2692.0
Deposits: Government	290.8	322.3	298.6	297.3
Bankers	619.2	612.9	608.1	622.1
Other	95.4	124.8	123.8	120.8
Foreign commitments	237.6	250.8	262.8	262.6

RESERVE BANK OF INDIA

Million rupees

ASSETS	Dec. 22, 1939	Nov. 29, 1939	Dec. 22, 1940	Nov. 29, 1940
Gold coin and bullion	441	444	444	444
Rupee coin	674	306	410	304
Balances abroad	106	499	499	500
Sterling securities	925	1,315	1,315	1,315
Indian Gov. rupee secs.	373	496	496	496
Investments	70	77	77	75
LIABILITIES				
Notes in circn.: India	2,187	2,181	2,181	2,231
Burma	107	110	110	115
Deposits: Govts.	123	173	173	173
Banks	145	498	492	487
Reserve ratio	56.7%	68.7%	68.6%	68.8%

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS	Dec. 14, 1939	Nov. 5, 1939	Dec. 12, 1940	Nov. 5, 1940
Gold certis. on hand and due from Treas.	15,025	19,856	19,505	19,630
Total reserves	15,138	19,856	19,881	19,911
Total cash reserves	303	299	274	270
Total U.S. Govt. secs.	2,512	2,204	2,195	2,184
Total bills and sec.	2,531	2,216	2,207	2,196
Total resources	18,785	22,981	22,979	23,015
LIABILITIES				
F.R. notes in circn.	4,905	5,703	5,778	5,819
Excess mtr. bank res.	4,850	6,930	6,820	6,790
Mr. bank reserve dep.	11,288	14,292	14,154	14,152
Govt. deposits	753	199	255	235
Total deposits	12,759	16,176	16,117	16,075
Total liabilities	18,785	22,981	22,979	23,015
Reserve ratio	86.8%	90.8%	90.8%	90.9%

BANKS AND TREASURY

RESOURCES	Dec. 14, 1939	Nov. 5, 1939	Dec. 12, 1940	Nov. 5, 1940
Monetary gold stock	17,164	21,755	21,827	21,858
Treas. and bk. currency	2,951	3,069	3,074	3,077

LIABILITIES	Dec. 14, 1939	Nov. 5, 1939	Dec. 12, 1940	Nov. 5, 1940
Money in circulation	7,564	8,465	8,569	8,623
Treas. cash and dep.	3,151	2,181	2,159	2,132

BANK OF CANADA—Million Can. \$

ASSETS	Nov. 22, 1939	Nov. 13, 1939	Nov. 20, 1940	Nov. 13, 1940
Gold	225.7	225.7	225.7	225.7
Other	48.9	54.0	65.2	65.2
LIABILITIES				
Notes in circulation	222.9	345.9	341.7	335.1
Deposits: Dom. Govt.	47.9	59.7	67.6	80.2
Chartered banks	221.6	221.7	221.5	206.8

† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

AUSTRALIAN COMMONWEALTH BANK—Million £'s

ASSETS	Oct. 31, 1939	Oct. 21, 1939	Oct. 28, 1940	Oct. 21, 1940
Gold and English stg.	16.0	16.08	16.08	16.08
Other coin, bullion, etc.	4.81	8.16	8.83	9.88
Call money, London	11.04	45.67	49.99	50.98
Securities and Treas. bills	104.03	97.21	97.22	95.58
Discounts and advances	19.11	31.35	30.75	30.77
LIABILITIES				
Notes issued	51.53	61.62	61.62	61.62
Deposits, etc.	89.06	117.10	120.09	119.28

SOUTH AFRICAN RESERVE BANK

Million £'s

ASSETS	Nov. 17, 1939	Nov. 1, 1940	Nov. 8, 1940	Nov. 15, 1940
Gold coin and bullion	30.48	40.17	40.44	41.20
Bills discounted	7.18	0.79	0.80	0.80
Inves. & other assets	20.54	34.38	32.87	32.79
LIABILITIES				
Notes in circulation	18.13	23.49	22.25	21.48
Deposits: Government	4.32	4.34	2.78	2.76
Bankers	27.12	37.52	39.21	40.72
Others	5.26	5.11	5.53	5.25
Reserve ratio	55.8%	58.0%	57.9%	58.8%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

ASSETS	Oct. 30, 1939	Sept. 30, 1940	Oct. 7, 1940	Oct. 28, 1940
Gold and stg. exch.	8.54	12.79	12.20	11.73
Advances to State	21.21	28.02	27.84	28.01
Investments	1.62	2.55	2.55	3.77
LIABILITIES				
Bank Notes	17.37	20.12	20.11	20.20
Demand liab.: State	2.90	5.57	5.39	6.35
Banks and other liab.	13.37	15.71	15.26	15.43
Reserves to sight liab.	25.4%	30.8%	29.9%	27.9%

CENTRAL BANK OF ARGENTINA

Million paper pesos

ASSETS	Oct. 31, 1939	Sept. 30, 1940	Oct. 15, 1940	Oct. 31, 1940
Gold at home	1,224	1,170	1,145	1,120
Gold at home & for exch.	126	183	183	119
Non-int. Govt. bond.	119	119	119	119
Treasury bonds	306	395	395	395
LIABILITIES				
Notes in circulation	1,151	1,175	1,174	1,164
Deposits: Government	85	190	139	148
Banks	487	365	388	394
Certs. of participation	140	176	197	185
Reserve ratio	78.1%	78.1%	78.8%	78.1%

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between December 12th and December 18th. (Figures in brackets are par of exchange.)
U.S. \$ (4-862) 4-02½-03¼; mail transfers, 4-02½-03¼. Can. \$ (4-862) 4-43-47; mail transfers, 4-43-47. Sw. frs. (25-22½) 17-30-40. Sw. kr. (18-159) 16-85-95. Arg. pesos (11-45) 16-90-17-15; mail transfers, 16-90-17-15. Ned. E. Ind. Fl. (12-11) 7-58-62; mail transfers, 7-58-64. Ned. W. Ind. Fl. (12-11) 7-58-62; mail transfers, 7-58-64. Bel. Congo Fr. (176-34) 176-34. Portuguese Esc. (110) 99-80-100-20. Panama, \$4-02-04; mail transfers, 4-02-04. Philippine (peso), 8-09-12; mail transfers, 8-09-13.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 54 cent pm-par. Canada, 5 cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Batavia, 1½ cents pm-par.

MARKET RATES

London on	Par of Exchange per £	Dec. 12, 1940	Dec. 13, 1940	Dec. 14, 1940	Dec. 16, 1940	Dec. 17, 1940	Dec. 18, 1940
Budapest, Pen.	27.82	(d) 155*	(d) 155*	(d) 155*	(d) 155*	(d) 155*	(d) 155*
Belgrade, Din.	276.32	(d) 200*(g)	(d) 200*(g)	(d) 200*(g)	(d) 200*(g)	(d) 200*(g)	(d) 200*(g)
Sofia, Lev.	673.66	(d) 315*	(d) 315*	(d) 315*	(d) 315*	(d) 315*	(d) 315*
Helsingfors, Mk.	193.23	(d) 180-210	(d) 180-210	(d) 180-210	(d) 180-210	(d) 180-210	(d) 180-210
Alexandria, Pst	9712	(d) 170-180	(d) 170-180	(d) 170-180	(d) 170-180	(d) 170-180	(d) 170-180
Madrid, Pt.	25.22½	(d) 40-50(b)	(d) 40-50(b)	(d) 40-50(b)	(d) 40-50(b)	(d) 40-50(b)	(d) 40-50(b)
Istanbul, L.T.	110	(d) 46-55(c)	(d) 46-55(c)	(d) 46-55(c)	(d) 46-55(c)	(d) 46-55(c)	(d) 46-55(c)
Athens, Dr.	375	(d) 515*	(d) 515*	(d) 515*	(d) 515*	(d) 515*	(d) 515*
Bucharest, Lei	813.8	(d) 515*	(d) 515*	(d) 515*	(d) 515*	(d) 515*	(d) 515*
India Rup.	118d.	(d) 17½-16	(d) 17½-16	(d) 17½-16	(d) 17½-16	(d) 17½-16	(d) 17½-16
Kobe, Yen.	24.58d.	(d) 13½-14½	(d) 13½-14½	(d) 13½-14½	(d) 13½-14½	(d) 13½-14½	(d) 13½-14½
Hongkong, \$.	15.89d.	(d) 14½-15½	(d) 14½-15½	(d) 14½-15½	(d) 14½-15½	(d) 14½-15½	(d) 14½-15½
Rio, Mil.	40	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)
Valparaiso, Pes.	40	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)
Lima, Sol. (s).	17.38	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)
Montevideo, \$	51d.	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)	(d) (d)
Singapore, \$	28d.	(d) 28½-29½	(d) 28½-29½	(d) 28½-29½	(d) 28½-29½	(d) 28½-29½	(d) 28½-29½
Shanghai, \$	11d.	(d) 31½-41½	(d) 31½-41½	(d) 31½-41½	(d) 31½-41½	(d) 31½-41½	(d) 31½-41½
Bogota, Pes.	...	(d) 6½	(d) 6½	(d) 6½	(d) 6½	(d) 6½	(d) 6½

* 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. (d) Special account.
(e) 90 days. (f) Trade payments rate.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended		Aggregate January 1 to			Week ended		Aggregate January 1 to	
	Dec. 16, 1939	Dec. 14, 1940	Dec. 16, 1939	Dec. 14, 1940		Dec. 16, 1939	Dec. 14, 1940	Dec. 16, 1939	Dec. 14, 1940
Working days:—	6	6	296	297	Newcastle ..	1,274	1,008	72,825	61,722
Birmingham ..	2,347	1,835	112,600	107,056	Nottingham ..	374	362	23,257	20,833
Bradford ..	1,819	1,202	48,433	91,360	Sheffield ...	...	...	...	...
Bristol	1,462	1,516	68,085	90,517	10 Towns ..	...	...	...	...
Hull	781	650	38,333	36,094	Dublin* ..	5,775	6,615	295,950	296,058
Leicester ..	781	799	39,354	39,099	South*† ..	113	...	...	2,923
Liverpool ..	5,948	4,984	251,187	273,627					
Manchester ..	10,198	10,784	480,136	556,695					

* December 9, 1939, and December 7, 1940.

† Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between Dec. 12th and Dec. 18th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½%. Treasury bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 3-1½%. Short loans, 1-1½%. Bank deposit rates, 1½%. Discount deposits at call, 1½%; at notice, 3½%.

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
Dec. 12	227½	221½	Dec. 17	227½	221½
" 13	227½	221½	" 18	227½	221½
" 16	227½	221½			

NEW YORK EXCHANGE RATES

New York on	Dec. 11, 1940	Dec. 12, 1940	Dec. 13, 1940	Dec. 14, 1940	Dec. 16, 1940	Dec. 17, 1940
London —	Cents 403½	Cents 403½	Cents 403½	Cents 403½	Cents 403½	Cents 403½
Cables ..	23-21	23-21	23-21	23-21	23-21	23-21
Switzerland, Fr.	0-05(c)	0-05(c)	0-05(c)	0-05(c)	0-05(c)	0-05(c)
Italy, Lire ..	40-05	40-05	40-05	40-05	40-05	40-05
Berlin, Mark ..	23-85	23-85	23-85	23-85	23-85	23-85
Stockholm, Kr.	86-50	86-50	86-50	86-50	86-50	86-50
Montreal, Can. \$	23-45	23-45	23-45	23-45	23-45	23-45
Japan, Yen ..	48(b)	48(b)	48(b)	48(b)	48(b)	48(b)
Shanghai, \$..	6-07	6-07	6-04	6-00	5-97	5-98
B. Aires, Pao. (mkt. rate)	23-65†	23-60†	23-60†	23-60†	23-60†	23-60†
Brazil, Milreis ..	5-05	5-05	5-05	5-05	5-05	5-05

* Official buying rate 29-78. (b) Offered. (c) Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation				Difference in Carry Forward (+ or -)	Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves		Total Profit	Net Profit	Ord. Div.
Financial Land, etc.		£	£	£	£	£	£	%	£		£	£	%
Govt. & General Invest.	Nov. 30	22,249	...	12,986	26,548	5,629	5,492	6	...	+ 1,865	20,455	11,277	6
Heinemann Holdings	Nov. 30	7,453	...	5,678	9,300	5,003	...	...	...	+ 675	12,069	9,296	7½
Industrial Credit Co.	Oct. 31	42,594	...	24,142	31,344	...	14,134	2½	10,000	+ 8	33,834	19,112	Nil
Inter-Union Finance	June 30	28,791	...	21,982	28,356	11,000	...	...	5,000	+ 5,982	34,541	25,773	5
Town Investments	Sept. 20	81,527	...	48,138	104,014	17,500	24,970	8	...	+ 3,668	108,356	73,142	14
Rubber													
Bukit Kajang	June 30	35,167	346	27,545	30,073	...	17,500	10	...	+ 10,045	12,989	8,565	5
Malaya General Co.	Aug. 31	47,727	1,340	40,435	52,423	...	41,905	21½	...	+ 1,470	26,089	23,331	11¼
Mergui Crown	June 30	24,916	839	8,259	12,373	...	6,472	10	...	+ 1,787	7,895	1,704	Nil
Tenom	July 31	37,158	700	9,043	10,465	...	7,980	12½	1,000	+ 63	14,076	6,504	5
Tenasserim	July 31	22,024	600	13,436	17,151	...	11,053	5	...	+ 2,383	8,591	6,387	2½
Trusted													
Army and Navy Invest.	Nov. 30	39,956	...	27,522	61,982	10,500	11,967	10	5,000	+ 55	48,429	34,153	11
New Mercantile Invest.	Dec. 1	95,814	...	66,367	90,205	...	48,833	4	...	+ 17,534	99,268	64,221	4
Northern American	Nov. 1	207,539	...	83,547	94,785	21,000	54,300	15	8,000	+ 247	205,465	91,125	15
Scottish Investment	Nov. 5	162,823	...	55,578	82,181	39,375	5,833	4	...	+ 10,370	153,777	54,477	4
Second Anglo-Celtic	Nov. 1	36,290	...	14,122	32,072	9,088	2,937	2½	...	+ 2,097	36,295	15,276	2½
Other Companies													
Aerated Bread Co.	Sept. 28	58,880	6,375	16,726	56,209	...	...	...	...	+ 16,726	157,597	34,954	Nil
Airspeed (1934)	July 31	18,152	13,623	28,435	31,990	(a) 31,749	...	...	...	+ 3,305	123,844	86,104	Nil
Ariston Telegraph	June 30	28,650	...	2,773	7,302	...	3,594	2½	...	+ 821	26,000	550	Nil
Arncliffe Coal	Sept. 30	412	15,000	22,624	43,196	829	16,250	10½	5,000	+ 745	44,094	23,623	12½
Assoc. Talking Pictures	June 30	56,777	...	26,007	Dr. 228,366	...	...	...	...	+ 26,007	42,450	4,454	Nil
Barton Transport	Sept. 30	124,980	28,887	38,028	42,866	8,400	17,500	17½	10,000	+ 2,128	93,132	32,241	15
Bristol Industries	Oct. 31	35,876	5,873	29,595	39,113	11,903	17,000	10	...	+ 692	50,128	36,667	10
British Benzol, etc.	Oct. 31	85,645	19,531	17,373	34,570	11,093	15	5,000	...	+ 8,061	57,371	20,789	15
Brit. & Col. Furniture	June 30	159,798	...	23,061	24,234	15,000	...	...	...	+ 1,001	195,238	24,986	4
Brit. Syphon Co.	Sept. 30	8,086	...	5,609	12,514	7,000	...	...	...	+ 1,400	17,167	14,582	5
Burton Cleaners	Sept. 30	...	3,593	1,679	3,651	...	1,198	4½	...	+ 481	6,370	1,972	Nil
Caledonian (Ceylon) Tea	June 30	27,275	1,979	5,323	5,768	1,920	2,100	6	1,000	+ 303	14,168	3,581	3
Calithrope Ltd.	June 30	34,441	...	16,441	22,970	4,313	6,900	6	5,000	+ 228	34,967	24,967	8
Cap. & Counties Laund.	Sept. 30	15,274	...	9,843	17,522	7,800	2,000	5	...	+ 43	20,141	12,257	5
Carolina Tea	June 30	23,098	...	7,906	15,279	3,456	3,420	4	1,000	+ 30	24,118	6,611	3
Carreras, Ltd.	Oct. 31	2,205,693	79,314	1,030,317	1,335,527	66,000	992,080	26½	...	+ 26,763	2,087,264	1,239,719	30
Cavendish Furniture	June 30	95,461	...	17,010	21,914	1,417	14,615	5½	2,000	+ 1,022	33,682	18,715	5½
Cleveland Bridge, etc.	Sept. 30	33,605	4,939	301,825	Dr. 776,643	...	...	...	...	+ 301,825	193,594	58,005	Nil
Combined Egyptian Mills	Sept. 25	577,122	...	301,825	139,780	76,250	15,625	5	10,000	+ 3,015	273,719	167,152	15
Crittall Manufacturing	Aug. 31	208,540	35,665	104,890	20,356	...	8,800	4	...	+ 5,183	16,952	2,662	Nil
Crown Flour Mills	Sept. 30	30,908	...	13,983	10,723	...	...	...	...	+ 5,666	15,941	429	Nil
Durham Paper Mills	Sept. 30	25,646	12,000	5,666	10,723	...	...	...	...	+ 49,268	37,398	37,398	7½
Easterns, Ltd.	Aug. 31	Dr. 34,712	3,409	Dr. 49,268	Dr. 39,580	...	...	...	...	+ 10,887	92,490	4,354	Nil
Frederick Hotels	June 30	83,669	1,038	1,936	12,302	1,661	...	...	...	+ 275	16,350	9,650	Nil
General Billposting	Sept. 30	10,590	...	21,390	25,031	8,803	...	...	5,000	+ 7,587	39,222	4,171	Nil
Glass, Houghton & Colls	Sept. 30	59,666	20,000	40,508	102,605	4,000	30,000	12½	5,000	+ 1,508	65,667	44,667	12½
Howd, Haggis (K.)	Oct. 31	66,507	15,000	46,395	126,142	47,025	(b) ...	...	...	+ 630	85,441	18,157	Nil
Ilingsworth, Morris	Sept. 30	105,335	...	8,779	3,174	...	...	...	...	+ 8,779	18,195	5,031	Nil
Jowett Cars	Sept. 30	20,136	8,276	88,303	119,329	...	41,017	8	43,017	+ 8,279	156,866	82,808	8
Kern Oil Co.	May 31	305,771	143,200	39,373	45,619	...	15,887	15	15,000	+ 8,450	75,450	10,407	10½
Klinger Manufacturing	Oct. 31	191,318	12,634	50,425	92,913	11,980	19,869	5	...	+ 18,576	43,857	16,298	Nil
Lloyds Packg. Warehouse	Sept. 30	175,268	...	68,371	189,236	12,000	66,000	16½	...	+ 9,629	249,355	90,555	17½
Newcastle Breweries	Oct. 31	297,171	...	4,138	23,166	...	8,625	10	...	+ 4,487	29,644	26,113	20
Oppeiman (S. E.)	July 31	594,442	400,000	180,285	200,250	82,260	52,044	5½	...	+ 45,981	318,365	Dr. 12,540	Nil
Orient Steam	June 30	3,351	...	1,937	3,991	...	2,120	20	...	+ 723	4,812	2,344	20
Phosphoric Products	June 30	25,707	1,149	8,931	8,931	...	13,750	10	644	+ 8,287	14,693	Dr. 2,440	Nil
Premier Metal (S. Africa)	June 30	9,781	...	8,204	40,594	...	3,450	5	...	+ 11,870	11,870	...	12½
Rayne (H. & M.)	Aug. 20	20,407	3,949	8,258	64,067	345	3,450	5	...	+ 537	33,289	15,482	10
Russell, Ltd.	Sept. 30	804,188	...	271,634	280,188	39,000	134,130	10½	200,000	+ 1,496	639,734	267,271	10½
Southwest Motor Traction	Oct. 31	2,578	749	Dr. 3,000	2,766	...	...	...	...	+ 3,000	7,369	2,294	Nil
Stewart & Lloyds, S.A.	Sept. 30	458,061	72,827	145,113	225,985	35,500	61,500	15	45,000	+ 3,113	365,933	169,983	10
Sun Electrical	Apr. 30	23,270	3,071	11,819	14,213	9,375	2,333	2½	...	+ 111	20,401	8,905	2½
Sunlight Laundries	Nov. 30	16,552	...	11,352	26,614	13,500	6,250	2½	...	+ 8,398	45,009	37,591	7
Timber Fireproofing	Sept. 30	20,074	3,344	5,555	7,429	5,225	12½	...	...	+ 330	24,071	5,279	12½
14 cos. not shown above		327,402	19,021	84,053	Dr. 64,228	37,539	80,521	...	27,510	+ 61,537	219,594	Dr. 46,169	...
Totals (£'000's)													
No. of Cos.													
Jan. 1 to Dec. 31, 1940		393,423	32,136	202,040	293,044	45,873	122,827	...	24,343	+ 8,906	361,202	210,531	...
Jan. 1 to Dec. 31, 1941		401,876	33,084	205,306	296,219	46,550	124,736	...	24,743	+ 9,277	368,326	213,641	...

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.
Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to Dec. 17, 1940		Name of Security	Price, Dec. 17, 1940	Ch'ge since Dec. 10	Yield, Dec. 17, 1940	Prices, Jan. 1 to Dec. 17, 1940		Name of Security	Price, Dec. 17, 1940	Ch'ge since Dec. 10	Yield, Dec. 17, 1940
High	Low	High	Low					High	Low				
British Funds													
71 1/2	61	76 1/2	68 1/2	Consols 2 1/2%	70 1/2	1 1/2	2 1/2	2 1/2	11 1/2	Powell Duffryn £1 ...	12 1/2	1 1/2	12 1/2
107 1/2	98	111 1/2	103 1/2	Do. 4% (alt. 1957)	111 1/2	3 1/2	4 1/2	54 1/2	33 1/2	S. Durham Ord. £1 ...	12 1/2	1 1/2	12 1/2
96 1/2	90 1/2	98 1/2	95 1/2	Conv. 2 1/2% 1943-45 ..	98 1/2	2 1/2	3 1/2	47 1/2	26 1/2	Staveley & Lloyds £1	42 1/2	6 1/2	42 1/2
99 1/2	92 1/2	103	97 1/2	Do. 2 1/2% 1944-49	99 1/2	2 1/2	3 1/2	47 1/2	26 1/2	Stewarts & Lloyds £1	41 1/2	7 1/2	41 1/2
99 1/2	92 1/2	103	97 1/2	Do. 3% 1948-53	102 1/2	2 1/2	3 1/2	24 1/2	11 1/2	Swan, Hunter £1	28 1/2	7 1/2	28 1/2
99 1/2	92 1/2	103	97 1/2	Do. 3 1/2% after 1961 ..	103 1/2	3 1/2	4 1/2	24 1/2	11 1/2	Un. Steel Cos. Ord. £1	21 1/2	7 1/2	21 1/2
112 1/2	103 1/2	112	107 1/2	Do. 5% 1944-64	107 1/2	3 1/2	4 1/2	11 1/2	6 1/2	Vickers 10%	14 1/2	13 1/2	14 1/2
87 1/2	79 1/2	82 1/2	76 1/2	Fund. 2 1/2% 1956-61 ..	82 1/2	3 1/2	4 1/2	8 1/2	2 1/2	Textiles	4 1/2	1 1/2	4 1/2
93 1/2	87 1/2	90 1/2	82 1/2	Fund. 2 1/2% 1952-57 ..	88 1/2	2 1/2	3 1/2	38 1/2	21 1/2	Brit. Celanese 10% ...	29 1/2	6 1/2	29 1/2
95 1/2	87 1/2	90 1/2	82 1/2	Fund. 3% 1959-69	90 1/2	3 1/2	4 1/2	39 1/2	20 1/2	Coats, J. & P. £1	30 1/2	13 1/2	30 1/2
100 1/2	100 1/2	113 1/2	105 1/2	Fund. 4% 1960-90	113 1/2	3 1/2	4 1/2	35 1/2	21 1/2	Courtauld £1	26 1/2	5 1/2	26 1/2
99 1/2	94 1/2	102 1/2	98 1/2	Nat. D. 2 1/2% 1944-48 ..	101 1/2	2 1/2	3 1/2	24 1/2	11 1/2	English Swg. Ctn. £1 ..	18 1/2	6 1/2	18 1/2
96 1/2	91 1/2	102 1/2	95 1/2	Do. 3% 1954-58	101 1/2	2 1/2	3 1/2	38 1/2	22 1/2	Patons & Baldwins £1	49 1/2	7 1/2	49 1/2
108 1/2	102	100 1/2	100 1/2	War Bds. 2 1/2% 1945-47 ..	100 1/2	3 1/2	4 1/2	43 1/2	26 1/2	Electrical Manufact.	40 1/2	5 1/2	40 1/2
98 1/2	86	103	98 1/2	Victory Bonds 4%	103 1/2	3 1/2	4 1/2	42 1/2	26 1/2	Associated Elec. £1 ..	82 1/2	1 1/2	82 1/2
98 1/2	86	103	98 1/2	War L. 3% 1955-59	103 1/2	3 1/2	4 1/2	42 1/2	26 1/2	British Insulated £1 ..	62 1/2	4 1/2	62 1/2
99 1/2	91	100	97 1/2	War L. 3 1/2% at 1952 ..	99 1/2	3 1/2	4 1/2	20 1/2	11 1/2	Callenders £1	17 1/2	5 1/2	17 1/2
99 1/2	91	100	97 1/2	Local Loans 3%	99 1/2	3 1/2	4 1/2	33 1/2	16 1/2	Crompton Park A 5/-	28 1/2	7 1/2	28 1/2
99 1/2	91	100	97 1/2	Austria 3% 1933-53	99 1/2	3 1/2	4 1/2	33 1/2	16 1/2	English Electric £1 ..	70 1/2	5 1/2	70 1/2
99 1/2	91	100	97 1/2	India 2 1/2%	99 1/2	3 1/2	4 1/2	33 1/2	16 1/2	General Electric £1 ..	33 1/2	7 1/2	33 1/2
113 1/2	104 1/2	115	105 1/2	Do. 3 1/2%	111 1/2	3 1/2	4 1/2	38 1/2	23 1/2	Gas and Electricity	33 1/2	4 1/2	33 1/2
106 1/2	95	107 1/2	101	Do. 4 1/2% 1958-68	105	3 1/2	4 1/2	27 1/2	18 1/2	Clyde Valley Elec. £1	31 1/2	4 1/2	31 1/2
112 1/2	103	110 1/2	106	Dom. & Col. Govts.	105	3 1/2	4 1/2	20 1/2	13 1/2	County of London £1	23 1/2	5 1/2	23 1/2
103 1/2	92	105 1/2	100	Austria 5% 1945-75	104	4 1/2	5 1/2	18 1/2	11 1/2	Edmundsons £1	14 1/2	3 1/2	14 1/2
110	102	108 1/2	103	Nigeria 5% 1950-60	107	3 1/2	4 1/2	32 1/2	21 1/2	Gas Light & C. £1 ...	37 1/2	10 1/2	37 1/2
111 1/2	104	110 1/2	104	N. Zealand 5% 1946	106	3 1/2	4 1/2	31 1/2	17 1/2	Imp. Cont. Gas Stk. £1	27 1/2	5 1/2	27 1/2
81 1/2	72	85	78	S. Africa 5% 1945-75 ..	85	3 1/2	4 1/2	17 1/2	7 1/2	Lancashire Elec. £1 ..	13 1/2	5 1/2	13 1/2
93 1/2	86 1/2	94 1/2	79	Corporation Stocks	85	3 1/2	4 1/2	38 1/2	22 1/2	London Ass. Elec. £1	25 1/2	7 1/2	25 1/2
102 1/2	95	104	97	Birmah 5% 1946-56	106	3 1/2	4 1/2	38 1/2	22 1/2	North-East Elec. £1 ..	31 1/2	7 1/2	31 1/2
91 1/2	73 1/2	82 1/2	71 1/2	L.C.C. 3%	85	3 1/2	4 1/2	38 1/2	22 1/2	North-West Elec. £1 ..	33 1/2	7 1/2	33 1/2
65 1/2	34 1/2	58 1/2	22	Liverpool 3% 1954-64 ..	91 1/2	3 1/2	4 1/2	38 1/2	22 1/2	Scottish Power £1	33 1/2	7 1/2	33 1/2
95	85 1/2	94 1/2	80 1/2	Middx. 3 1/2% 1957-62 ..	102	3 1/2	4 1/2	39 1/2	24 1/2	Yorkshire Electric £1	33 1/2	7 1/2	33 1/2
91 1/2	73 1/2	82 1/2	71 1/2	Foreign Governments	85	3 1/2	4 1/2	17 1/2	7 1/2	Motor, Cycle and Aircraft	13 1/2	5 1/2	13 1/2
65 1/2	34 1/2	58 1/2	22	Argen. 4 1/2% Stg. Bds.	32 1/2	13 1/2	17 1/2	16 1/2	7 1/2	Austin 5%	9 1/2	4 1/2	9 1/2
95	50	64	25	Austria 4 1/2% 1934-59 ..	42 1/2	13 1/2	17 1/2	16 1/2	7 1/2	Bristol Aero. 10%	27 1/2	9 1/2	27 1/2
95	50	64	25	Belgian 4% (36) 1970	30	13 1/2	17 1/2	16 1/2	7 1/2	De Havilland Air. £1	27 1/2	9 1/2	27 1/2
19	9	35	20	Brazil 5% 1914	30	13 1/2	17 1/2	16 1/2	7 1/2	Fairley Aviation 10% ..	10 1/2	9 1/2	10 1/2
55 1/2	23 1/2	45 1/2	12	Chile 6% (1929)	32 1/2	13 1/2	17 1/2	16 1/2	7 1/2	Ford Motors £1	10 1/2	9 1/2	10 1/2
72	30	63	25	China 5% (1913)	27 1/2	13 1/2	17 1/2	16 1/2	7 1/2	Hawker Siddeley (5/-)	13 1/2	1 1/2	13 1/2
86 1/2	58	80 1/2	50 1/2	Czechoslovakia 8%	80 1/2	7 1/2	4 1/2	38 1/2	24 1/2	Lucas, J. (L) £1	48 1/2	6 1/2	48 1/2
44	4	78	4 1/2	Egypt Unified 4%	61 1/2	7 1/2	4 1/2	38 1/2	24 1/2	Leyland Motors £1 ..	61 1/2	10 1/2	61 1/2
33 1/2	3	61 1/2	2	German Dawes 5%	20 1/2	7 1/2	4 1/2	38 1/2	24 1/2	Morris Motors 5/- Ord.	25 1/2	8 1/2	25 1/2
30	15	24 1/2	12 1/2	Do. Young Ln. 4 1/2% ..	8 1/2	7 1/2	4 1/2	38 1/2	24 1/2	Rolls-Royce £1	38 1/2	11 1/2	38 1/2
35 1/2	15	25	4	Greek 6% Stab. Lns.	20 1/2	7 1/2	4 1/2	38 1/2	24 1/2	Standard Motor 5/- ..	11 1/2	9 1/2	11 1/2
61 1/2	33	65	19 1/2	Hungary 7 1/2%	34 1/2	7 1/2	4 1/2	23 1/2	13 1/2	Shipping	18 1/2	5 1/2	18 1/2
10	3 1/2	Nil	Nil	Japan 5 1/2% 1930	16 1/2	7 1/2	4 1/2	20 1/2	13 1/2	P. & O. Def. £1	21 1/2	5 1/2	21 1/2
9 1/2	4 1/2	Nil	Nil		27 1/2	13 1/2	5	Nil	Nil	Royal Mail Lines £1 ..	17 1/2	5 1/2	17 1/2
52	22	31 1/2	12 1/2	Railways	33 1/2	14 1/2	2 1/2	6 1/2	4	Union Castle Ord. £1	8 1/2	5 1/2	8 1/2
80	34 1/2	5 1/2	2 1/2	B.A. Gt. Stn. Ord.	5	Nil	Nil	6 1/2	4	Allied Sumatra £1 ..	10 1/2	1 1/2	10 1/2
24	20	4 1/2	2 1/2	Can. Pac. Com. \$25	8 1/2	Nil	Nil	2 1/2	2 1/2	Anglo-Dutch £1	16 1/2	7 1/2	16 1/2
60 1/2	21 1/2	Nil	1 1/2	Gt. Western Ord.	33	10 1/2	2 1/2	6 1/2	4	Jokai (Assam) £1	28 1/2	6 1/2	28 1/2
70 1/2	35	2 1/2	2 1/2	LNER 5% Pref. 1955	50	10 1/2	0	6 1/2	4	London Asiatic 2/- ..	26 1/2	6 1/2	26 1/2
65 1/2	24	Nil	1 1/2	Do. 4% 1st Pf.	33 1/2	11 1/2	0	9 1/2	5	Rubber Trust £1	26 1/2	6 1/2	26 1/2
22	7	Nil	1 1/2	L.M.S. Ord.	13 1/2	10 1/2	0	20 1/2	5	United Sanded 2/- ..	2 1/2	4 1/2	2 1/2
70 1/2	35	2 1/2	2 1/2	4% Pf. 1923	37 1/2	10 1/2	3	23 1/2	14 1/2	Oil	40 1/2	5 1/2	40 1/2
65 1/2	24	2 1/2	2 1/2	China 5% (1913)	32 1/2	10 1/2	3	17 1/2	14 1/2	Apex (Trinidad) 5/- ..	25 1/2	7 1/2	25 1/2
22	7	Nil	1 1/2	Lon. Trans. "C"	33	10 1/2	3	17 1/2	14 1/2	Burmah Oil £1	51 1/2	2 1/2	51 1/2
70 1/2	35	2 1/2	2 1/2	Southern Def.	10 1/2	11 1/2	0	80 1/2	45 1/2	Shell Transport £1 ..	38 1/2	4 1/2	38 1/2
184	58 1/2	21 1/2	2 1/2	Do. 5% Pf. Ord.	46 1/2	11 1/2	15	63 1/2	38 1/2	Trinidad Leasehold £1	62 1/2	2 1/2	62 1/2
67 1/2	47 1/2	10 1/2	6 1/2	Do. 5% Pf.	82 1/2	11 1/2	6	44 1/2	23 1/2	Miscellaneous	58 1/2	4 1/2	58 1/2
342 1/2	316 1/2	6 1/2	7 1/2	Banks and Discount	58 1/2	1 1/2	5 1/2	44 1/2	23 1/2	Assoc. P. Cement £1	27 1/2	3 1/2	27 1/2
45 1/2	43 1/2	8 1/2	8 1/2	Alexanders £2, £1 pd.	339 1/2	3 1/2	6	56 1/2	27 1/2	Barker (John) £1	36 1/2	3 1/2	36 1/2
30 1/2	19 1/2	5 1/2	5 1/2	Bank of England	48 1/2	3 1/2	6	107 1/2	53 1/2	Boots Pure Drug 5/- ..	40 1/2	4 1/2	40 1/2
73 1/2	46 1/2	7 1/2	7 1/2	Bk. of Montreal \$100 ..	27 1/2	5 1/2	8 1/2	65 1/2	42 1/2	Brit. Aluminium £1 ..	85 1/2	1 1/2	85 1/2
9 1/2	5 1/2	5 1/2	5 1/2	Bk. of N. Zealand £1 ..	66 1/2	6 1/2	3	7 1/2	4	Brit. Amer. Tob. £1 ..	63 1/2	9 1/2	63 1/2
52 1/2	45 1/2	5 1/2	5 1/2	Barclays Bank £1	8 1/2	6 1/2	3	31 1/2	27 1/2	British Oxygen £1 ..	38 1/2	2 1/2	38 1/2
65 1/2	52 1/2	2 1/2	2 1/2	Chtd. of India 4 1/2% ..	175 1/2	6 1/2	12	38 1/2	19 1/2	Brookhouse (L) £1 ..	54 1/2	7 1/2	54 1/2
84 1/2	31 1/2	7 1/2	7 1/										

SHORTER COMMENTS

(Continued from page 774)

cases the previous year's dividend is maintained. SCOTTISH INVESTMENT, in repeating the 4 per cent. payment, actually earned an increase in net revenue from £54,477 to £55,578. NORTHERN AMERICAN is paying 15 per cent., as before, despite a small decline in net profits from £91,125 to £83,547. Improved results are shown by ASSOCIATED TALKING PICTURES with total earnings of £56,777 against £42,150 and net profits of £26,007 against £14,354. The accrued deficit of £228,366, however, makes the payment of a dividend impossible. CRITTALL MANUFACTURING has conservatively reduced the ordinary dividend from 15 to 5 per cent. Gross income declined from £273,719 to £208,540 and net earnings from £167,152 to £104,890. Despite the necessity of thorough re-adaptation of production, gross profits of JOWETT CARS increased from £18,195 to £20,136 and net income from £5,031 to £8,779. As before, no dividend is paid. KERN OIL COMPANY is repeating the 8 per cent. dividend. Total income is substantially higher at £305,771 against £186,846, and net income shows a small increase from £82,808 to £88,303. A very satisfactory improvement in both gross and net earnings, the latter from a loss of £12,540 to a profit of £180,285, has permitted the payment of 5 per cent. tax free against nil. Earnings of SCOTTISH MOTOR TRACTION have also moved satisfactorily, gross revenue being £164,454 higher at £804,188 and net income rising from £267,271 to £271,634. The 10 per cent. tax free ordinary dividend is paid as before. BARTON TRANSPORT has increased the ordinary payment from 15 to 17½ per cent. in view of a rise in net profits from £32,241 to £38,028.

MISCELLANEOUS

Transvaal Gold Output, November.—(Fine ounces) Witwatersrand, 1,158,946; other districts, 28,590; total, 1,187,536. October total, 1,211,277. Native labour employment at November 30th: Gold mines, 351,065; coal mines, 18,307; total, 369,372.

Barclays Bank (Dominion Colonial and Overseas).—Net profit year to September 30, 1940, £423,692 (£414,703). To contingency account, £200,000 (£170,000). Dividends on "A" and "B" shares 6½ per cent. as before. Carry-forward, £171,936 (£154,412). Current, deposit and other accounts, including taxation, contingencies and balance of profit and loss, £126,500.725 (£106,638,711).

British Overseas Bank.—Accounts for year to October 31, 1940, show adverse balance of £54,529 after charging a net loss of £22,081 on realisation of assets and £35,215 in respect of further depreciation of Government bonds and sundry investments. The British Overseas Bank will undertake the management of the Anglo-International Bank, Ltd., as from January 1, 1941.

Crittall Manufacturing.—Profit (after taxation and depreciation) for year to August 31st, £207,040 (£272,218). Taxation reserve £10,000 (£25,000), contingency reserve £10,000 (£50,000), A.R.P. expenditure £10,000. Ordinary dividend 5 per cent. (15 per cent.), carry forward £37,905 (£34,900).

Stewarts and Lloyds, S.A.—Net profit, year to June 30th, £280,136 (£250,303) after taxation £115,000 (£45,000), depreciation £47,827 (£56,240), special depreciation £25,000 and other reserves £155,023. Total ordinary dividend 15 per cent. (10 per cent.). Carry-forward £83,985 (£80,872).

Illingworth Morris and Company.—Total income, year ended September 30th, £185,042 (£147,032). Carry-forward (after 18 months' preference dividend arrears), £79,117. Further preference dividend to be paid for 6 months to September 30, 1937.

Combined Egyptian Mills, Ltd.—Trading profit, year to September 25th, £577,422 (£193,594). Net profit (after taxation £125,000), £301,825 (£58,005). Debit balance carried forward reduced to £776,612.

Wiluna Gold Mines.—Net profit, year to March 31st (Australian currency), £217,180 (£72,453), after development expenditure £92,422 and taxation £43,570. Balance carried forward (unappropriated), £294,808 (£121,198).

Kern Oil Company.—Total profits, year to May 31st, £394,405 (£284,769). Depreciation £245,000 (£160,000), taxation £59,960 (£40,152), net profit £89,482. Ordinary dividend 8 per cent. (same), general reserve £43,017 (£50,000), carry-forward £35,295 (£31,026).

Scottish Motor Traction.—Profit, year to October 31, £804,187 (£639,734). Taxation £419,636 (£258,090), net profit £381,593 (£378,881). Contingency reserve £100,000 (£111,435), general reserve £100,000 (£111,436), written off goodwill £9,959 (£175). Ordinary dividend 10 per cent. tax free (10 per cent. tax free on smaller capital), carry-forward £7,058 (£8,554).

Vestfold Whaling Company.—Net profit, year to July 31st, £77,623 (£2,452). Ordinary dividend 25 per cent. (6 per cent.). Carry-forward £15,049 (£4,787).

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THE ECONOMIST

BANKING SUPPLEMENT

VOL. CXXXIX]

NOVEMBER 16, 1940

[No. 5073

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A SURVEY OF BRITISH AND FOREIGN BANKING

VOL. CXXXIX]

NOVEMBER 16, 1940

[No. 5073

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The Fall in Bank Advances

THE only item in the balance sheets of British banks which, since the beginning of the war, has struck a discordant note in their general symphony of expansion is that of loans and advances. Between August, 1939, and October, 1940, bank deposits had risen by £415,753,000 to £2,660,881,000. Over the same period, loans and advances had fallen by £50,809,000 to £933,709,000. The absolute fall has been even greater than this comparison indicates owing to the element of duplication in advances resulting from the new peregrinations of the clearing, a factor to which reference is made in the next article. How far is this decline in advances due to conscious banking policy and how far has it been forced on the banks by their customers' initiative and by new conditions created by the war?

Immediately on the outbreak of the war, the whole basis of the banks' loan policy was changed. What was previously a sphere in which the discretion of the banks had been given free play became the object of Government control—both explicit, as exercised through Statutory Rules and Orders, and more vague and indirect, through the "suggestions" made by the Treasury for the banks' "guidance." Bank advances were immediately drawn within the scope of the official regulations controlling the capital market. The Defence (Finance) Regulations in their original form made it unlawful to make an issue of capital in the United Kingdom except with the consent of the Treasury. A person is by the regulations (S.R. & O., 1939, No. 1620) deemed to make an issue of capital, who issues any securities or receives any money on loan on the terms that the loan will be repaid by the issue or transfer of any securities. Bank overdrafts were clearly included in this definition, and for a time it seemed as though the whole machinery by which bank loans are granted would henceforth have to grind through the laborious process of Treasury sanctions. This nightmare was quickly exorcised by an exempting order (S.R. & O., 1939, No. 1621) which introduced two exemptions from the control of capital issues. The first placed a limitation of £10,000 below which issues of capital were not to require Treasury sanction. The second, specifically intended for banks, exempted from the control "issues of securities in the ordinary course of business to a person carrying on the business of banking, in respect of advances made or overdrafts granted by that person from time to time." This exempting order restored to the banks a good deal of the freedom in the conduct of their ordinary commercial banking business which the original regulations had seemed to destroy.

In addition to these regulations, the banks, soon after the outbreak of the war, received general instructions from Sir John Simon as to the criteria that should guide them in their loan policy. They were requested to view their loans and advances as an instrument in the vigorous and successful prosecution of the war, to be chary of extending accommodation, however well secured, which would support unnecessary production and consumption, and, on the other hand, to turn a lenient eye to demands for credit required for essential purposes. The more positive aspects of these instructions have been gradually supplemented since the outbreak of the war by the establishment of a fairly close liaison system between the banks and the various Ministries directly engaged in the productive and distributive aspects of the war effort. Wherever a given programme is checked or halted by lack of credit, the machinery is there for making the banks aware of the need, and, if necessary, pointing the finger of duty to them.

The negative aspect of this body of Orders, exhortations and specific guidance from Ministries has been to arrest almost completely the grant of fresh personal and investment advances. The regulations do not, of course, affect existing loans and advances, though it would be in keeping with the spirit of the Chancellor's suggestions that where bank accommodation was being used for non-essential

purposes, the banks should use some pressure to have it repaid. A number of such private advances have, in fact, been repaid. Where margins have been endangered, banks have in certain cases taken the initiative in recalling such personal advances. In such cases, the debtors, if they thought themselves victimised by the actions of their banks, have been able to claim the protection of the Courts (Emergency) Powers Act, which forbids the forcible sale of the security underlying an advance. The Act has been pleaded on certain occasions, but almost always without success. The banks, before pressing their claims for the repayment of loans, have on the whole made certain of the justification of their demands, and in the cases where Court sanction to a compulsory realisation of collateral has been sought, it has generally been obtained.

The positive aspect of the new statutory and semi-statutory basis of advance policy has been to give rise to a very considerable increase in bank advances to Government contractors and sub-contractors. In many cases the help given by the banks in such directions has involved the grant of loans that would have been deemed thoroughly unsound by customary banking standards. Small firms engaged on Government contracts have been granted loans rising to quite fantastic ratios to the firms' own resources. But this is a sphere where normal standards must go by the board. The banks for the most part lend against the security of the contracts themselves and make their advances against the progress certificates which the firms obtain from Ministry inspectors.

It should, however, be fairly evident that it is not in these direct results of the Government's guidance—official and unofficial—that anything like a complete explanation of the fall in bank advances since the beginning of the war is to be found. More important than the changes in the volume and distribution of bank advances due to Orders and no less imperious "requests" have been those due to the revolution which the war has brought about in our commercial organisation. Wherever the Government has become the dominant party in any market or trade, its appearance in that rôle has inevitably revolutionised methods of financing as well as trading organisation.

Many specific examples of this revolution can be found. The trade in raw wool provides an excellent illustration of the forces at work. Before the war, the purchase of wool—whether imported or domestic—was almost wholly effected on the basis of bank credits. Imported wool was usually paid for through confirmed credits opened with London banks, operated through overdrafts rather than acceptances, the credit operation being usually secured by the documents against presentation of which the initial payments had been made. There would normally be three to six months' credit involved to carry the wool from the first payment made on the presentation of the shipping documents until it passed to the manufacturer—probably to be made the object of further credit operations there. To-day, the Ministry of Supply, through its Raw Materials Department, has swallowed up the whole of the trade in raw wool. It may have taken over part of the former organisation of that trade, but none of the financial machinery by which it operated. The Ministry's representatives in Australia and other exporting countries now buy whole clips and pay for them on approval of each consignment placed on board ship in the exporting country. The whole financing of this trade now by-passes the banking system, except in so far as the initial disbursements of the Ministry of Supply are reflected in the additional holdings of Treasury bills, Treasury deposits or gilt-edged securities accumulated by the banks.

The same tendency, though not carried to such extremes, may be seen in the shipbuilding industry. Most yards are working to capacity on Government work—whether Admiralty construction or merchant tonnage—and though the industry as a whole has never been busier than it is to-day, it is probable that never in its history has it been

less dependent on banking credit. What is true of shipbuilding is also true of shipping itself, where the comprehensive Government control and operation of the industry has reduced to almost negligible proportions what formerly was extensive credit assistance given by the banks. The building industry provides an excellent example of the manner in which wartime Government control has clamped down all the private enterprise, which before the war was so largely dependent upon the direct or indirect assistance of bank loans. Equally drastic has been the reduction in the utilisation of credit by luxury industries, where the process of contraction has been effected without the stimulus of Government control. The fur trade, for example, where shipments normally involved nine months' credits from the date of the initiation of the credit to the time at which the furs were sold to manufacturers, now utilises but a small fraction of its former quota of bank credit. To complete this representative, though by no means complete, selection of the types of industries which to-day are using far less bank credit than they did before the war, mention should be made of finance houses and trust companies. The amount of bank credit granted to houses specialising in the finance of hire purchase has by now dwindled to a small fraction of what it was, and the contraction is likely to continue. Trust companies are for the time being virtually at a standstill, and the investment advances that used to be made to them in the course of their market operations have become a thing of the past. So have the advances to underwriters which were a familiar feature of City banking when the new issue market was still a free and active organism.

There have, of course, been certain directions in which the conditions of war have made for an increase in the demand for banking accommodation. Mention has already been made of by far the most important of this group of advances, namely, those to firms contracting or sub-contracting on Government work. Agricultural loans have also been increasing lately, and are likely to increase further as more land is ploughed up and the Government's other plans for stimulating domestic food production acquire

more momentum. The system of liaison between the banks and the Ministries of Supply and Food has recently been extended to the Ministry of Agriculture, the scheme operating through the County Committees. Another direction in which bank credit has been extended lately is in the distributive trades. Retailers, large and small, have been encouraged by the responsible Government authorities to increase their stocks in order to spread the geographical distribution of our reserves of food and materials. That appeal has been admirably answered by the distributive trades, and they, in their turn, have received considerable and essential assistance from their banks in the process.

It is evident from the movement in aggregate bank advances that the increased demand for accommodation from certain quarters has fallen very far short of the reduction due in the main to increasing Government control and operation of trades which formerly were constant and important users of bank credit. The net reduction is obviously a matter of some concern for the banks. It has eaten appreciably into their earning power. Quite apart from this fact, the increasing dependence of the banks on Government paper of varying currencies is a development of which no banker can be enamoured. The movement has longer term implications; in particular, the loss of long-established business relations and of direct contacts with trade and industry upon which much of the goodwill of the banking industry depends. For these reasons, the accusations that banks have been callously pressing customers to repay advances seem to wear a most unreal look. Will the downward trend in advances continue? There is no reason to believe that it has reached its end. As the war proceeds, the contraction of civilian consumption is only too likely to make further progress, and the trades concerned are likely further to curtail their borrowing from the banks. Pre-war loans of a personal character are steadily being repaid and no fresh ones are being granted. For a short time, at least, the continued reduction of bank advances that may be expected from these directions is likely to outweigh the additional assistance which the banking system will be called upon to give to war industries.

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Banking Policy and the Cash Ratio

ONE of the most solidly ingrained traditions of British banking is that which requires the maintenance of a ratio of about 11 per cent. between the holding of cash and the deposit liabilities. It has been obeyed as unquestioningly as if it had received statutory sanction and consequently has provided one of the essential elements in the carrying out of open-market policy by the Bank of England. Another tradition which has crystallised in more recent times concerns the minimum below which the liquid assets of a bank—those which should in normal circumstances be convertible into cash at a few days' notice—should not fall. That minimum has been deemed to be a figure of 30 per cent. of the deposit liabilities. The assets which make up this composite item are cash, cheques in course of collection, short loans, bills discounted and, since last July, Treasury deposits. The minimum figure of 30 per cent. seems to have existed in the dim unformulated consciousness of most bankers for many years past, but it only sprang into definite shape in the late months of 1938 and early 1939 when the repayment of Treasury bills, consequent on the Exchange Account's losses of gold, led to a decline in the bill portfolio and in advances to the discount market, which carried the ratio of these liquid assets to deposits below the 30 per cent. basic line. It was this temporary Treasury bill famine which gave shape to the hitherto rather vague concept of a reasonable distribution of banking assets. But having found its formulation, it has now taken its place in the accepted dogma of banking.

Since these traditions had their roots in an age of monetary control and banking activity which has passed, if not beyond recall, then well out of early reach, it will be interesting to note how far they have been obeyed since the beginning of the war. The relevant figures are shown in the following table:—

	Cash	Total Liquid Assets*	Deposits	Ratio	
				1 : 3	2 : 3
	£ million	£ million	£ million	Per cent.	Per cent.
1938—					
Average	241	732	2,277	10.6	32.1
1939—					
Average	244	715	2,248	10.9	31.8
1939—					
September	267	731	2,278	11.7	32.1
October	255	771	2,327	11.0	33.1
November	245	805	2,345	10.5	34.3
December	274	888	2,441	11.2	36.4
1940—					
January	242	863	2,410	10.0	35.8
February	247	822	2,366	10.5	34.7
March	249	811	2,363	10.5	34.3
April	254	817	2,354	10.8	34.7
May	257	882	2,413	10.6	36.1
June	270	923	2,469	10.9	37.4
July	262	928	2,454	10.7	38.0
August	273	935	2,481	10.0	37.7
September	288	1,024	2,597	11.1	39.4
October	270	1,062	2,661	10.1	40.7

* Includes cash, balances with other banks and cheques in course of clearing, short loans, bills discounted and, since July, 1940, Treasury deposits.

The liquidity ratio has been steadily climbing above the minimum line of 30 per cent. By October it had reached 40.7 per cent. and, given a subsequent substantial increase in the banks' holdings of Treasury deposits, it may be safely assumed that the ratio of "quick assets" will continue to rise. The cash ratio, on the other hand, maintains itself fairly persistently at the traditional level of 10 to 11 per cent. The month-to-month fluctuations in this ratio have been rather smaller since the outbreak of the war than they were in the pre-war period. If we inquire why there should have occurred this adherence to one and departure from another banking tradition, the answer will reveal the revolution which has taken place over the past twelve months both in the causal sequence and in the dynamism of the structure of banking assets.

The traditional conception of that structure of banking assets is that of the inverted pyramid of credit resting on its cash basis. Under orthodox gold standard conditions, changes in the volume of that basis were determined by

gold movements into and out of the country. It was on the volume of bank cash thus determined that the whole edifice of bank credit was built. The conscious management to which the gold standard was subjected during the inter-war period, and even the ultimate abandonment of the gold standard in 1931, did not alter the causal significance of the cash basis. It was the starting point of banking policy.

Since the beginning of the war, however, both the re-distribution and the absolute change in the volume of banking credit have been dominated by one factor alone: the financing of the Budget deficit. This fact emerges clearly from a comparison of the principal assets of the clearing banks since the outbreak of the war.

CHANGES IN PRINCIPAL ITEMS OF LONDON CLEARING BANKS' BALANCE SHEETS OVER 14 MONTHS OF WAR

(In million £)

Bills.....	+ 94.3
Short loans.....	- 10.3
Treasury deposits	+ 179.5
Investments	+ 123.5
Banks' direct contribution to Government finance....	+ 387.0
Loans and advances	- 50.8
Net change in principal assets other than cash and transit items	+ 336.2
Deposits.....	+ 415.8

The fact that deposits should have expanded so much more than the main assets of the banks is due to the increase in the element of duplication in deposits introduced by the floating supply of cheques in course of collection. The circuitous method of clearing which most cheques are now forced to follow has considerably swollen this transit item. It has also influenced to some extent the item of bank advances, since certain banks include the items in course of clearing as between their own branches among advances.

The picture of the changes in the total and distribution of bank credit when viewed in its broad outlines sketched in the table above cannot be the product of conscious policy on the part of the banks themselves. The changes in the distribution of assets have clearly been forced upon them by the exigencies of the Treasury's needs. Nor, when viewing the expansion of the total volume of bank credit, can the movement be interpreted in the traditional manner, namely, as the product of an expansionist policy based upon an enlargement in the available volume of cash. The propelling force in the growth of bank credit since the outbreak of the war has been the recourse which the Government has had to the banks—mainly by way of short-term borrowing—to cover the gap separating expenditure from tax revenue and the proceeds of Government loans issued to the public. If the volume of bank cash has kept obediently in step with the consequent expansion in deposits, and if the cash ratio has therefore adhered to the orthodox precedent, it is because the appropriate adjustments to that volume of cash have been made by the authorities.

The mechanism for achieving that adjustment lies ready to hand in all the wartime refinements of open market policy and operations to which we have been introduced in recent months. The direct dealings in bills between the clearing banks and the official brokers acting for the Bank of England and for the Public Departments has introduced an element of immediacy and a potential scope in open market operations which were not present when such policy had to function through the intermediary of the discount market. In the second place the weekly dictates of the Treasury regarding the amounts to be paid over by the banks in the shape of six months' deposits, and, when the time arrives, the discretion which will lie with the Treasury to repay, or maintain, or further increase the amount of these deposits, provide yet another powerful weapon in the open market armoury of the authorities. With the help of these new devices the week to week, or even day-to-day, adjustment of the cash basis to the desired

level can be effected with the greatest ease. Nor should it be forgotten that the banks now make up once a month instead of once a week and that consequently there may be wider differences between the true average ratio of cash to deposits and the monthly published figures than used to be the case. For at least the duration of the war, therefore, our view of the causal sequence in changes of banking credit must be reversed.

Though it is permissible to doubt whether the immediately responsible officials are fully aware of the true import of their policy in effecting given adjustments in the volume of bank cash through the appropriate open market operations, there can be no doubting the fundamental reversal in causal sequence which has taken place. This new procedure of working from the given volume of credit, which the authorities regard as necessary to meet the circumstances of the day, to the appropriate amount of bank cash is not altogether revolutionary. We were groping

towards it even between 1925 and 1931 when our gold bullion standard had about it a measure of management which offended the purists in such matters. After 1931, the movement made greater progress, but gold gains and losses and the operations of the Exchange Equalisation Account still had their fortuitous effects on bank cash and their consequent repercussions on credit conditions. It is only since September, 1939, that the adjustment of cash to the needs of the Treasury has become open and unashamed. We may hope that the objectives which the new technique will be called upon to serve in future will be more constructive than the deficit financing of to-day. But there should be no retreat from the principle involved. It is improbable that we shall allow ourselves to go back to a position where the amount of available credit is dictated by a total of bank cash itself determined by factors, such as the output of new gold, over which we have no complete control.

DOMINION BANKING SINCE THE WAR

I. Australia

WAR finance dominates both the internal and external aspects of Australian banking. The Government planned to finance the war by all three methods—taxation, borrowing from the public and borrowing from the banking system—in proportions varied according to changes in economic conditions. For instance, when Australia entered the war, she was in a mild recession resulting mainly from a long period of falling export prices; only a small amount of extra taxation, estimated to bring in about £A8 millions

a year, was consequently imposed in the first war Budget, and in the revised Budget, introduced at the end of November, 1939, no additional taxation was imposed. Instead, credit was made available by means of a private loan from the banks amounting to £A12 millions, the bulk of which came from the Commonwealth Bank.

By the end of the financial year 1939-40, however, employment had improved considerably, export incomes were at a high level, and the liquidity of the banking system



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had increased. In the third war Budget, therefore, additional taxation, estimated to yield £A20 millions, was imposed, and the amount of £A50 millions (maximum) was left to be borrowed from the public. But it was not expected that the whole of this could be raised in the capital market, and it was thought that further assistance from the central bank would be necessary. Since then, the Government's estimate of war expenditure in 1940-41 has been raised by £A100 millions (including overseas expenditure of £A43 millions) over the May Budget estimate, and more stringent taxation will have to be imposed. At the same time the Commonwealth Government must be more successful in persuading the State Governments and semi-Governmental bodies to reduce their non-war expenditure. For 1940-41 the Loan Council decided upon a total of £A23 millions for State and semi-Governmental works and State deficits—only £A4 millions less than in the previous year. The Loan Council now has a long-needed Co-ordinator-General of Works; presumably when works programmes are reviewed, he will press strongly for a reduction in non-war expenditure by the States.

The expansionist policy of 1939-40 occurred in a year when exports plus gold produced were at the record post-depression level of £A168 millions, an increase of 23 per cent. on the previous year. An extremely high volume of wool production, which is sold outright to the United Kingdom under the Imperial Purchase Scheme, was the chief cause of this excellent export income. Consequently, the liquidity of the banking system benefited considerably. This liquidity was also affected, though to a smaller extent, by the transfer of London balances from the trading banks to the Commonwealth Bank in return for Australian resources. The bulk of the London funds must now be in the Commonwealth Bank's hands, the trading banks acting solely as its agents in exchange dealings and transferring to it any foreign balances acquired.

The effect of these factors on the nine trading banks is seen in the changes in the banking figures between June, 1939, and June, 1940. The cash ratio was the same, about 9 per cent., though deposits were £A27.4 millions higher. Treasury bills were also higher this year, by £A14.4 millions, at £A38.3 millions, making the ratio of cash plus Treasury Bills to deposits 20 per cent., compared with 16.5 per cent. Government securities were £A21.6 millions higher at £A43.7 millions. But, in spite of this £A36 millions increase in other earning assets, advances were only £A1.8 millions lower at £A289.9

millions. The decline in advances is so small, in a year when export producers' overdrafts might have been reduced, as to support the conclusion that little diversion from civilian consumption had taken place by last June. The June, 1940, figures are the more remarkable in view of the damping effect of accumulating Treasury balances; at the end of June these are estimated to have reached about £A30 millions. Its advice on financial policy, and the management of resulting Treasury balances, give the Commonwealth Bank an additional means of control over the trading banks; this it seems to have used in the latter half of 1939-40 to check credit expansion.

The external position of the banking system is harder to assess. In any case, it loses much of its significance at present in view of the borrowing arrangements made with the British Government—to provide the necessary exchange for its overseas war expenditure, the Australian Government raised a London loan equivalent to about £A7½ millions in June, 1939, and made temporary arrangements to borrow from the British Government the additional amount spent by December, 1940, at the same rate as the latter paid for loans of similar maturity. London funds in June, 1939, amounted to £A55.8 millions. The increase of £A30.9 millions in exports to £A168 millions in 1939-40 was largely offset by an increase of £A21.5 millions in imports to £A145 millions. The commodity balance of £A23 millions was about £A5 millions short of the debt service, but London funds nevertheless increased because of exchange control operations, the mobilisation of some American stocks, and the amount borrowed to meet the portion of Government "overseas" expenditure which was reflected in imports.

In addition to exchange control and Loan Council control of Governmental non-war borrowing, the Commonwealth Government has taken other measures to control the capital market so that it can borrow for the war at satisfactory rates. Consent is needed for any issue of capital exceeding £A2,500; restrictions have been placed on bank and mortgage interest rates; the rate on Treasury bills has been reduced from 1½ to 1½ per cent.; and interest on bank fixed deposits has been reduced by ½ per cent. So far there is no direct control over the advances of the trading banks, but in July regulations were issued, retrospectively, empowering the Treasurer to guarantee the repayment to the Commonwealth Bank of the principal and interest of loans made for essential work or the acquisition of essential goods.

2. New Zealand

NEW ZEALAND'S war effort is mainly concentrated on supplying foodstuffs and wool to Britain and men for the three fighting Services. She is attempting, it is true, to expand her production of munitions, but her ability to do so will be largely determined by the availability of supplies from Australia and England, and her economy is much less industrialised than that of Australia.

In the financial year ended March, 1940, about £NZ8 millions was spent on defence and war—more than 4 per cent. of the national income. In 1940-41, a war expenditure of £NZ37.5 millions has been budgeted for, of which as much as £NZ19½ millions, or 53 per cent., is to be spent overseas, showing the great extent to which the Dominion is supplying men for service abroad. The necessary overseas exchange is being borrowed from the British Government on terms similar to those obtained by Australia.

Government spending in 1939-40 included, in addition to the £NZ8 millions on the war, a large amount on public works and housing. About £NZ18 millions of the non-military expenditure was borrowed and about £NZ3 millions of the military expenditure. Further assistance was, consequently, obtained from the Reserve Bank, but the annual report of the Reserve Bank was silent this year on the question of credit expansion, since the directors lost

their former modicum of independence with last year's amendment of the Reserve Bank Act. The Bank's accounts showed an increase in "other" advances to the State of £NZ6.7 millions in the year ended March, 1940, and by August 19, 1940, these advances had increased by a further £NZ4.5 millions.

But the New Zealand Government does not intend to take the easy way of inflation if it can avoid it. Its principles for financing war expenditure were expressed in the 1940-41 Budget statement as "tax to the economic limit for war purposes and borrow for essential works and for the balance of war requirements." Special taxes were introduced in September, 1939, providing for about £NZ2.4 millions for the remainder of the financial year and about £NZ3.5 millions in 1940-41. In the Budget introduced on June 27, 1940, heavy increases in taxation were imposed, and the total revenue from taxation to be paid into the War Expenses Account in 1940-41 will be £NZ14 millions, which, together with £NZ3.6 millions to be borrowed in New Zealand, will provide practically all of the £NZ17½ millions of local war expenditure. At the same time, a small beginning has been made in the reduction of public works expenditure; borrowing for this purpose and for housing in the current financial year will amount to about £NZ15 millions. The Government has announced its in-

tention of reducing works expenditure *pari passu* with the increase in war expenditure, although works in progress will be completed as far as possible.

The overseas trade position has improved considerably. In the year ended June, 1940, exports, benefiting from the Imperial Purchase Scheme, amounted to £NZ65.9 millions, an increase of 14 per cent. on the previous year, while imports declined by 18 per cent. to £NZ46.1 millions—the first noticeable decline since exchange control was introduced in 1938. New Zealand's overseas assets consequently improved, and from the very low level of £NZ8.9 millions in June, 1939, rose to £NZ25.6 millions.

The liquidity of the trading banks was naturally also better. Although deposits increased by £NZ13.8 millions over the year to £NZ80.5 millions in June, 1940, the cash ratio improved from 21.4 to 25.8 per cent. An increase in Government securities by £NZ5.3 millions to £NZ15.9 millions was more than offset by a fall in advances of £NZ7.6 millions to £NZ47.5 millions. The trading banks were permitted to hold £NZ12.6 millions of New Zealand's overseas assets in June, 1940, which was £NZ9 millions more than their holding in the previous June.

Steps to control investment have been taken similar to those in Australia, but they go further by giving the

Minister of Finance power to direct trading bank advance policy and to impose compulsory loans. On September 25th, the first compulsory loan of this war was announced, though it is a measure to which New Zealand resorted in the last war. This one is expected to yield £NZ8 millions and will bear no interest until October, 1943, and thereafter a rate of 2½ per cent. until 1953, when it is repayable. Persons will be required to contribute to the loan the amount by which their income tax in 1939 exceeded £NZ50, though gifts or interest-free loans already contributed will be deducted. No public loans were raised prior to this since the war began.

New Zealand stands out among the Dominions for her social and economic experiments. Before the war she was criticised for introducing exchange and import control, which was considered unworthy of a sterling area country. Now, however, that exchange control has been recognised by the whole Empire as a necessary weapon of war, New Zealand is reaping the benefit of having instituted it in advance, for the experimental period was over when war began and she could concentrate immediately on making it effective. Similarly, the other emergency measures introduced have been in many ways only an extension of peacetime measures.

3. South Africa

GOVERNMENT war financing in the first year of war made no inroads on the banks' surplus cash, and by the end of August bankers' deposits at the Reserve Bank stood at the high level of nearly £41 millions. The February Budget had envisaged an increase to £14 millions in war expenditure in 1940-41, which compares with an actual expenditure of only about £500,000 since 1938 when the re-armament programme was supposed to have begun. But even with this big jump to £14 millions, the Union's Budget position continued to be so favourable that it was only found necessary to charge £2 millions to Loan Account, leaving a small deficit on revenue account of £353,000.

By September, however, the course of the war, which had taken South African soldiers and airmen into active service in East Africa, had completely upset the February estimates. In the Supplementary Budget of August 28th an additional £32 millions, making £46 millions in all, was voted for defence; this will mean a total borrowing for all expenditure of £30,326,000, of which £12 millions will come from the Public Debt Commissioners, leaving £18 millions to be raised from the public. To raise this amount two loans were floated on October 23rd: one, issued at 99½, bearing interest at 3½ per cent. and repayable 1952-57, and another of 2½ per cent., issued at 99, and repayable in 1946. At the same time an appeal was made for interest-free loans for the duration of the war. The

lists do not close until December 18th, but the £18 millions was soon raised, and the amount received in excess of this will be diverted to other purposes.

In the first few years after South Africa left the gold standard, it was a shortage of suitable stock in the Union

COMMERCIAL BANKING FIGURES IN THE UNION
(£'000)

Date	Deposits	Cash	% of Deposits	Investments	% of Deposits	Discounts and Advances	% of Deposits
1935—							
Dec. 31	88,404	31,353	35	5,695	6	48,272	55
1936—							
Dec. 31	94,549	25,747	27	13,591	14	52,870	56
1937—							
Dec. 31	93,497	20,480	22	12,199	13	58,793	63
1938—							
Dec. 31	98,983	28,463	29	15,858	16	52,945	53
1939—							
Mar. 31	91,932	21,795	24	15,856	17	52,846	57
June 30	97,461	25,564	26	15,934	16	54,343	56
Sept. 30	95,851	27,036	28	15,559	16	52,822	55
Dec. 31	100,441	27,894	28	16,997	17	54,333	54
1940—							
Mar. 31	98,537	28,746	29	17,194	17	52,438	53
June 30	110,981	40,586	36	18,266	16	51,248	46

which prevented the commercial banks from using their large cash holdings to buy investments; and it was not until the Government began to repatriate part of the external debt in 1936 that investments began to rise and cash

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to fall. Now, the Government's war financing, in this and future years, should reverse the trend, especially as the closing of the London capital market means that the large municipalities and the Electricity Supply Commission, which together hope to raise over £16 millions in the current year, have also to rely entirely on local investors. But the banks' cash is still at such a high level that the Government can embark upon a borrowing programme confidently, though it should be remembered that the South African banks have always maintained a higher cash ratio than other Empire banks—in the years before 1930 cash was generally between 15 and 18 per cent. of deposits.

In his August Budget speech, Mr Hofmeyer pointed out that most of the £46 millions of defence expenditure will be spent in South Africa. This should give a big stimulus to economic activity, which according to various signs is already at a fairly high level. There was certainly a setback at the beginning of the war, part of which was psychological and resulted from the decision of the Government to take all proceeds from the sale of gold at over 150s. a fine ounce. But a reversal of this policy was announced in February and, except for a minor gold scare after the fall of France, the gold mining industry continues to establish fresh records. Output in the first half of 1940 was 6,902,000 ounces, valued at £57,978,000, compared with 6,254,000 ounces, valued at £46,307,000, in the same period of 1939. Since all the gold is bought, at 168s. a fine ounce, by the Bank of England from the Reserve Bank, which buys it from the producers at the same price less the cost of insurance, it makes no difference to economic conditions whether the gold is shipped or not.

Some fear was felt for the farming industry at the beginning of the war, which, it was thought, would seriously interfere with markets. The Payments Agreement with Germany, for instance, which was organised through the commercial banks, provided for the sale to Germany of over £5 millions of farm products and had, of course, to be suspended. Arrangements with the British Government, however, have relieved the position of the wool and maize growers; and the value of total exports (excluding gold) actually rose to £23,012,000 in the first six months of this year, compared with £15,622,000 in the first half of 1939. The value of wool, maize and hides and skins

rose by £2,000,000, £844,000 and £297,000 respectively.

The economic activity is reflected in an increase in the note circulation of the Reserve Bank, notes in the hands of the public being estimated at £20 millions on July 31st, compared with £16 millions on July 31, 1939. Bank debits to individual accounts averaged £171,000 a month in the first half of 1940, compared with £158,000 in the first half of 1939, and at the end of June bank deposits were at a record high level.

From the point of view of bank advances, the growth of secondary industries is, perhaps, a more favourable factor than an improvement in agricultural conditions—indeed, the direct purchases by the British Government of wool and maize may lessen the farmers' need for bank credit. Secondary industries have made rapid progress in the Union since the abandonment of the gold standard, and this war, like the last, will hasten the process. In 1937, the latest year for which a census has been taken, the number of establishments was 9,987, compared with 7,669 in 1933; the number of employees, 332,768, compared with 192,483; the salaries and wages paid, £41,531, compared with £21,875; and the value of the output, £175,205, against £90,948. In 1916, there were only 3,998 establishments, employing 101,178 persons.

Since 1937 the growth has continued, and the probability that imports of manufactured goods will have to be considerably curtailed during the war has given an added stimulus. Many new factories have been built this year in Johannesburg alone, including plants for the manufacture of glass, millinery, confectionery and general engineering. Moreover, in May, the Union Government directly intervened in the process by passing an Act setting up the Industrial Development Corporation of South Africa, with a capital of £5 millions, the object of which is to facilitate the financing of new industries. It will itself be able to lend money to, or provide the capital for, industrial undertakings, but, generally speaking, its activities will be restricted to guiding and assisting others in financing the establishment or development of industries. Thus, though there may be a certain amount of competition between the new Corporation and the commercial banks, the first task of the former will be judging the economic merits of proposed new industries, with particular reference to the supplies of raw materials and labour.

4. Canada

EVEN before the outbreak of war, the decline in the loans of the Canadian chartered banks seemed to have been checked. Total loans in 1938 were, on an average, almost unchanged from the previous year, but this was due to the fall in call loans to Canadian stockbrokers. Current loans to the public averaged \$54 millions higher, and the rise continued throughout 1939, so that banks could at last hope for a more profitable distribution of their earning assets.

In the first three months of war, current loans rose sharply, from \$826 millions at the end of August to \$891 millions a month later, \$952 millions at the end of October and \$973 millions at the end of November. It is possible that this rise was due to extra demands for bank credit owing to the difficulties in exporting the wheat crop. The Department of Finance's annual classification of chartered bank loans showed loans to grain dealers and exporters and seed merchants at \$211.4 millions on October 31, 1939, an increase of about \$120 millions on October, 1938, whereas other loans were mostly unchanged or lower. Moreover, in October and November, 1939, visible stocks of wheat were estimated at about 350 million bushels, compared with only 170 millions a year earlier, and very little was leaving the Eastern ports.

With the gradual shipment of these stocks in the first half of 1940, it may be assumed that this special demand for loans began to fall away, but the harvesting of a huge wheat crop this autumn has created fresh financing difficulties. The crop is estimated at 561 million bushels, which

is only 5½ millions below the record crop of 1928, and the carry-over on July 31st was about 275 millions. As the capacity of the elevators is only about 382 million bushels, a serious storage problem has arisen, and a large part of the new crop, at least 250 million bushels, will have to be kept on the farms. The producers naturally want some payment at least for the wheat they are to store, but the banks are, equally naturally, unwilling to advance money on a security over which they would have no control, unless the loans are fully guaranteed by the Federal Government. The Government is unwilling to do this, and is at present paying a storage charge of one forty-fifth of a cent per day per bushel. It is not merely a short-term problem, for the United States' crop is also big, and there consequently seems little prospect of exporting enough to make any real impression on stocks.

The outlook for non-agricultural loans appears quite good. Call loans have naturally fallen away this year with the decline in Stock Exchange business; but as the Canadian stockbrokers had already before the war been largely dispensing with bank loans by borrowing more cheaply in New York, a source of credit which is now, of course, denied them, the banks will hardly feel this loss. On the other hand, they have been experiencing some demand for loans from munition manufacturers, a demand which may be expected to increase with the increase in Canada's war effort.

The rise in employment resulting from the placing of war orders and the jump in industrial activity generally—

the Bureau of Statistics' employment index was 127.9 on August 1st this year, compared with an average of 113.9 for the whole of 1939—has had a big effect on the active note circulation of the Bank of Canada. The weekly average was \$181.2 millions in June and had risen to over \$200 millions in July, compared with \$108.2 millions in June, 1939. The chartered bank note circulation was almost unchanged. The Bank of Canada, however, successfully maintained its cheap money policy, and the chartered banks' cash ratio remained at between 8 and 9 per cent. until the end of June, though bankers' deposits at the Bank of Canada declined in July. Moreover, throughout this year, the Treasury bill rate has declined, averaging 0.718 per cent. in July, and though it is not yet down to its pre-war level of 0.553 per cent., it compares favourably with the British rate of just over 1 per cent.

The Bank of Canada's expansionist policy, which it has pursued ever since it was established in 1935, coupled with a big inflow of refugee money in the last year or two before the outbreak of war, had forced the chartered banks, in the absence of any big demand for loans, to add very considerably to their holdings of Dominion and Provincial Government securities before September, 1939. The banks have watched them creep up to the level of their loans and finally overtake them. Unfortunately for the banks, just when the tide of advances seems to have turned in their favour, they are likely to be called upon to contribute more and more to Government war borrowing, estimated at between \$500 and \$600 millions in the current financial year, and their pre-war hopes for a more profitable distribution of their assets will probably be falsified. In October, 1939, they bought from the Government \$200 millions of 2 per cent. two-year Notes at par; and as the Federal War Loan of 12-year 3 per cent. bonds issued in September this year was rather a failure so far as the public was concerned—only 40 per cent. being taken up by private investors, compared with 66 per cent. of the January loan—it is possible that the Government will rely more and more on borrowing direct from the banks, which already hold about a third of the outstanding Dominion

and Provincial debt payable in Canada. An intensified credit expansion policy by the Bank of Canada is, therefore, probable.

The tables below give the salient banking figures since

Average of Weekly Figures	Chartered Bank Cash	Active Note Circulation	Total Reserve	Total Securities
1936	225.1	64.0	192.9	123.2
1937	241.2	90.6	204.8	162.2
1938	255.6	105.9	210.6	181.2
1939—				
March	257.4	107.2	233.9	158.4
June	261.1	108.2	247.0	162.5
September.....	269.7	134.2	276.2	189.4
December	292.7	155.9	287.6	232.4
1940—				
March	271.2	151.1	288.3	207.9
June	284.7	181.2	9.6	516.1

	De- posits†	Cash	% of De- posits	Dom. & Prov. Securi- ties	% of De- posits	Current loans to Public	Total Loans	% of De- posits
1929*....	2,697	212	8	342	13	1,343	2,271	84
1935*....	2,427	216	9	861	35	829	1,263	52
1938*....	2,824	252	9	1,143	40.5	786	1,191	42
End of: 1939—								
Mar.	2,944	253	9	1,199	41	801	1,192	40
June . . .	3,046	249	8	1,213	40	822	1,195	39
Sept. . . .	3,073	275	9	1,179	38	891	1,270	41
Dec. . . .	3,249	288	9	1,353	41	960	1,337	41
1940—								
Mar.	3,191	260	8	1,310	41	984	1,366	43
June . . .	3,144	267	8	1,313	42	936	1,287	41

* Average of month-end figures. † Excluding inter-bank.

the war, compared with earlier years. In May, 1940, the Bank of Canada's gold and foreign exchange holdings were transferred to the Foreign Exchange Control Board under the Foreign Exchange Acquisition Order, the Bank receiving under the same Order \$250 millions of one-year 1 per cent. Notes and \$75 millions of Treasury bills in exchange.

American Banking

(From Our New York Correspondent)

THE five-month interval between the end of March and the end of August, 1940, disclosed no new tendencies in American banking. It derives its significance from the fact that it covers the transition between a period of "normal" deficit financing and a period of intensified defence-deficit financing. The longer period of the tables—11 months—covers approximately the first year of the war, but the war finds only limited expression in the figures.

The immediate consequence of war in Europe was an increase in the gold movement; but this had long been enormous, and its increase developed no unusual significance. In the six months ended March, 1940, the increase in the gold stock was about \$1,500 millions; in the subsequent five months, it was almost \$2,500 millions. In both periods, this gold was immediately monetised through the issue of certificates to the Reserve Banks; but from this point the stories differ from the past. Formerly, most of the gold increment promptly reappeared in increased member bank reserves. In the past year, approximately half has gone into member bank cash, partly because of the increase in Treasury balances, more from an increase in "other deposits," still more from an increase in "foreign bank" deposits, and still more from the increase in Federal Reserve notes in circulation.

The increase in currency in circulation is now one of the major phenomena of the figures. Except for a brief reversal after the bank reopening in 1933, it has persisted for a decade; and it is now nearly double the currency used in the late 'twenties. At first, it was largely

met by the issue of silver certificates; but in recent months it has been supplied mostly by the Reserve Banks. All sorts of reasons may be advanced for this currency demand—increased payrolls, discouragement of household cheque accounts, foreign hoarding, etc.; and doubtless each of these reasons has played a part. The subject deserves more attention than it receives; but for the present it exerts no particular influence.

While the full force of the gold imports was not reflected in member bank excess reserves, the latter at the end of August amounted to about \$6,500 millions (against \$5,700 millions at the end of March)—an amount substantially greater than required reserves, which are in turn nearly double the legal minimum.

	End September, 1939	End March, 1940	End August, 1940
Bills discounted	6	2	4
Bills bought	1	...	...
U.S. securities	2,804	2,475	2,442
Gold stock	16,925	18,413	20,871
Gold certificates issued to Re- serve banks	14,657	16,048	18,562
Member bank balances	11,621	12,294	13,516
Treasury balances	552	700	813
Federal Reserve notes in circula- tion	4,684	4,899	5,334
Total currency in circulation ...	7,238	7,471	8,006

The Reporting Member Banks

As has become usual, the bank statements of New York City show material divergences from those of the Reporting Member Banks outside. Both, of course, show an increase in reserves; but these reserves gravitate into New York with the rise in correspondent balances. Per contra, the great rise of correspondent bank balances in New York City (in the absence of anything resembling a money market) necessitates the keeping of large reserves and even large excess reserves by the New York banks. It is hardly too much to say that the excess reserves have become a functional substitute for a money market; and that as they develop this functional quality, they have lost, to a degree, their character as "excess" reserves.

As would be expected, demand deposits in New York have risen almost 20 per cent. in the past eleven months; and total loans and investments have kept about even with them. Total loans, after rising over the winter, have fallen, by reason of the reduction in brokers' loans. The mainstay of the New York banks is the Government security market, and holdings of the direct and guaranteed issues have risen by about 25 per cent. over the past year, mostly since March.

REPORTING MEMBER BANKS OF NEW YORK CITY

(\$'000,000)

	End September, 1939	End March, 1940	End August, 1940
Total loans and investments ...	8,477	9,050	9,568
Total loans	2,871	2,946	2,737
U.S. and gtd. securities	4,348	4,756	5,402
Other securities	1,258	1,348	1,429
Cash reserves	5,640	6,134	6,470
Demand deposits adjusted	8,170	9,037	9,727

The deposits of the Reporting Member Banks outside New York have risen less than those of New York City, and their total loans and investments much less. These

banks have found little attraction in the Government security market, or in other securities for that matter. They have, however, been able to increase their total loans; and, having had a year ago but a negligible sum in brokers' loans, this loan item makes a better showing than that of New York. For all reporting banks, "commercial, industrial, and agricultural loans" have risen almost \$500 millions over the past year, of which about \$200 millions has come since March. While this increase in loans seems small when compared with other items of the bank statements, it is, in percentage, rather impressive, being nearly 10 per cent. in New York and over 10 per cent. outside New York. It corresponds roughly to the increase in general business activity over the same period.

REPORTING MEMBER BANKS OUTSIDE NEW YORK CITY
(\$'000,000)

	End September, 1939	End March, 1940	End August, 1940
Total loans and investments ...	13,942	14,272	14,589
Total loans	5,479	5,650	5,772
U.S. and gtd. securities	6,321	6,453	6,567
Other securities	2,142	2,179	2,250
Cash reserves	4,154	4,237	4,979
Demand deposits adjusted	10,163	10,239	11,326

The Money Market

As was said earlier in this article, there is no money market. The ancient money market in call loans, commercial paper and acceptances has shrunk to vestigial proportions; indeed, the stock market call loan has all but disappeared. These were replaced in the mid-thirties by the Treasury Bill and the Treasury Note; but the Treasury policy of extending maturities has cut both of these types to about half the amount outstanding five years ago. It has reduced the outstanding Treasury bills from about \$2,300 millions to \$1,350 millions; and the notes from over \$11,000 millions to about \$6,400 millions. As the bills have become almost non-interest bearing, and the notes (by reason of their tax exemption) are liked by individuals in the higher tax brackets, the banks have lost a good part of their portfolio of notes and bills. Their combined holdings of the two amount to under \$3,000 millions. To an uncertain degree, as was said above, their function has been assumed by the excess reserves.

The net consequence, however, has been that the banks have moved into the longer term Treasury bonds; and these issues have supported both the funding of the maturing shorter issues and the net increase in the public debt. Large as this latter demand has been, the Treasury has enjoyed a seller's market, for four principal reasons: first, a good part of the deficit has regularly been taken by Government trust funds; secondly, another large fraction has been taken outside the "market" in the form of the non-negotiable Savings Bonds; thirdly, the banks have been in continuous receipt of deposits and excess reserves arising from gold imports; and lastly, there has been little alternative use for bank funds.

This seller's market has pushed the interest rate on long-term Government securities very low. For example, in July the Treasury sold about \$700 millions 14-16 year bonds on a $2\frac{1}{2}$ per cent. basis; and is currently offering to exchange \$737 millions of $1\frac{1}{2}$ per cent. notes maturing in December for a 13-15 year bond bearing 2 per cent. This is the lowest rate ever offered on a comparable maturity, with the historic exception of the old 30-year 2 per cent. Consols, which carried the circulation privilege and consequently found a special demand among the national banks. This offering approximately represents the market in the middle of September, 1940.

The Federal Reserve Bulletin for September gives a brief, but detailed, analysis of the investment activity of the Member Banks in the first half of 1940, with an outline of what may be asked of the market in the current fiscal year. The expected deficit is put at \$5,700 millions; of this it estimates that \$2,700 millions will be provided from Savings Bonds, Government trust funds, and repayment of capital by Government corporations. The remaining \$3,000 millions would be sought in the market, less the \$630 millions obtained by the July offering.

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*The Hon. I. L. MELVILLE
N. RANDALL
*M. J. BABINGTON SMITH
J. T. TULLOCH, M.C., C.A.
W. WHYTE

* Managing

Child's Branch - 1, FLEET STREET, E.C.4

and MARYGOLD HOUSE, CARFAX, OXFORD

Holt's Branch - KIRKLAND HOUSE, WHITEHALL, S.W.1

The Bank is prepared to act as REGISTRAR and TRANSFER AGENT, being fully equipped with the necessary personnel and machinery for the expeditious and accurate handling of transfers, preparation of share and stock certificates and Dividend Warrants, maintenance of Stock and Share Registers, registration of probates and Powers of Attorney, and all other duties pertaining to the office of Registrar and Transfer Agent.

THE CHASE
NATIONAL BANK
OF THE CITY OF NEW YORK

(Incorporated with Limited Liability under the Laws of the U.S.A.)

HEAD OFFICE:

PINE STREET CORNER OF NASSAU, NEW YORK

WIDE experience, and close contact with those having intimate knowledge of local markets and conditions, are essential to the satisfactory conduct of trade with a market as extensive as the United States. The experience of the Chase Banking organisation, and its contacts throughout the United States, are at the disposal of all those conducting Anglo-American trade.

The Chase Banking Organisation has Offices in:
HAVANA, SAN JUAN-PORTO RICO, PANAMA, COLON,
CRISTOBAL, HONGKONG, SHANGHAI and TIENTSIN
and special representative in:
MEXICO CITY

CORRESPONDENTS THROUGHOUT THE WORLD

Main London Branch:

6 LOMBARD STREET, E.C.3

Bush House Branch: West End Branch:
ALDWYCH, W.C.2 51 BERKELEY SQUARE, W.1

The Chase National Executors & Trustees Corporation, Ltd.
6 Lombard Street, E.C.3

OTTOMAN BANK

(INCORPORATED IN TURKEY WITH LIMITED LIABILITY)
Founded 1863

Capital: £10,000,000

Paid-up: £5,000,000

Reserve: £1,250,000

General Committee in London

General the Hon. SIR HERBERT A.
LAWRENCE, G.C.B.
ALBERT C. GLADSTONE
The Rt. Hon. THE VISCOUNT GOSCHEN,
G.C.S.I., G.C.I.E., C.B.E., V.D.
SIR W. GUY GRANET, G.B.E.

SIR JOHN P. HEWETT, G.C.S.I.,
K.B.E., C.I.E.
The Rt. Hon. THE LORD HILLINGDON
A. G. A. JAMIESON
SIR JOHN GORDON NAIRNE, Bart.
R. S. C. PEARCE
Lieut.-Col. SIR ALBERT STERN,
K.B.E., C.M.G.

LONDON: 26 THROGMORTON STREET, E.C.2

Manager: R. S. C. Pearce

Deputy Manager: F. Fisher

Sub-Managers: A. Sampson, A. Brown, W. G. Ferrin
Secretary to the Committee: W. Stewart McKim

MANCHESTER: 56-60 Cross Street

ISTANBUL

Branches throughout the Near East

TURKEY EGYPT PALESTINE TRANSJORDANIA
CYPRUS IRAQ IRAN

Affiliated Banks: { ROUMANIA: Bank of Roumania, Ltd.
GREECE: British-French Discount Bank, Ltd.

Drafts and Telegraphic Transfers issued.
Exchange and Insurance operations effected.

Letters of Credit granted.

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

BANKS IN EIRE

BANKS IN IRE									
1		2	3	4		5	6	7	8
Name of Bank	Date	No. of Branches and Sub-branches	Capital Subscribed	Uncalled Capital		Capital Paid-up	Reserve Fund	Un-divided Profits	Notes in Circulation
				Callable	Reserved				
Bank of Ireland †	Dec. 31, '39	100	<i>£</i> 2,769,231	<i>£</i> ...	<i>£</i> ...	2,769,231	3,180,000	287,307	2,432,538
Hibernian Bank	June 30, '40	60	2,000,000	500,000	1,000,000	500,000	740,000	60,573	523,221
Munster and Leinster Bank	June 30, '40	209	1,875,000	1,125,000	...	750,000	1,000,000	79,009	855,884
National Bank	June 30, '40	269	7,500,000	1,000,000	5,000,000	1,500,000	1,160,000	42,195	1,393,147
Provincial Bank of Ireland } Do. New	June 30, '40	118	{ 4,000,000 80,000	{ 1,500,000 Nil	{ 2,000,000 40,000	{ 540,000 540,000	540,000	58,143	1,323,695
Royal Bank of Ireland	Dec. 31, '39	40	1,500,000	300,000	900,000	300,000	315,000	17,328	246,482
Total		796	19,724,231	4,125,000	8,940,000	6,359,231	6,935,000	544,555	6,774,967

† No London Office

AFRICAN BANKS

AFRICAN BANKS									
Bank of Br. West Africa, Ltd.	Mar. 31, '40	38	3,000,000	300,000	1,500,000	1,200,000	400,000	75,241	...
Barclays Bank (Dominion, Colonial and Overseas)	Sept. 30, '39	507	6,975,500	2,000,000	3,024,500	4,975,500	2,100,000	...	1,461,673
Netherlands Bank of S. Africa	Sept. 30, '39	23	754,698	Nil	Nil	754,698	469,799	57,690	...
Standard Bk. of S. Africa, Ltd.	Mar. 31, '40	383	10,000,000	7,500,000	Nil	2,500,000	3,000,000	532,932	783,529
Total		951	20,730,198	9,800,000	1,524,500	9,430,198	5,969,799	665,863	2,245,202

AUSTRALASIAN BANKS

AUSTRALASIAN BANKS										
		1939	1940	1941	1942	1943	1944	1945	1946	1947
Commonwealth Bank of Australia	June 30, '40	282	20,000,000	Nil	Nil	4,000,000	2,990,874	...	...	...
Bank of Adelaide	Mar. 25, '39	114	1,250,000	Nil	1,250,000	1,250,000	1,000,000	67,859	6,569	...
Bank of Australasia	Oct. 16, '39	248	4,500,000	Nil	4,500,000	4,500,000	4,475,000	388,981	2,732	...
Bank of New South Wales	Sept. 30, '39	906	8,780,000	Nil	8,780,000	8,780,000	6,150,000	322,753	81,159	...
Bank of New Zealand	Mar. 31, '40	232	6,828,125	Nil	Nil	6,828,125	3,575,000	673,169	627	...
Commercial Bank of Australia, Ltd.	June 30, '40	553	4,117,350	Nil	Nil	4,117,350	2,250,000	236,053	6,184	...
Commercial Banking Co. of Sydney, Ltd.	June 30, '40	442	9,478,925	Nil	4,739,013	4,739,012	4,300,000	305,979	13,589	...
English, Scottish & Australian Bank, Ltd.	June 30, '39	398	5,000,000	2,000,000	Nil	4,872,966	3,310,000	451,804	1,008	...
National Bank of Australasia, Ltd.	Mar. 31, '40	338	6,800,000	1,800,000	Nil	5,000,000	3,300,000	312,282	47,546	...
National Bank of New Zealand, Ltd.	Mar. 31, '40	61	6,000,000	4,000,000	6,000,000	2,000,000	1,500,000	152,968	...	...
Queensland National Bank, Ltd.	June 30, '40	103	1,750,000	Nil	Nil	4,427,307	860,000	65,837	...	...
Union Bank of Australia, Ltd. Total (excluding Commonwealth Bank of Australia)	Aug. 31, '39	236	12,000,000	Nil	8,000,000	4,000,000	4,850,000	284,351	7,556	...
		3,631	67,303,500	7,800,000	33,269,013	50,514,760	35,570,000	3,262,036	166,970	...

(a) Contingent liabilities.

CANADIAN BANKS

CANADIAN BANKS									
Bank of Montreal	Oct. 30, '39	513	7,200,000	Nil	5,760,000	7,200,000	7,800,000	401,089	4,353,458
Bank of Nova Scotia	Dec. 31 '39	297	2,400,000	Nil	1,920,000	2,400,000	4,800,000	307,275	1,659,075
Canadian Bank of Commerce...	Nov. 30, '39	570	6,000,000	Nil	4,800,000	6,000,000	4,000,000	279,020	3,185,791
Dominion Bank	Dec. 31, '39	133	1,400,000	Nil	1,120,000	1,400,000	1,400,000	202,692	1,064,434
Royal Bank of Canada	May 31, '40	687	7,000,000	Nil	5,600,000	7,000,000	4,000,000	759,250	5,211,143
Total		2,200	24,000,000	Nil	19,200,000	24,000,000	22,000,000	1,949,326	15,473,901

(Converted at rate of \$5 to £1.)

INDIAN BANKS

INDIAN BANKS									
Chartered Bank of India, Australia and China	Dec. 31, '39	45	3,000,000	Nil	3,000,000	3,000,000	3,000,000	367,443	1,645,622
Eastern Bank, Ltd.	Dec. 31, '39	12	2,000,000	Nil	1,000,000	1,000,000	500,000	167,282	...
Mercantile Bk. of India, Ltd.	Dec. 31, '39	24	750,000	187,500	187,500	1,050,000	1,075,000	242,639	302,363
Do. " B " Shares			750,000	187,500	187,500				
Do. " C " Shares			1,500,000	...	Nil				
National Bank of India, Ltd.	Dec. 31, '39	29	4,000,000	2,000,000	Nil	2,000,000	2,200,000	531,572	...
Total		110	12,000,000	2,375,000	4,375,000	7,050,000	6,775,000	1,308,936	1,947,985

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

BANKS IN EIRE

9	10	11	12	13		14	15	16	17	18
Acceptances and Bills for Collection	Miscellaneous Liabilities	Deposits	Total Liabilities and Assets	Cash in Hand and Money at Call and Short Notice		Investments	Bills Discounted or Purchased (when shown separately)	Bills, Loans, and Advances	Premises and Sundries (including Cover for Acceptances)	Name of Bank
				Cash in Hand, with Banks and in Transit	Money at Call and Short Notice					
£ 50,367	£ ...	£ 37,102,008	£ 45,821,451	£ 2,820,573	£ 4,529,226	£ 22,625,461	£ ...	£ 15,237,799	£ 608,392	Bank of Ireland†
...	47,971	10,316,156	12,187,921	1,220,321	...	4,531,323	...	6,258,320	177,957	Hibernian Bank
...	...	24,430,613	27,115,506	2,659,769	500,000	11,406,928	843,677	11,324,887	380,245	Munster&Leinster National Bank
120,320	...	35,270,132	39,485,794	4,332,343	2,253,995	13,812,380	1,277,489	17,121,306	688,281	{ Pro. Bk. of Irel'd. Do. New
...	200	15,324,396	17,786,434	1,914,122	...	7,844,987	1,095,727	6,712,176	219,422	
...	...	6,761,943	7,640,753	836,996	...	2,468,164	83,819	4,001,774	250,000	Royal B. of Irel'd.
170,687	48,171	129,205,248	150,037,859	13,784,124	7,283,221	62,689,243	3,300,712	60,656,262	2,324,297	Total

† No London Office.

AFRICAN BANKS

AFRICAN BANKS										
601,315	100,056	7,380,582	9,757,194	2,125,557	...	3,702,025	681,335	2,387,387	860,890	Bank of British W. Africa.
5,710,031	...	106,638,711	120,885,915	36,861,111	501,000	30,193,547	12,463,455	32,387,257	8,479,545	Barclays Bk. (Dom. Col. & Overseas)
107,785	1,107,135	3,844,269	6,341,376	1,867,999	...	111,016	1,138,931	1,755,284	1,468,146	Netherlands Bk. of S. Africa.
13253333	...	70,229,165	90,298,959	16,114,712	2,275,000	16,371,844	5,117,410	36,886,218	13,533,775	Standard Bank of S.A., Ltd.
19672464	1,207,191	188,092,727	227,283,444	56,969,379	2,776,000	50,378,432	19,401,131	73,416,146	24,342,356	Total

AUSTRALASIAN BANKS

AUSTRALASIAN BANKS										
				Cash & Notes in Hand and at Bankers	Money at Call and Remittances in Transit					
860,145	11,386,184	107,315,650	126,552,853	8,362,033	41,629,792	34,863,761	...	40,028,788	1,668,479	Comm. Bank of Australia.
...	367,596	7,391,501	10,083,525	1,468,872	1,535,542	1,646,036	...	5,010,078	422,997	Bank of Adelaide
5,934,631	...	40,921,527	56,222,871	4,679,313	...	11,549,280	...	39,001,189	993,089	Bk. of Australasia
...	3,786,146	111,688,553	130,808,611	14,130,823	125,000	7,870,200	...	101,144,231	7,538,357	Bk. of N.S. Wales
75,989	5,821,666	36,422,293	53,396,869	11,065,532	1,859,459	15,305,140	428,008	22,706,457	2,032,273	Bk. of N. Zealand
1,463,054	61,637,053	33,559,154	43,268,848	3,548,461	...	8,295,859	...	27,864,183	3,560,345	Commercial Bank of Australia.
...	1,476,896	55,457,470	66,292,946	6,846,570	900,000	13,599,512	...	43,763,882	1,182,982	Comm. Bnkg. Co. of Sydney.
...	1,674,852	34,942,476	45,253,106	5,647,715	...	3,792,015	...	35,095,112	718,264	English, Scottish & Australian Bk.
...	1,980,864	47,597,046	58,237,738	5,601,483	...	12,516,800	...	38,501,813	1,617,642	National Bank of Australasia.
...	1,233,338	14,905,357	19,791,663	2,497,289	395,947	4,066,669	160,111	12,029,836	641,811	National Bk. of New Zealand.
...	442,973	9,441,382	15,237,499	1,982,803	20,000	2,301,977	...	10,357,047	575,672	Queensland Nat. Bank.
...	1,667,251	38,743,598	49,552,756	5,814,176	250,000	5,249,492	...	37,700,542	538,546	Union Bank of Australia.
7,473,674	20,088,635	431,070,357	548,146,432	63,283,037	5,085,948	86,192,980	588,119	373,174,370	19,821,978	Total (excluding Commonwealth Bk. of Australia).

(a) Contingent liabilities.

(b) Includes contingent liabilities.

CANADIAN BANKS

CANADIAN BANKS											
5,458,154	747,938	179,141,034	205,101,673	40,249,297	4,743,199	103,528,277	...	51,452,346	5,128,554	Bank of Montreal	
3,505,893	72,758	55,953,302	68,698,303	13,426,021	1,262,440	27,213,091	...	23,584,969	3,211,782	Bk. of Nova Scotia	
3,123,653	...	132,541,685	149,130,149	25,165,809	4,624,286	60,367,750	...	51,197,954	7,774,349	Canadian Bank of Commerce.	
571,226	101,249	27,988,220	32,727,821	5,499,307	1,151,876	12,129,863	...	12,143,508	1,803,268	Dominion Bank	
38,535	6,013,011	174,973,917	197,995,856	40,506,492	4,024,500	79,976,066	...	65,996,228	7,492,570	Royal Bk. Canada	
12697461	6,934,956	570,598,158	653,653,802	124,846,926	15,806,301	283,215,047	...	204,375,005	25,410,523	Total	

(Converted at rate of \$5 to £1.)

INDIAN BANKS

INDIAN BANKS										
4,369,753	1,523,671	53,662,308	67,568,797	7,146,649	...	21,158,809	11,252,068	24,967,792	3,043,479	Chartered Bk. of India, Australia and China. Eastern Bk., Ltd. Mercantile Bk. of India, Ltd. Do. "B" Shares Do. "C" Shares Nat. Bk. of India
667,951	346,295	8,202,492	10,884,020	1,287,239	...	4,704,650	1,278,351	2,988,793	624,987	
1,233,853	43,537	18,077,610	22,025,002	3,283,199	...	7,997,932	3,428,234	6,392,944	922,693	
1,209,526	1,500,000	29,166,004	36,607,102	6,860,964	...	13,382,191	3,138,480	11,965,696	1,259,771	
7,481,083	3,413,503	109,108,414	137,084,921	18,578,051	...	47,243,582	19,097,133	46,315,225	5,850,930	Total

DOMINION BANKS WITH OFFICES IN LONDON

(1) BANKS IN EIRE

JOINT-STOCK BANKS OF IRELAND

Year	Banks	No. of Branches	Capital and Reserves	Deposits	Notes	Total Liabilities	Cash in Hand, Money at Call and Short Notice	Investments	Discounts and Advances
			£	£	£	£	£	£	£
1895	9	496	10,200,000	44,390,000	6,113,000	61,663,000	11,253,000	17,934,000	31,182,000
1900	9	543	10,894,000	49,449,000	6,708,000	67,988,000	11,697,000	17,719,000	37,464,000
1910	9	663	11,475,000	62,508,000	7,211,000	82,150,000	13,762,000	23,215,000	44,127,000
1920	9	912	12,899,000	200,441,000	24,717,000	240,391,000	46,698,000	80,959,000	109,623,000
1922	9	986	13,779,000	209,777,000	17,321,000	242,199,000	31,834,000	103,019,000	104,554,000
1930	6*	808	13,744,231	126,913,785	6,513,849	148,029,152	16,100,407	65,094,325	64,377,598
1931	6*	807	13,934,231	127,984,313	5,850,791	148,613,574	14,921,624	67,622,666	63,560,931
1932	6*	813	12,984,231	128,933,593	5,519,572	148,258,478	17,581,926	61,057,942	64,097,121
1933	6*	815	12,959,231	142,409,702	5,628,327	161,825,966	21,525,641	76,802,234	60,941,640
1934	6*	817	13,024,231	131,897,421	5,653,210	151,518,670	18,621,526	69,142,874	61,119,164
1935	6*	814	13,084,231	130,355,911	5,691,191	151,091,322	19,785,775	68,007,196	59,755,743
1936	6*	814	13,144,231	130,313,900	5,820,339	150,159,441	20,516,702	68,603,747	58,405,645
1937	6*	824	13,189,231	131,781,726	5,912,025	151,905,409	19,247,815	69,483,290	60,519,989
1938	6*	816	13,244,231	127,745,011	5,954,889	147,980,621	18,788,022	64,316,702	62,322,957
1939	6*	810	13,289,231	126,342,455	6,121,570	146,719,862	19,221,505	62,548,707	62,467,527
1940	6*	796	13,294,231	129,205,248	6,774,967	150,037,859	21,067,345	62,689,243	63,956,974

* Banks in Eire.

BANK OF IRELAND†

ESTABLISHED 1783

CAPITAL				Market Value	PROFITS AND DIVIDENDS				Reserves, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	£	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends	£	£
£	£	£	£	£		£		Rate		
2,769,231	2,769,231	...	...	7,739,976	1929	542,088	1.28	411,923	17½	86,259
					1930	537,145	1.28	411,923	17½	81,481
					1931	512,172	1.28	402,837	17½	90,816
					1932	436,762	0.85	308,683	14½	88,896
					1933	404,254	0.90	301,154	14½	91,996
					1934	406,598	0.92	308,683	14½	89,911
					1935	386,594	0.87	289,731	13½	86,775
					1936	378,927	0.84	289,731	13½	100,971
					1937	390,749	0.88	289,731	13½	126,988
					1938	379,821	0.88	289,731	13½	142,078
					1939	332,555	0.73	255,288	12½	144,345

Stock is fully paid. By Bank of Ireland Act, 1935, the liability of the Stock Holders is declared to be limited except as regards Note Issues.

Price October 25, 1940, £279½.

Authorised Note issue:

Eire, £1,760,000

Northern Ireland, £1,230,223

LIABILITIES				ASSETS			
Year ended Dec. 31	Number of Branches	Capital and Reserves	Per Cent.	Year ended Dec. 31	Number of Branches	Capital and Reserves	Per Cent.
		£				£	
1929	100	6,119,231	14.5	1929	100	6,119,231	14.5
1930	100	6,249,231	14.8	1930	100	6,249,231	14.8
1931	100	5,949,231	14.9	1931	100	5,949,231	14.9
1932	100	5,949,231	13.2	1932	100	5,949,231	13.2
1933	104	5,949,231	13.4	1933	104	5,949,231	13.4
1934	104	5,949,231	13.3	1934	104	5,949,231	13.3
1935	104	5,949,231	13.2	1935	104	5,949,231	13.2
1936	104	5,949,231	13.4	1936	104	5,949,231	13.4
1937	104	5,949,231	13.8	1937	104	5,949,231	13.8
1938	104	5,949,231	13.0	1938	104	5,949,231	13.0
1939	100	5,949,231	13.0	1939	100	5,949,231	13.0

* Includes acceptances.

† No London office.

THE HIBERNIAN BANK, LIMITED

ESTABLISHED 1825

CAPITAL				PROFITS AND DIVIDENDS				Reserves, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Year Ended June 30	Net Profits	Per Cent. of Resources	Dividends	£	£
£	£	£	£		£		Rate		
2,000,000	500,000	500,000	1,000,000	1930	99,809	0.74	67,500	13½	32,132
				1931	109,114	0.82	67,500	13½	41,246
				1932	82,977	0.62	63,750	11½	30,473
				1933	88,187	0.66	57,500	11½	31,160
				1934	86,650	0.68	57,500	11½	30,310
				1935	82,878	0.66	57,500	11½	29,889
				1936	82,728	0.66	57,500	11½	25,917
				1937	81,465	0.65	60,000	12	27,882
				1938	80,072	0.67	60,000	12	27,454
				1939	73,675	0.60	57,500	11½	28,629
				1940	66,944	0.55	55,000	11	28,073

* Free of income tax.

Continued on page 18



LLOYDS BANK LIMITED



DISTRICT BANK LIMITED

For every class of Banking Business

PRINCIPAL LONDON OFFICE

75 Cornhill, E.C.3

FOREIGN DEPARTMENT

13 Spring Gardens, Manchester, 2

76 Cornhill, London, E.C.3

2 Castle Street, Liverpool, 2

HEAD OFFICE:

SPRING GARDENS, MANCHESTER, 2

SECURITY!

Life has a sense of firm foundation to those who have SAFEGUARDED the future.

PROTECT Your dependents and PROVIDE for retirement by a REFUGE POLICY.

Assets - - - £72,400,000
Claims Paid - - - £125,100,000

REFUGE ASSURANCE COMPANY LIMITED.
OXFORD ST., MANCHESTER, 1

Established 1833

NATIONAL PROVINCIAL BANK LIMITED

Head Office: 15 Bishopsgate, London, E.C.2

Affiliations: COUTTS & CO. GRINDLAY & CO. LTD.

THE HIBERNIAN BANK, LIMITED. Continued from page 16

Year ended June 30	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes in Circu- lation	Per Cent.	Rebate	Per Cent.	Deposit and Current Accounts, etc.	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Dis- counts, Loans and Advances	Per Cent.	Build- ings and Sund- ries
1930	62	1,180,000	8.9	68,892	0.5	388,527	2.9	8,123	11,599,107	87.7	13,311,739	525,192	4.0	5,980,581	41.9	6,588,829	41.4	220,137	1.6
1931	62	1,200,000	9.0	70,997	0.6	391,957	2.9	8,188	11,572,040	87.5	13,311,282	497,682	3.5	6,231,432	46.6	6,431,923	48.2	220,345	1.6
1932	62	1,220,000	9.1	62,973	0.5	430,880	3.4	7,173	11,530,957	86.8	13,321,384	366,239	2.7	6,511,176	49.0	6,226,748	46.7	214,330	1.5
1933	62	1,140,000	8.5	63,600	0.5	509,471	4.8	5,833	11,829,364	87.2	13,316,315	1,197,137	9.0	6,233,283	45.9	5,109,672	43.6	2,520,203	1.8
1934	62	1,160,000	9.1	62,811	0.5	507,460	4.0	5,119	11,073,651	86.4	12,299,289	987,177	7.6	5,535,868	43.3	6,087,708	47.5	199,036	1.4
1935	62	1,180,000	9.4	58,189	0.5	509,112	4.0	5,212	10,873,322	86.1	12,299,135	1,219,156	9.6	5,270,880	41.7	5,912,207	47.2	193,583	1.4
1936	62	1,200,000	9.6	53,417	0.4	506,602	4.0	5,119	10,747,835	86.0	12,512,073	989,284	7.9	5,302,136	42.4	6,038,715	48.3	182,778	1.3
1937	62	1,210,000	9.6	59,882	0.5	498,925	4.0	5,101	10,800,344	85.9	12,574,232	881,914	7.0	5,399,434	42.2	6,296,184	49.4	176,370	1.3
1938	62	1,230,000	10.3	57,355	0.5	501,868	4.2	4,792	10,147,430	85.0	11,911,515	1,054,510	8.8	4,574,383	38.3	6,140,694	51.5	171,958	1.3
1939	62	1,240,000	10.1	56,129	0.5	504,318	4.1	4,716	10,186,897	85.3	12,292,030	1,085,135	8.8	4,910,902	40.0	6,129,594	49.8	166,422	1.2
1940	60	1,240,000	10.2	60,574	0.5	523,221	4.3	4,600	10,359,527	85.0	12,187,921	1,220,321	10.0	4,541,323	37.2	6,288,320	51.3	177,957	1.3

MUNSTER AND LEINSTER BANK, LIMITED
1885 - Assets of Munster Bank, Limited, acquired

Subscribed £	Paid-up £	Callable £	Reserve Fund £	Market Value £	Year Ended June 30	Net Profits £	Per Cent. of Resources	Dividends Amount £	Rate %	Reserves, Etc. £	Carried Forward £
1,875,000	750,000	1,125,000	1,000,000	1,781,250	1930	180,884	0.66	105,000	14	75,000	44,015
					1931	186,888	0.62	105,000	14	80,000	45,903
					1932	172,224	0.61	97,500	13	75,000	45,627
					1933	155,525	0.54	90,000	12	67,500	43,652
					1934	136,552	0.50	90,000	12	47,500	42,703
					1935	138,291	0.52	90,000	12	47,500	43,494
					1936	137,263	0.51	90,000	12	47,500	43,257
					1937	137,898	0.51	90,000	12	47,500	43,655
					1938	139,063	0.54	90,000	12	47,500	45,218
					1939	133,991	0.50	90,000	12	47,500	41,710
					1940	126,049	0.46	78,750	10½	47,500	41,508

* Free of Income Tax.

Year ended June 30	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposit and Current Accounts, Kebate, etc.	Per Cent.	Per Cent.		Cash in Hand and with Bankers	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills Receiv- able	Per Cent.	Advances	Per Cent.	Pre- mises
1930	199	1,750,000	6.4	96,515	0.4	125,312,519	93.2	27,159,034	1,576,810	5.8	1,200,000	4.4	11,298,651	41.6	1,310,863	4.9	11,418,815	42.0	353,895	1.3
1931	199	1,750,000	6.4	98,403	0.4	125,492,540	93.2	27,340,943	1,420,601	5.2	1,000,000	3.7	12,115,142	44.4	1,268,647	4.6	11,182,102	40.8	354,451	1.3
1932	199	1,750,000	6.2	90,627	0.3	126,485,563	93.5	28,326,190	1,080,540	3.8	1,600,000	5.6	12,139,194	42.8	1,851,942	6.5	11,285,472	39.8	369,942	1.3
1933	205	1,750,000	6.1	88,652	0.3	126,841,578	93.6	28,680,230	1,110,596	3.9	2,000,000	7.0	13,237,042	46.2	1,183,134	4.1	10,774,862	37.5	369,596	1.3
1934	205	1,750,000	6.5	89,703	0.3	125,367,075	93.2	27,204,378	1,137,418	4.2	1,300,000	4.8	12,387,818	45.5	1,127,782	4.1	10,867,451	40.0	384,609	1.4
1935	206	1,750,000	6.5	88,494	0.3	124,957,059	93.2	26,805,553	1,411,454	5.2	1,500,000	5.6	11,775,297	44.0	1,059,949	3.9	10,674,189	39.9	384,684	1.4
1936	207	1,750,000	6.5	88,257	0.3	124,867,712	93.2	26,705,969	1,163,675	4.4	1,500,000	5.6	12,492,489	46.8	1,093,839	3.8	10,158,906	38.0	387,260	1.4
1937	215	1,750,000	6.5	88,655	0.3	125,075,971	93.2	26,914,626	1,158,155	4.3	1,100,000	4.1	12,014,430	40.0	969,964	3.6	10,389,859	38.6	386,218	1.4
1938	214	1,750,000	6.8	90,218	0.3	123,947,143	93.2	25,787,361	1,255,781	4.9	800,000	3.1	12,007,991	46.6	936,829	3.6	10,402,869	40.3	383,911	1.4
1939	209	1,750,000	6.5	86,710	0.3	124,988,301	93.2	26,825,011	1,423,010	5.3	1,000,000	3.7	12,446,508	46.4	891,508	3.3	10,684,678	39.9	379,307	1.4
1940	209	1,750,000	6.5	79,009	0.3	125,286,497	93.2	27,115,505	2,659,769	9.8	500,000	1.8	11,406,928	42.1	843,677	3.1	11,324,887	40.7	380,245	1.4

* Includes Treasury Bills.

† Includes note circulation.

THE NATIONAL BANK LIMITED
ESTABLISHED 1835

Subscribed £	Paid-up £	Callable £	Reserved £	Market Value £	Year Ended June 30	Net Profits £	Per Cent. of Resources	Dividends Amount £	Rate %	Reserves, Etc. £	Carried Forward £
7,500,000	1,500,000	1,000,000	5,000,000	2,250,000	1930	261,803	0.64	210,000	14	50,000	31,092
					1931	270,034	0.65	210,000	14	60,000	31,126
					1932	235,018	0.58	195,000	13	50,000	31,144
					1933	220,194	0.51	180,000	12	40,000	31,338
					1934	224,016	0.53	180,000	12	40,000	35,353
					1935	220,402	0.53	180,000	12	40,000	35,757
					1936	221,327	0.53	180,000	12	40,000	37,084
					1937	222,044	0.52	180,000	12	40,000	40,609
					1938	221,482	0.53	180,000	12	40,000	42,502
					1939	201,892	0.50	172,500	11	27,500	42,195
					1940	187,193	0.47	157,500	10½	30,000	42,195

* Less Income Tax.

Year ended June 30	Number of Offices	LIABILITIES							Total Liabilities or Assets	ASSETS											
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Un- divided Profits		Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings & Sutories, Furniture, Equipment, Including Leasing Acceptances
1930		£ 268,295,000	7.2	£ 1,338,247	3.2	£ 30,627,011	166,092	0.4	£ 36,602,087	89.1	41,092,053	£ 3,338,375	8.1	£ 3,463,753	8.5	£ 15,261,517	37.1	£ 18,207,282	44.3	£ 821,128	2.0
1931		269,297,000	7.2	1,285,363	3.1	31,343,011	166,128	0.4	37,047,588	89.2	41,505,400	3,047,440	7.3	3,338,731	8.0	16,109,388	38.9	18,195,902	43.8	815,959	2.0
1932		275,251,000	5.9	1,250,979	3.0	39,950,011	146,144	0.4	38,322,794	90.6	42,274,867	3,296,493	7.8	4,751,728	11.3	15,777,127	37.4	17,637,330	41.7	827,587	1.8
1933		275,540,000	5.9	1,280,151	3.0	52,819,011	141,338	0.3	33,328,076	90.7	43,052,384	4,194,262	9.7	3,153,983	7.3	18,439,543	42.9	16,437,299	38.7	888,107	2.0
1934		273,250,000	6.0	1,297,322	3.1	128,562,011	145,353	0.3	38,351,912	90.3	42,481,731	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9	17,259,164	40.4	813,591	1.9
1935		272,250,000	6.2	1,314,030	3.1	127,808,011	147,083	0.3	37,820,258	90.2	41,932,851	4,658,014	11.1	3,444,381	8.2	16,119,501	38.4	16,890,293	40.4	823,971	2.0
1936		272,600,000	6.2	1,318,533	3.1	84,745,011	147,083	0.3	37,716,000	90.3	41,866,421	4,482,824	10.7	4,411,186	10.5	15,287,522	36.5	16,890,918	40.3	823,971	2.0
1937		274,260,000	6.2	1,342,039	3.2	323,844,011	149,127	0.3	38,054,015	89.5	42,489,025	4,188,018	9.9	4,062,314	9.6	15,565,004	36.7	17,634,089	41.4	1,009,558	2.4
1938		274,260,000	6.3	1,333,410	3.2	275,411,011	150,609	0.3	37,070,223	89.4	41,769,653	4,591,893	11.0	3,003,811	7.2	14,154,691	33.9	19,103,529	45.7	915,929	2.1
1939		274,260,000	6.6	1,363,200	3.4	270,819,011	142,502	0.3	136,108,622	89.2	40,445,143	4,399,850	10.9	2,447,230	6.1	14,210,123	35.1	18,538,021	45.8	949,819	2.1
1940		269,260,000	6.7	1,393,147	3.5	120,320,011	142,195	0.3	135,270,132	89.4	39,485,794	4,332,343	11.0	2,253,995	5.7	13,812,380	35.0	18,398,795	45.6	688,281	1.7

† Includes Treasury Bills.

PROVINCIAL BANK OF IRELAND, LIMITED
ESTABLISHED 1st August, 1825. Registered under Limited Liability Acts, 10th July, 1882

CAPITAL				Year ended June 30	Net Profits £	Per Cent. of Resources	PROFITS AND DIVIDENDS		Reserves, Etc.	Carried Forward £	
Subscribed	Paid-up	Callable	Reserved				Per Cent. of Amount	Dividends Rate %			
£	£	£	£								
Old	4,000,000	500,000	1,500,000	2,000,000	1930	103,758	0.62	61,861	14½	40,000	35,577
					1931	110,513	0.62	60,882	14½	50,000	36,706
					1932	88,421	0.52	54,678	13½	36,000	33,559
New	80,000	40,000	Nil	40,000	1933	73,732	0.52	50,625	12½	26,000	33,547
					1934	69,457	0.42	51,468	12½	18,000	33,542
					1935	68,897	0.40	52,312	12½	16,500	33,246
					1936	71,595	0.42	51,890	12½	20,000	36,472
Old	Per Share £8	Per Share £1	Per Share £3	Per Share £4	1937	74,272	0.43	51,047	12½	20,000	40,171
					1938	75,480	0.45	49,781	12½	22,000	40,447
					1939	72,256	0.43	46,980	12	25,000	39,580
New	£2	£1	Nil	£1	1940	61,879	0.35	38,745	11½	24,000	

PROVINCIAL BANK OF IRELAND, LIMITED. Continued from page 18

Year ended June 30	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS							Per Cent.
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances including Treasury Bills	
1930	138	1,190,000	7.1	69,219	0.4	889,523	5.3	14,877,801	87.2	16,726,544	91.7	222	0.0	680,000	3.6	7,789,890	46.5
1931	135	1,210,000	7.2	69,048	0.4	871,980	5.2	14,889,144	87.2	16,831,141	91.7	194	0.0	700,000	4.1	8,360,431	49.7
1932	135	980,000	5.8	61,763	0.4	874,572	5.1	13,103,126	88.7	17,028,163	96.6	383	0.3	415,000	4.2	8,168,521	48.0
1933	135	1,010,000	5.7	58,872	0.3	913,885	5.2	13,631,156	88.8	17,613,913	99.2	197	0.0	1,140,000	6.5	8,279,278	47.0
1934	130	1,025,000	6.2	59,704	0.4	934,974	5.6	14,693,536	87.8	16,623,231	93.2	873	0.5	914,000	5.8	8,089,141	48.7
1935	127	1,035,000	6.0	59,698	0.3	942,410	5.5	15,118,726	88.2	17,153,831	92.2	836	0.0	1,200,000	7.0	8,427,862	49.1
1936	128	1,045,000	6.1	58,981	0.3	994,431	5.8	15,997,966	87.8	17,196,578	90.1	118	0.0	1,200,000	7.5	8,688,897	50.4
1937	128	1,055,000	6.0	61,781	0.4	1,037,107	5.9	15,310,324	87.7	17,464,415	91.6	416	0.1	1,050,000	6.0	8,469,644	48.5
1938	121	1,065,000	6.3	61,639	0.4	1,016,299	6.0	14,709,603	87.3	16,846,711	93.1	129	0.0	1,000,000	5.9	7,463,753	44.3
1939	120	1,075,000	6.5	62,958	0.4	1,074,792	6.5	14,111,769	86.6	16,627,689	91.0	536	0.0	515,000	3.1	7,506,619	45.1
1940	118	1,089,000	6.1	58,143	0.3	1,233,695	7.4	15,321,985	89.3	17,786,131	94.1	11	0.0	7,311,987	41.1	7,897,903	43.9

ROYAL BANK OF IRELAND LIMITED
ESTABLISHED 1836

CAPITAL				Year Ended Aug. 31	Net Profits	Profits and Dividends		Reserves, Etc.	Carried Forward	
Subscribed	Paid up	Callable	Reserved			Per Cent. of Resources	£ Amount			Dividends Rate %
£	£	£	£		£				£	
1,500,000	300,000	300,000	900,000	1929	64,672	0.85	25,500	10	40,000	10,717
				1930	65,446	0.88	25,500	10	40,000	10,663
				1931*	80,910	1.08	33,392	10	48,000	10,180
				1932†	54,756	0.74	20,700	9	33,000	11,236
				1933†	52,455	0.72	20,250	9	32,000	11,441
				1934†	48,071	0.68	20,775	9	27,000	11,738
				1935†	45,583	0.63	20,925	9	22,000	11,396
Per Share	Per Share	Per Share	Per Share	1936†	43,188	0.59	20,925	9	22,000	11,660
£50	£10	£10	£30	1937†	40,279	0.55	20,925	9	20,000	11,014
				1938†	37,527	0.49	18,600	8	20,000	9,941
				1939†	35,262	0.46	15,487	7	20,000	9,716

* 16 months ended December 31. † Year ended December 31.

(2) AFRICAN BANKS

BANK OF BRITISH WEST AFRICA LIMITED
REGISTERED 1894

CAPITAL				Market Value £	Year Ended March 31	Net Profit £	Dividend %	To Reserves, etc.	Carried Forward £
Subscribed £	Paid-up £	Callable £	Reserved £						
£	£	£	£	450,000	1930	121,822	6	50,000	53,433
3,000,000	1,200,000	300,000	1,500,000	Price	1931	24,568	4	...	30,001
Per Share	Per Share	Per Share	Per Share	Nov. 5, 1940	1932	59,625	4	...	41,626
£10	£4	£1	£5	£21	1933	58,611	4	...	52,237
					1934	58,705	4	10,000	53,003
					1935	61,671	4	15,000	54,674
					1936	85,238	4	25,000	54,973
					1937	90,436	5	30,000	55,608
					1938	60,106	5	...	55,714
					1939	42,878	4	...	50,592

In August, 1920, 200,000 new shares of £10 each were created, of which 100,000 (£4 paid) were allotted in equal proportions to the Westminster Bank Limited, the National Provincial Bank Limited, and the Standard Bank of South Africa, Limited.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

1836.—Established by Royal Charter as the Colonial Bank
1925.—Reincorporated by Act of Parliament and acquired the National Bank of South Africa, Limited, and the Anglo-Egyptian Bank, Limited

CAPITAL				Price November 5, 1940	Year ended September 30	Net Profit £	Dividend %	To Reserve, etc.	Carried Forward £
Subscribed	Paid up	Callable	Reserved						
£	£				1931	402,754	4½	100,000	244,738
6,975,500	4,975,500	2,000,000	3,024,500	"A" Shares £1 f.p. 35/6	1932	372,103	4½	180,000	216,478
				8% Cum. Pref. £1 34/6	1933	371,548	4½	150,000	216,478
Per share	Per share	Per share			1934	409,827	5	175,000	216,816
"A" shares £1					1935	473,401	5½	220,000	223,397
"B" shares £5					1936	401,192	5½	252,346	128,803
8% Cum. Pref.	£1	Nil	£4		1937	431,209	6	175,000	134,595
		Nil			1938	439,245	6	175,000	134,595
					1939	414,701	6	175,000	134,442

Subscribed	Paid up	Callable	Reserved	Prior November 5, 1940
£6,975,500	£4,975,500	£2,000,000	£3,024,500	"A" Shares £1 f.p. 35/6
Per share	Per share	Per share	Per share	8% Cum. Pref. £1 34/6
"A" shares £1	Nil	Nil	Nil	
"B" shares £5	£1	£4	£4	
8% Cum. Pref.				

Continued on page 22

THE
BANK OF INDIA
LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL SUBSCRIBED ... Rs. 2,00,00,000
CAPITAL PAID UP ... " 1,00,00,000
RESERVE FUND ... " 1,13,00,000

HEAD OFFICE:—ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES:

Bullion Exchange, Shaikh Memon Street
Malabar Hill, Hughes Road
Kalbadevi, Princess Street
Colaba, Cusrow Baug

BRANCHES:

Ahmedabad, Ahmedabad (Station Branch), Andheri, Bandra, Calcutta (Clive Street), Calcutta (Bara Bazar), Calcutta (Chowringhee Square), Jamshedpur, Nagpur (Civil Lines), Nagpur City, Poona, Poona City, Rajkot, Surat.

LONDON AGENTS:

The Westminster Bank Ltd.

DIRECTORS:

Sir Chunilal V. Mehta, K.C.S.I. (Chairman)

Mr Ambalal Sarabhai

Sir Joseph Kay, Knight

Mr A. Geddis

Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.

Mr Dinsha K. Daji

Mr Rammivas Ramnarain

Current Deposit Accounts.—Interest is allowed on daily balances from Rs. 300 to Rs. 1,00,000 at 1 per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given in account for interest amounting to less than Rs. 5 per half year.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)—Continued from page 20

Year ended Sept. 30	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.		Deposits	Per Cent.	Cash in hand, at Bankers, &c., and Money at Call	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Premises and Sundries	Per Cent.
1931	493	£ 6,625,500	8.3	781,343	1.0	3,558,843	4.5	£ 68,462,423	86.2	79,423,109	16,760,317	21.1	14,509,263	18.3	42,364,369	53.3	5,794,160	7.3
1932	477	6,625,500	8.0	744,210	0.9	3,544,266	4.3	71,621,970	86.8	82,535,886	17,833,670	21.4	18,314,991	22.2	40,571,424	49.2	5,965,801	7.2
1933	479	6,625,500	7.7	735,992	0.8	3,342,453	4.2	74,521,924	87.3	85,225,869	19,493,066	23.0	27,170,192	31.8	32,737,951	38.4	5,824,660	6.8
1934	479	6,725,500	7.1	770,978	0.8	4,311,672	4.5	82,865,855	87.6	94,674,005	21,548,461	22.8	25,778,119	27.2	40,504,801	42.8	6,842,624	7.2
1935	488	6,825,500	6.8	850,648	0.8	3,982,657	4.0	87,781,143	88.4	99,439,949	27,807,217	28.0	23,445,438	23.5	41,672,967	42.0	6,514,327	6.5
1936	494	6,900,500	6.3	930,389	0.8	4,846,849	4.5	96,992,504	88.4	109,770,242	29,147,299	26.5	27,843,485	25.4	45,347,337	41.3	7,472,121	6.8
1937	498	7,000,500	6.4	1,083,980	0.9	5,712,899	5.2	96,209,544	87.5	110,006,923	26,404,144	24.0	28,334,085	25.7	47,026,013	42.8	8,242,681	7.5
1938	505	7,075,500	6.3	1,230,955	1.1	5,023,609	4.4	99,543,348	88.2	112,873,412	29,537,524	25.2	32,651,955	28.9	43,035,714	38.2	7,588,219	6.7
1939	507	7,075,500	5.9	1,461,673	1.2	5,710,031	4.7	106,638,711	88.2	120,885,915	37,362,111	30.9	30,193,547	25.0	44,850,712	37.1	8,479,545	7.0

NETHERLANDS BANK OF SOUTH AFRICA

REGISTERED 1888

With which was amalgamated Transvaal Commercial Bank in May, 1925

CAPITAL				Year	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
Fl. 5,622,500	Fl. 5,622,500	Nil	Nil	1929	60,078	7	23,559	246
(S.A. £754,697 19 9)	(S.A. £754,697 19 9)			1930	51,317	6	20,259	1,135
				1931	51,463	6	21,218	688
				1932	76,350*	Nil	77,730†	2,342
				1933	67,415	5	34,788	351
				1934a	61,311	4	26,641	3,872
				1935b	88,837	6	37,943	1,847
				1936b	104,191	6	60,934	1,818
				1937b	118,054	6	57,930	1,611
				1938b	100,514	6	56,215	2,225
				1939b	115,958	6	69,261	2,569

* Loss.

† From reserve, etc.

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances, Bills for Collection, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand, with Bankers, and Money at Call	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Accept- ances	Per Cent.
		£		£		£		£		£		£		£		£		
1929	18	645,209	20.4	45,472	1.4	710,016	22.5	1,760,806	55.7	3,161,503	345,903	10.9	99,114	3.1	1,995,496	63.2	720,990	22.8
1930	18	645,209	22.3	37,337	1.3	313,374	10.8	1,898,809	63.6	2,894,729	407,492	14.1	224,334	7.8	1,889,340	65.2	373,453	12.9
1931	18	645,209	27.8	37,318	1.6	87,954	3.8	1,547,066	66.8	2,317,447	483,578	20.8	153,699	6.6	1,516,561	65.5	163,609	7.1
1932	18	827,714	29.1	2,342	0.1	272,345	9.6	1,737,246	61.2	2,839,847	787,375	27.8	271,330	9.6	1,474,394	51.8	306,548	10.8
1933	18	974,923	27.0	38,880	1.1	500,642	13.8	2,099,391	58.1	3,613,836	711,249	19.7	518,788	14.3	1,741,999	48.2	641,800	17.8
1934a	19	1,105,756	31.4	37,839	1.1	475,384	13.5	1,895,763	54.0	3,514,742	766,394	21.8	365,741	10.4	1,782,886	50.8	599,521	17.0
1935b	19	1,120,403	22.3	61,065	1.2	1,180,783	23.5	2,661,747	53.0	5,023,998	1,318,243	26.3	113,954	2.3	2,283,489	45.7	1,308,312	26.0
1936b	20	929,629	19.7	50,329	1.1	967,496	20.5	2,769,291	58.7	4,716,745	1,343,434	28.5	310,292	6.0	2,100,991	44.5	962,428	20.4
1937b	20	948,213	19.5	75,436	1.5	757,837	15.6	3,088,128	63.4	4,869,612	1,041,829	21.4	90,849	1.9	2,847,208	58.5	889,726	18.2
1938b	21	953,580	16.9	61,293	1.1	924,145	16.4	3,694,473	65.6	5,633,401	1,876,269	33.3	138,305	2.5	2,643,330	46.9	975,497	17.3
1939b	23	1,224,497	19.3	57,690	0.9	1,214,920	19.1	3,844,269	60.6	6,341,376	1,867,969	29.4	111,016	1.7	2,894,215	43.6	1,468,146	23.3

All the amounts above are expressed in South African currency (viz. S.A.).

a Nine months ended Sept. 30, 1934.

b Year ended Sept. 30.

STANDARD BANK OF SOUTH AFRICA LIMITED

ESTABLISHED 1862

1920—Absorbed African Banking Corporation

CAPITAL				Year ended March 31	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
£	£	£	£	1930	652,478	17	225,000	125,002
10,000,000	2,500,000	7,500,000	Nil	1931	867,620	15	175,000	142,822
				1932	457,442	11	175,000	150,064
				1933	429,336	10	175,000	154,400
				1934	433,179	10	175,000	152,580
				1935	502,590	12*	200,000	165,169
				1936	477,535	12*	200,000	142,705
				1937	556,387	14†	200,000	149,292
				1938	621,623	15‡	255,000	170,925
				1939	573,147	14*	225,000	169,072
				1940	563,860	14*	225,000	157,932

Year ended March 31	LIABILITIES										Total Liabilities or Assets	ASSETS										
	No. of Branches	Capital and Reserves	Per Cent.	Notes	Per Cent.	Drafts Out- standing and Accept- ances	Per Cent.	Cus- tomers' Bills	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand, at Bank, and in Transit including Bulho	Per Cent.	Cash and Loans at Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Bills for Collection, Property, Buildings and Sundries	Per Cent.
1930	378	5,664,170	8.3	584,861	0.8	2,027,797	3.0	10,108,468	14.8	49,565,891	72.4	68,451,189	7.3	3,225,000	4.7	5,246,932	7.7	11,733,563	17.1			
1931	384	5,664,170	8.1	526,563	0.7	1,990,440	2.3	10,241,212	14.6	51,943,061	73.8	70,419,068	7.0	3,225,000	4.6	5,419,249	7.7	12,035,012	17.1			
1932	376	5,664,170	8.2	437,148	0.6	990,668	1.4	9,512,475	13.8	52,181,393	75.4	69,130,918	8.1	3,550,000	5.1	7,142,674	10.3	12,433,564	16.6			
1933	376	5,664,170	7.5	441,879	0.7	834,128	1.2	7,381,203	11.0	52,960,375	79.1	66,996,985	13.4	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1934	377	5,000,000	7.2	473,493	0.7	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1935	375	5,000,000	7.1	529,066	0.7	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1936	375	5,000,000	6.8	608,156	0.8	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1937	375	5,000,000	6.5	736,134	0.9	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1938	380	5,000,000	6.5	874,721	1.0	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1939	385	5,000,000	6.4	942,088	1.1	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			
1940	383	5,000,000	6.1	783,529	0.9	710,923	1.1	7,282,335	10.5	55,162,977	79.3	69,398,755	13.8	3,600,000	5.4	8,880,184	13.3	13,723,281	17.4			

* Includes bonus of 2s. per share.

† Includes bonus of 4s. per share.

‡ Includes bonus of 3s. per share.

(3) AUSTRALASIAN BANKS

AUSTRALASIAN BANKS WITH LONDON OFFICES

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand and Money at Call and Notice	% of Liabilities	Invest- ments	% of Liabilities	Discounts and Advances	% of Liabilities
			£		£		£		£	£		£		£	
1890	19	1,538	24,424,100	13.2	4,821,800	2.6	138,065,900	74.7	184,931,200	26,919,000	14.6	6,808,100	3.7	145,535,900	78.9
1900	16	1,338	30,307,100	19.1	4,348,700	2.8	107,408,600	68.4	157,299,500	33,165,500	21.1	12,831,900	8.2	102,820,200	65.7
1910	17	1,965	33,612,300	16.3	5,198,100	2.4	152,885,400	71.9	212,615,200	54,575,000	25.8	17,105,000	8.1	132,956,900	62.3
1920	16	2,293	51,248,171	13.4	8,511,692	2.2	281,477,007	73.4	383,470,259	88,133,890	23.2	68,431,168	17.8	214,736,390	56.0
1930	12	3,372	88,074,940	18.2	6,792,206	1.4	350,095,968	72.2	484,659,471	71,442,573	14.8	44,948,658	9.3	351,619,883	73.0
1931	12	3,358	89,436,041	19.5	6,346,137	1.4	331,378,067	72.1	458,147,765	71,023,589	15.5	45,317,529	9.4	326,111,993	73.2
1932	11	3,226	86,221,161	19.2	6,549,485	1.5	329,815,863	73.4	448,372,051	76,407,310	17.0	46,143,476	10.3	311,114,477	69.3
1933	11	3,218	87,454,588	18.6	7,009,864	1.5	348,646,761	74.0	470,574,941	70,639,339	15.0	56,805,909	12.1	327,461,479	69.5
1934	11	3,161	87,308,970	17.8	7,125,090	1.5	365,005,434	74.6	489,423,221	71,561,185	14.6	66,647,578	13.6	335,111,951	68.5
1935	10	2,741	77,215,480	17.8	1,428,022	0.3	323,414,288	74.8	431,862,822	66,590,043	15.4	62,827,898	14.5	287,738,033	66.5
1936	11	3,378	86,203,345	17.6	727,654	0.1	371,467,131	75.8	490,041,323	64,868,722	13.2	76,061,024	15.6	334,809,739	68.4
1937	11	3,684	86,220,345	17.1	1,67,442	...	381,547,415	76.5	503,997,196	75,396,732	15.0	72,276,505	14.3	339,171,924	67.4
1938	11	3,829	86,212,688	16.4	1,67,332	...	401,634,815	76.2	526,777,542	84,465,954	16.0	67,210,124	12.8	356,694,787	67.7
1939	10	3,191	77,150,624	16.6	153,578	...	349,917,799	75.3	464,380,279	60,375,410	13.0	55,239,679	11.9	331,578,120	71.4
1940	11	3,631	86,084,760	15.7	116,970	...	431,070,357	78.7	548,146,432	149,476,017	2.7	86,192,980	15.7	373,174,370	68.1

BANK OF AUSTRALASIA—Continued from page 23

Year ended Oct.	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re-serves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Bills Pay-able, etc.	Per Cent.	Deposits and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest-ments	Per Cent.	Discounts and Advances	Per Cent.	Prem-ises and A-ccceptances	Per Cent.
1929...	238	8,975,000	18.2	476,943	0.9	434,328	0.9	5,022,528	10.2	34,414,798	69.8	49,323,597	7.1	182,967	0.1	3,681,894	7.5	38,130,363	77.3	278,373	0.6	
1930...	238	8,975,000	18.7	462,027	1.0	401,137	0.8	3,965,638	8.2	34,232,584	71.3	48,036,386	6.1	112,127	0.2	4,898,383	10.2	35,993,357	74.9	570,519	1.2	
1931...	238	8,975,000	17.7	320,188	0.6	333,079	0.7	7,344,417	6.7	37,578,754	74.9	50,729,919	8.9	122,216	0.1	6,741,594	13.3	38,161,332	69.4	577,722	1.1	
1932...	229	8,975,000	17.3	304,783	0.6	334,931	0.7	4,028,119	7.9	38,120,639	73.5	51,832,583	9.3	81,515	0.3	6,000,000	12.1	33,136,963	64.3	560,304	1.3	
1933...	227	8,975,000	17.2	310,166	0.6	343,320	0.7	4,772,077	9.1	38,331,721	72.4	52,244,204	8.1	127,891	0.5	6,000,000	12.1	34,238,455	65.5	667,300	1.3	
1934...	227	8,975,000	18.6	318,190	0.6	119,384	0.2	4,879,418*	9.1	39,601,807	73.5	53,893,799	9.3	504,174	0.4	25,000,000	50.3	13,471,976	62.2	734,193	1.8	
1935...	238	8,975,000	17.6	330,485	0.6	26,138	0.1	4,847,643*	9.4	37,058,103	72.4	51,237,369	9.3	5,420	0.8	10,568,078	20.6	34,867,758	68.1	768,113	1.3	
1936...	236	8,975,000	16.7	363,134	0.7	2,795	0.0	4,619,938	9.0	37,165,581	72.1	51,126,418	9.3	8,989	0.3	9,478,927	18.6	35,899,409	70.2	834,259	1.5	
1937...	238	8,975,000	16.1	372,893	0.7	2,773	0.0	5,720,809	10.2	40,775,464	73.0	55,846,939	10.5	58,817	0.6	8,402,412	15.5	36,737,944	65.2	1,010,778	1.8	
1938...	238	8,975,000	16.4	389,879	0.7	2,745	0.0	5,859,889	10.7	39,563,740	72.2	54,801,223	9.3	8,809	0.8	8,661,639	15.9	38,720,225	72.1	1,040,550	1.9	
1939...	248	8,975,000	16.0	388,981	0.7	2,732	0.0	5,934,631	10.5	40,921,527	72.8	56,222,871	8.3	13,449	0.1	11,549,280	23.9	30,001,189	69.4	993,089	1.8	

* Includes centenary bonus 2 per cent. and bonus to staff.

BANK OF NEW SOUTH WALES

ESTABLISHED 1817, AND INCORPORATED IN 1850

1927.—Absorbed Western Australian Bank

1931.—Absorbed the Australian Bank of Commerce, Limited

CAPITAL			Sept. 29, 1940	Year Ended Sept. 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Reserved Liability of Proprietors	Market Value	1929	£	%	£	£
£	£	£	£	1930	£	9½	250,000	163,479
8,780,000	8,780,000	8,780,000	8,560,500	1931	565,235	8	...	166,928
				1932	462,967	5½	...	112,983
				1933	439,617	5	...	114,980
				1934	439,739	5	...	115,596
				1935	412,680	5	...	116,335
				1936	470,454	5½	...	119,996
Per Share	Per Share	Per Share	Per Share	1937	543,242	6	...	129,500
£20	£20	£20	£19½	1938	547,835	6	...	145,942
				1939	550,876	6	...	166,977
								191,033

† Branches and agencies.

BANK OF NEW ZEALAND

INCORPORATED WITH LIMITED LIABILITY IN NEW ZEALAND IN 1861

				Year Ended	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
				March 31	£	%	£	£
				1930	948,534	133•	125,000	623,157
				1931	845,814	131•	25,000	626,002
				1932	567,023	144 {	Int. Str. } Final N.Z. }	395,056
				1933	594,270	114 N.Z.		
				1934	573,032	10	...	343,609
				1935	578,748	10	...	345,138
				1936	565,131	10	...	339,100
				1937	600,008	10	...	364,890
				1938	583,209	10	...	373,880
				1939	583,941	10	...	385,602
				1940	580,926	10	...	392,310

Year-ended March 31	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS											
		Capital and Reserves		Un- divided Profits		Notes	Bills Payable, etc.		Deposit and Current Accounts		Cash in Hand and at Bank		Bills Re- ceivable and in Transit		Investments		Discounts and Advances		Buildings and Sundries					
		Per Cent.	Per Cent.	Per Cent.	Per Cent.		Per Cent.	Per Cent.	Per Cent.	Per Cent.			Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.					
1930	244	10,385,664	19.0	1,198,849	2.2	3,754,948	6.8	5,536,497	10.1	33,897,699	61.9	54,774,567	6.9	7,977,261	12.7	2,527,685	4.6	12,856,472	23.5	30,540,969	55.8	1,872,180	3.4	
1931	236	10,151,614	20.0	1,102,694	2.1	3,679,957	6.9	5,346,762	9.7	32,324,685	61.1	52,598,562	7.0	7,329,709	13.8	1,749,353	3.3	12,280,336	23.2	29,696,475	56.1	1,940,489	3.6	
1932	234	10,404,161	21.0	846,748	1.6	4,062,763	8.2	2,922,951	8.3	31,565,843	61.0	51,808,469	7.8	7,861,140	15.2	1,514,717	2.9	13,327,115	25.7	27,150,999	52.4	1,955,398	3.8	
1933	226	10,404,161	21.0	641,279	1.2	4,338,747	8.2	2,169,475	7.9	32,573,239	61.7	52,762,901	8.0	505,559	16.1	1,631,598	3.1	14,215,769	27.0	26,436,514	50.1	1,970,944	3.7	
1934	223	10,404,161	21.0	424,468	1.2	4,259,149	7.8	1,055,092	7.5	34,328,004	63.2	54,566,787	7.7	765,367	14.3	4,383,957	4.6	18,282,737	33.6	23,849,751	43.8	2,014,973	3.7	
1935	223	10,301,175	21.2	628,997	1.3	503,778	1.0	4,598,606	9.3	34,198,614	63.7	49,440,170	7,777,791	14.3	1,475,538	3.0	15,884,625	32.2	12,960,184	46.4	2,042,032	4.1		
1936	226	10,501,175	22.0	619,960	1.3	324,452	0.6	6,616,264	8.9	35,740,430	69.0	51,981,281	7,077,654	13.7	2,274,872	4.4	16,082,047	32.2	17,791,374	42.8	2,020,334	3.9		
1937	224	10,501,175	22.0	645,749	1.3	618	0.0	5,017,563	9.7	35,638,611	68.8	51,840,217	10,835,657	15.6	3,383,925	2.6	16,984,119	32.2	13,863,948	45.5	7,057,577	14.0		
1938	224	10,501,175	22.0	654,740	1.3	627	0.0	5,220,050	10.7	34,731,537	67.5	51,417,124	6,270,177	12.1	2,123,430	2.4	15,400,868	30.0	16,417,322	31.4	7,057,577	14.0		
1939	220	10,501,175	22.0	666,462	1.3	627	0.0	5,201,999	12.2	34,328,479	65.8	50,707,742	7,819,095	15.4	931,877	1.8	12,614,489	25.2	27,292,740	52.7	7,089,541	14.1		
1940	232	10,403,125	19.5	673,189	1.3	627	0.0	5,897,655	11.0	36,422,293	68.6	50,306,869	10,655,332	20.7	174,869	0.3	17,164,599	32.2	29,299,596	43.3	0.0	0.0	2,273.3	0.0

COMMERCIAL BANK OF AUSTRALIA, LIMITED

ESTABLISHED 1856

1918.—National Bank of Tasmania purchased, March 1, 1918

	CAPITAL				Year Ended June 30	Net Profit	Ordinary Dividend	To Reserve, etc.	Carried Forward
	Subscribed	Paid-up	Callible	Reserved					
Ordinary Shares	£2,000,000	£2,000,000	Nil	Nil	1930	389,841	15	42,851	95,549
					1931	308,149	11½	33,399	65,336
					1932	199,670	5	10,000	70,312
					1933	213,634	5	20,000	79,252
Per Share	10s.	10s.	Nil	Nil	1934	269,155	5	20,000	83,712
					1935	228,184	5	20,000	90,810
Registered Preferred Capital, £3,000,000					1936	231,481	5	25,000	98,930
					1937	247,345	6½	25,000	103,338
Preference Shares	£2,117,350	£2,117,350	Nil	Nil	1938	262,381	7½	30,000	109,361
					1939	252,910	7½	30,000	115,910
Per Share	£10	£10	Nil	Nil	1940	264,157	7½	35,000	118,705

Year ended June 30	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Contingent Liabilities and Bills in Circulation	Per Cent.	Deposits and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Cash at Call and Short Notice in London	Per Cent.	Invest- ments	Per Cent.	Deposits on Advances and Bills and Com- mitments in Transit	Per Cent.	Premises and Sundries	Per Cent.	
1930...	573	6,200,749	20.0	273,052	0.9	230,138	0.7	2,177,490	7.0	22,165,235	71.4	41,465,664	136.0	3,160,731	10.2	1,517,590	4.9	22,062,637	6.6	22,700,074	73.1	1,595,722	5.2
1931...	591	6,367,350	21.7	207,683	0.7	184,082	0.6	1,729,075	5.9	20,353,785	71.1	29,341,975	93.2	3,323,338	11.0	1,259,000	4.2	20,668,825	9.0	20,305,593	70.0	1,675,219	5.7
1932...	535	6,367,350	21.1	212,659	0.7	178,350	0.6	1,675,453	5.6	21,702,170	72.0	30,135,982	97.7	3,777,263	12.5	170,000	0.6	21,141,816	13.7	20,337,878	67.4	1,739,025	5.8
1933...	538	6,367,350	20.6	171,599	0.6	188,500	0.6	1,685,121	5.5	22,389,269	72.7	30,292,812	98.1	3,401,329	11.1	...	...	21,329,357	12.3	20,378,357	70.7	1,821,699	5.9
1934...	542	6,367,350	19.1	176,059	0.5	178,988	0.5	1,624,807	6.1	24,554,505	73.8	33,301,707	109.4	4,004,531	12.0	20,000	0.1	24,123,265	12.3	23,137,916	69.5	2,015,973	6.1
1935...	530	6,367,350	18.9	199,824	0.6	19,780	...	2,173,679	6.5	24,853,164	74.0	33,613,797	109.4	3,912,887	10.7	150,000	0.4	24,382,821	13.0	23,412,099	69.5	2,145,679	6.4
1936...	529	6,367,350	18.4	207,944	0.6	14,980	...	2,204,966	6.3	25,883,666	74.7	34,155,907	109.4	3,147,657	9.9	125,000	0.4	25,201,469	15.0	23,661,587	68.3	2,233,194	6.4
1937...	536	6,367,350	16.7	212,351	0.6	6,185	...	2,365,352	6.2	29,299,755	75.9	38,246,025	122.5	5,493,537	14.4	...	...	26,685,403	16.4	24,105,422	63.3	2,713,663	6.4
1938...	540	6,367,350	16.0	226,708	0.6	6,188	...	2,974,338	7.5	30,052,975	75.9	40,117,220	127.0	5,823,497	14.7	...	...	25,823,497	14.7	24,726,722	60.6	2,789,988	6.2
1939...	558	6,367,350	15.8	233,257	0.6	6,185	...	2,812,912	7.0	30,097,515	76.0	40,117,220	127.0	5,823,497	14.7	...	...	27,126,220	17.6	27,218,014	67.4	2,789,988	6.2
1940...	553	6,367,350	14.7	236,053	0.5	6,184	...	3,100,108	7.2	33,559,154	77.6	43,268,849	135.0	5,548,431	8.2	...	...	28,295,859	19.2	27,864,184	64.4	3,560,345	8.2

ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

Registered 1893 under English Companies Acts

1920.—Amalgamated with the London Bank of Australia, Limited

1921.—Amalgamated with the Commercial Bank of Tasmania, Limited

1927.—Amalgamated with the Royal Bank of Australia, Limited, and a consequent issue of 125,000 shares

CAPITAL					Nov. 11, 1940	Year ended	Net	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Market	June 30	%	Profit			
£	£	£	£	Value	1929		£	12½	190,000	347,741
5,000,000	3,000,000	2,000,000	Nil	3,125,000	1930		542,736	12½*	210,000	305,477
					1931		286,657	8*	35,000	297,135
					1932		147,719	5*	20,000	274,854
Per Share	Per Share	Per Share	Per Share	Per Share	1933		219,327	5*	70,000	274,181
£5	£3	£2	Nil	£3½	1934		221,566	5*	70,000	275,747
					1935		243,580	5*	70,000	299,327
					1936		257,460	5*	75,000	306,787
					1937		276,126	7†	95,000	305,979
Debtenture Stock				£983,547	1938		280,594	7†	85,000	307,697
Preferred Inscribed Deposit Stock				£889,419	1939		245,294	7†	85,000	304,367
								* Free of tax.	† Less income tax.	

* Free of tax. † Less income tax.

Year ended June 30	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS								
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills Payable, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bankers, and at Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills re- ceivable and Remit- tances in Transit	Per Cent.	Advances, etc.	Per Cent.	Buildings and Sundries, includ- ing Security for Note Issue
1929	457	7,867,966	17.4	747,741	1.7	1,083	...	2,891,324	6.4	33,734,497	74.5	45,262,611	100.0	1,621,168	3.6	5,911,167	13.1	29,587,339	65.4	762,265	1.7
1930	459	7,967,966	19.5	725,478	1.8	1,062	...	1,883,539	4.6	30,281,693	74.1	40,959,739	92.0	1,793,012	4.0	6,269,998	6.9	28,807,868	70.6	739,423	1.8
1931	417	8,047,966	20.8	437,135	1.1	1,028	...	1,571,140	4.1	28,522,421	74.0	38,579,690	88.9	1,922,221	4.2	1,478,380	3.2	26,097,482	66.7	715,021	1.6
1932	417	8,077,966	20.4	339,854	0.9	1,028	...	1,878,912	4.7	29,372,285	74.0	39,670,045	92.7	2,624,241	5.8	1,599,388	3.5	24,065,318	61.8	714,281	1.6
1933	389	8,092,966	20.8	404,181	1.0	1,027	...	1,575,629	4.0	28,946,769	74.2	39,020,572	92.7	2,712,402	5.8	1,777,999	4.0	23,821,391	59.8	725,012	1.6
1934	386	8,107,966	19.0	405,747	1.0	1,027	...	1,893,267	4.4	32,031,348	75.6	42,439,355	92.3	2,191,217	5.1	1,881,589	4.2	23,267,746	61.8	728,904	1.7
1935	379	8,122,966	19.0	429,327	1.0	1,015	...	1,868,676	4.3	32,409,353	75.6	42,831,337	92.3	2,144,493	5.1	2,478,250	5.6	23,047,872	59.8	757,488	1.7
1936	383	8,137,966	18.7	465,787	1.1	1,012	...	2,036,948	4.7	32,893,250	75.5	43,535,963	92.3	2,144,493	5.1	2,478,250	5.6	23,047,872	59.8	775,885	1.7
1937	394	8,152,966	17.5	482,603	1.0	1,011	...	2,768,960	5.9	35,282,660	75.6	46,688,200	113.2	2,478,250	5.6	2,478,250	5.6	23,047,872	59.8	765,089	1.6
1938	406	8,167,966	17.6	488,885	1.0	1,011	...	2,796,612	6.0	35,188,611	75.4	46,688,200	113.2	2,478,250	5.6	2,478,250	5.6	23,047,872	59.8	748,511	1.6
1939	398	8,182,966	18.1	451,804	1.0	1,008	...	1,674,852	3.7	34,912,476	77.2	45,213,166	105.3	2,478,250	5.6	2,478,250	5.6	23,047,872	59.8	718,264	1.6

THE NATIONAL BANK OF AUSTRALASIA, LIMITED

ESTABLISHED 1858

1918.—Amalgamated with Colonial Bank of Australasia, Limited

1922.—Absorbed Bank of Queensland, Limited

	CAPITAL				Year Ended March 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
	Subscribed	Paid-up	Callible	Reserved					
Shares	£8,800,000	£5,000,000	£1,800,000	Nil	1930	655,134	10	150,000	162,907
Per Share	£10 & £8	£10 & £5	£3	Nil	1931	561,206	8½	150,000	149,113
					1932	276,838	6	20,000	125,951
					1933	291,944	5	20,000	147,895
					1934	271,024	5	20,000	151,919
					1935	275,591	5	20,000	159,413
					1936	294,404	5½	30,000	157,540
					1937	325,627	6	40,000	154,941
					1938	347,401	6	50,000	158,188
					1939	351,245	6	50,000	162,282
					1940	356,096	6	50,000	162,282

Price of £10 shares fully paid, November 5, 1940, £8

Continued on page 27

NATIONAL BANK OF AUSTRALASIA, LIMITED.—Continued from page 26.

Year ended March 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS										
		Capital and Reserves		Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills in Circulation, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Invest- ments	Per Cent.	Bills and Remit- tances in Transit	Per Cent.	Discounts and Advances	Per Cent.	Real Estate and Pre- mises	Per Cent.	
			Per Cent.																				
1930	343	8,200,000	18.0	412,907	0.9	47,852	0.1	1,432,135	3.1	35,559,314	77.9	45,652,208	100.0	6,074,364	13.3	2,778,551	6.1	1,884,901	4.1	33,514,797	73.4	1,999,595	2.8
1931	344	8,300,000	19.3	319,113	0.8	47,827	0.1	1,924,829	2.4	33,306,077	77.4	43,027,837	96.4	6,441,392	15.4	1,773,859	4.1	1,480,720	3.4	31,671,405	73.7	1,459,961	3.1
1932	344	8,300,000	18.7	275,951	0.6	47,708	0.1	1,924,167	2.3	34,619,063	78.3	44,267,189	96.4	6,116,196	14.9	1,141,667	2.6	2,054,839	4.6	33,048,782	74.7	1,405,725	3.0
1933	346	8,300,000	19.2	272,895	0.6	47,613	0.1	1,963,949	2.5	33,662,199	77.6	43,346,656	96.4	6,414,470	15.4	1,478,855	3.5	1,887,546	4.3	33,304,679	74.2	1,355,107	3.1
1934	326	8,300,000	18.1	276,919	0.6	47,599	0.1	1,988,227	2.4	36,212,881	78.8	45,925,626	100.0	6,421,271	15.4	1,478,855	3.5	1,887,546	4.3	33,506,114	73.0	1,345,778	2.8
1935	327	8,300,000	17.7	282,510	0.6	47,590	0.1	1,955,773	2.3	37,049,115	79.7	47,025,687	98.2	6,820,802	16.2	1,095,561	6.2	1,564,564	4.6	34,407,974	73.3	1,336,281	2.8
1936	328	8,300,000	17.5	296,913	0.6	47,579	0.1	1,982,845	2.4	37,769,420	79.5	47,666,677	98.2	6,537,008	17.4	331,791	0.1	1,575,415	4.7	32,446,662	68.4	1,575,415	4.7
1937	328	8,300,000	17.5	296,913	0.6	47,564	0.1	1,923,881	2.4	22,220,269	80.1	51,499,254	96.1	565,151	6.6	387,774	1.2	4,506,511	8.3	30,060,786	64.1	1,582,318	3.1
1938	327	8,300,000	15.1	397,540	0.6	47,556	0.1	1,678,789	3.1	1,443,012,982	80.7	53,386,263	97.9	379,379	11.2	678,998	12.4	1,301,723	7.4	33,836,414	65.3	1,651,754	3.1
1939	333	8,300,000	15.3	306,185	0.6	47,559	0.1	1,518,426	2.8	44,057,572	81.7	52,229,735	96.1	307,837	9.7	813,699	14.5	1,532,572	5.8	36,403,779	67.1	1,578,678	2.8
1940	338	8,300,000	14.3	312,282	0.5	47,516	0.1	1,980,864	3.4	47,597,046	81.7	58,237,738	96.1	301,483	9.6	1,215,680	21.5	1,035,912	5.1	35,465,871	60.9	1,617,642	2.8

THE COMMERCIAL BANKING COMPANY OF SYDNEY, LIMITED
ESTABLISHED 1834
INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY
1927. Absorbed Bank of Victoria Limited

Year ended June 30	CAPITAL				Year ended June 30	Net Profit	Dividend	To Reserve, etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved					
1929	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1929	653,195	10	175,000	71,508
1930	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1930	637,619	10	150,000	85,226
1931	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1931	441,816	8 1/2	...	124,226
1932	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1932	253,866	8 1/2	...	117,446
1933	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1933	259,077	5	20,000	119,573
1934	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1934	256,731	5	20,000	119,353
1935	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1935	263,937	5	25,000	121,340
1936	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1936	298,227	6	25,000	110,226
1937	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1937	342,041	6 1/2	25,000	119,232
1938	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1938	365,975	7	35,000	118,476
1939	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1939	377,454	7	35,000	129,199
1940	£ 4,739,012	£ 4,739,012	Nil	£ 4,739,012	1940	389,492	7 1/2	35,000	128,266

Year ended June 30	LIABILITIES				Total Liabilities or Assets	ASSETS			
	Capital and Reserves	Un-divided Profits	Notes	Per Cent.		Cash in Hand and at Bankers	Cash at Call and Short Notice in London	Investments	Discounts, Advances, and Bills in Transit
1929	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1930	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1931	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1932	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1933	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1934	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1935	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1936	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1937	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1938	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1939	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012
1940	£ 4,739,012	£ 4,739,012	£ 4,739,012	100	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012	£ 4,739,012

QUEENSLAND NATIONAL BANK, LIMITED
INCORPORATED 1872

Year ended June 30	CAPITAL				Year ended June 30	Net Profit	Dividend	To Reserve, etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved					
1929	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1929	194,956	9 1/2	25,000	18,515
1930	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1930	132,292	6 1/2	20,000	17,057
1931	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1931	71,588	4 1/2	...	18,645
1932	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1932	73,040	4 1/2	...	21,684
1933	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1933	67,411	4 1/2	...	19,095
1934	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1934	69,692	4 1/2	...	18,788
1935	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1935	71,138	4 1/2	...	19,936
1936	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1936	71,829	4 1/2	...	20,381
1937	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1937	79,171	4 1/2	...	20,802
1938	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1938	81,692	4 1/2	...	21,557
1939	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1939	88,034	5 1/2	...	22,088
1940	£ 1,750,000	£ 1,750,000	Nil	£ 1,750,000	1940	...	...	...	...

* Free of Queensland Income Tax and no deduction will be made in respect of Federal Income Tax payable by the Bank.
† Free of Queensland Income Tax and Unemployment Relief Tax.
‡ Free of Queensland Income Tax and State Development Tax.

Year ended June 30	LIABILITIES				Total Liabilities or Assets	ASSETS			
	Capital and Reserves	Un-divided Profits	Miscellaneous Credits, Rebate, etc.	Per Cent.		Cash in Hand and at Bankers	Cash at Call and Short Notice in London	Investments	Discounts, Advances, and Bills in Transit
1929	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1930	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1931	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1932	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1933	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1934	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1935	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1936	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1937	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1938	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1939	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000
1940	£ 1,750,000	£ 1,750,000	£ 1,750,000	100	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000	£ 1,750,000

THE UNION BANK OF AUSTRALIA, LIMITED
ESTABLISHED 1837

Year ended Feb. 28	CAPITAL				Year ended Feb. 28	Net Profit	Dividend	To Reserve, etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved					
1929	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1929	611,932	15 (a)	25,000	88,336
1930	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1930	525,656	12 (a)	25,000	88,992
1931	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1931	283,019	7 (a)	...	90,010
1932	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1932	160,954	4 (a)	...	90,964
1933	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1933	209,559	5 (a)	...	100,523
1934	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1934	203,509	5 (a)	...	104,032
1935	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1935	106,999	5 (a)	...	111,031
1936	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1936	214,985	5 (a)	...	126,016
1937	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1937	240,848	5 1/2 (a)	...	146,864
1938	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1938	254,384	7	...	145,914
1939	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1939	244,683	7	...	157,264
1940	£ 12,000,000	£ 4,000,000	Nil	£ 8,000,000	1940	225,087	7	...	157,351

(a) Free of tax.

Year ended February 28	LIABILITIES				Total Liabilities or Assets	ASSETS			
	Paid up Capital and Reserves	Un-divided Profits	Notes	Per Cent.		Cash in Hand and at Bankers	Money at Call and Short Notice in London	Investments	Remittances and Drafts in Transit, Discounts and Advances
1929	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1930	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1931	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1932	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1933	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1934	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1935	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1936	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1937	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1938	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1939	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000
1940	£ 12,000,000	£ 4,000,000	£ 4,000,000	100	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000	£ 12,000,000

* Six months ended August 31, 1934.

† Year ended August 31.

The
UNION BANK OF AUSTRALIA
LIMITED
Established 1837

CAPITAL AUTHORISED AND ISSUED - £12,000,000

Paid up Capital - £4,000,000
Reserve Liability of Proprietors £8,000,000
(Not capable of being called up except in the event of and for the purpose of the Bank being wound up.)

Reserve Fund - £3,250,000
Special Currency Reserve - £1,600,000

(4) CANADIAN BANKS

CANADIAN BANKS WITH OFFICES IN LONDON

Year	Banks	No. of Branches	Capital and Reserves	Notes	Deposits	Total Assets or Liabilities	Cash in Hand, Money at Call and Short Notice	Investments	Discounts and Advances
Year			£	£	£	£	£	£	£
1900	4	95	6,679,100	21-8	2,448,500	8-0	17,334,600	52-4	30,514,200
1905	4	254	9,541,500	16-2	4,221,500	7-2	40,706,900	69-2	58,984,200
1910	5	599	13,122,300	12-1	6,670,700	6-7	81,600,500	72-4	107,995,700
1915	7	1,473	23,730,164	12-3	12,034,445	6-3	145,911,275	75-8	192,384,518
1920	8	2,653	36,524,247	7-5	35,302,963	7-2	386,047,299	79-1	487,330,996
1930	5	2,855	50,244,170	8-5	27,176,974	4-6	460,794,286	77-9	591,477,354
1931	5	2,800	51,528,768	9-4	23,334,906	4-2	434,987,223	79-0	550,282,378
1932	5	2,751	51,528,768	10-1	22,196,438	4-3	411,641,587	80-3	512,415,213
1933	5	2,674	51,200,000	10-4	20,529,278	4-2	399,146,897	81-0	493,426,026
1934	5	2,594	45,800,000	9-4	20,820,657	4-3	389,016,758	81-6	489,169,559
1935	5	2,397	45,800,000	9-2	21,957,769	4-4	398,855,136	80-3	497,582,616
1936	5	2,301	45,800,000	8-6	20,711,811	3-9	445,530,611	84-0	530,011,972
1937	5	2,270	46,000,000	8-3	19,352,454	3-5	467,434,773	84-6	552,154,973
1938	5	2,221	46,000,000	8-2	17,391,289	3-1	476,244,218	85-3	558,801,273
1939	5	2,216	46,000,000	7-8	15,866,633	2-7	504,612,637	86-1	586,053,014
1940	5	2,200	46,000,000	7-0	15,473,901	2-4	570,598,158	87-3	653,653,802

Dollars converted to sterling at \$5 to the £.

BANK OF MONTREAL

ESTABLISHED 1817

Acquired Exchange Bank of Yarmouth, 1903
Acquired People's Bank of Halifax, 1905
Acquired Ontario Bank, 1906
Acquired People's Bank of New Brunswick, 1907

CAPITAL			
Subscribed	Paid-up	Callable	Reserve Liability
\$	\$	\$	\$
36,000,000	36,000,000	...	28,800,000
Per Share	Per Share	Per Share	Per Share
\$100	\$100	...	\$80

Acquired Bank of British North America, October, 1918
Acquired Merchants' Bank of Canada, March, 1922
Acquired Molsons Bank, January, 1925

Year Ended Oct. 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
1929	7,070,892	14	2,335,865	735,582
1930	6,519,032	14	1,311,439*	947,047
1931	5,386,390	12	910,000	1,103,427
1932	4,663,101	11	557,671	1,248,858
1933	4,005,154	8½	608,559	1,585,451
1934	4,105,024	8	1,000,655	1,809,821
1935	3,005,213	8	1,935,033	1,935,033
1936	3,181,501	8	1,200,000	1,036,535
1937	3,408,329	8	400,000	1,164,864
1938	3,398,391	8	500,000	1,183,255
1939	3,402,446	8	500,000	1,265,701

(Dollars converted to sterling at rate of \$5 to £1.)
* Including \$51,460 premiums on new stock, carried to reserve.

Year ended April 30	LIABILITIES										Total Liabilities or Assets	ASSETS											
	No. of Branches	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Balances Due to Other Banks, etc.	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand and Due by Agencies	Per Cent.	Cash at Call and Short Notice in G. Britain & U.S.A.	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Prem- ises and Sundries	Per Cent.	
1929	658	14,019,504	7-6	502,115	0-2	8,678,700	4-7	13,270,402	7-2	148,670	410	8-2	183,141,131	34,141,104	18-6	35,866,830	19-6	28,302,872	15-4	78,628,538	43-0	6,201,787	3-4
1930	675	14,800,000	9-0	474,198	0-3	7,694,629	4-7	5,296,057	3-2	136,255,045	82-8	164,519,929	31,075,406	18-9	19,097,834	11-6	24,516,759	14-8	83,599,766	50-9	29,304,045	17-0	
1931	648	14,800,000	9-4	434,254	0-3	6,733,589	4-3	5,196,649	3-3	130,215,049	82-7	157,379,541	26,011,844	16-9	9,077,651	5-8	43,525,883	27-6	72,383,949	46-0	5,780,511	3-4	
1932	605	14,800,000	9-6	432,191	0-3	6,829,594	4-4	4,521,644	3-0	122,911,999	82-1	149,722,496	26,014,534	17-4	5,181,537	3-5	45,900,524	30-6	67,248,732	44-8	5,977,119	3-4	
1933	574	14,800,000	9-6	463,418	0-3	6,763,962	4-4	4,742,582	3-1	126,939,220	82-6	153,707,182	26,216,650	17-1	8,792,290	5-7	43,496,451	31-3	56,374,053	32-8	4,824,732	2-3	
1934	569	14,800,000	9-8	507,762	0-3	7,051,175	4-6	4,360,582	9-4	115,102,117	75-9	151,821,636	26,534,601	17-5	8,106,700	5-3	53,608,141	41-9	46,895,408	32-1	4,876,786	2-3	
1935	545	14,800,000	9-3	533,018	0-3	5,991,828	3-8	3,962,934	2-5	136,580,633	84-9	161,016,400	25,818,208	16-1	6,714,031	4-2	42,774,744	45-5	46,892,282	29-6	4,987,365	2-3	
1936	525	15,000,000	9-3	353,230	0-2	5,549,984	3-4	3,532,543	2-2	136,580,633	84-9	161,016,400	25,818,208	16-1	6,714,031	4-2	42,774,744	45-5	46,892,282	29-6	4,987,365	2-3	
1937	517	15,000,000	9-1	379,439	0-2	4,885,779	2-9	4,517,890	2-7	141,143,682	85-1	165,926,790	26,929,290	16-3	5,347,329	3-2	42,774,744	45-5	46,892,282	29-6	4,987,365	2-3	
1938	517	15,000,000	8-6	383,267	0-2	4,508,584	2-6	4,782,895	2-7	150,176,420	85-9	174,851,168	30,514,132	17-4	5,373,597	3-1	42,774,744	45-5	46,892,282	29-6	4,987,365	2-3	
1939	513	15,000,000	7-3	401,089	0-2	4,353,458	2-1	6,206,092	3-0	179,141,034	87-4	205,101,673	40,249,297	19-6	4,743,199	2-3	42,774,744	45-5	46,892,282	29-6	4,987,365	2-3	

* Six months ended October 31

† Year ended October 31

BANK OF NOVA SCOTIA

ESTABLISHED 1832

1913.—Absorbed Bank of New Brunswick

1914.—Absorbed Metropolitan Bank

1919.—Absorbed Bank of Ottawa

CAPITAL			
Subscribed	Paid-up	Callable	Reserved
\$	\$	\$	\$
12,000,000	12,000,000	Nil	9,600,000
Per Share	Per Share	Per Share	Per Share
\$100	\$100	Nil	\$80

Year Ended Dec. 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
1929	552,223	16	122,000	293,688
1930	507,129	16	326,000	106,966
1931	515,980	16	127,000	111,928
1932	460,687	15	96,969	115,645
1933	407,180	12½	95,400	127,425
1934	370,066	12	73,000	136,491
1935	366,835	12	73,000	142,328
1936	385,337	12	79,000	160,863
1937	396,428	12	86,000	183,091
1938	396,154	12	87,000	204,245
1939	406,687	12	88,000	234,912

(Dollars converted to sterling at rate of \$5 to £1.)

Continued on page 31

BANK OF NOVA SCOTIA.—Continued from page 30.

Year ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS												
		Capital and Re-serves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Due to Other Banks, etc.		Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and Due by Agents	Per Cent.	Call and Short Loans	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Real Estate, Pre-mises, and Sundries	Per Cent.
1929...	327	6,000,000	10-9	373,671	0-7	3,240,453	5-9	2,886,672	5-3	34,438,273	77-2	54,818,275	10,896,159	19-9	9,027,998	16-4	7,441,926	17-9	24,596,467	44-8	2,885,725	5-3
1930...	335	7,200,000	12-7	203,015	0-4	2,793,469	5-3	2,418,197	4-6	40,008,451	76-0	52,623,132	9,226,861	17-5	8,762,235	14-5	9,750,524	13-6	23,174,023	44-0	2,849,489	5-4
1931...	324	7,200,000	13-7	208,367	0-4	2,540,566	4-8	1,860,965	3-5	40,689,392	77-7	52,499,290	8,488,170	16-1	3,596,873	6-9	12,636,485	18-6	24,420,056	45-6	3,357,734	6-4
1932...	322	7,200,000	13-6	200,592	0-4	2,215,802	4-2	2,740,514	5-2	40,625,915	76-6	52,982,823	9,468,152	17-3	3,049,010	5-9	8,153,037	796	24,122,028	44-1	6,395,109	6-6
1933...	317	7,200,000	13-3	200,221	0-4	2,300,209	4-2	2,784,449	5-1	41,598,472	77-0	54,063,351	10,437,588	19-3	2,202,042	4-1	15,835,035	28-3	22,050,000	40-8	5,538,686	5-5
1934...	310	7,200,000	13-0	208,641	0-4	2,464,440	4-4	3,892,370	3-7	42,349,707	75-5	56,115,518	11,055,420	19-7	2,884,659	5-1	13,905,429	33-7	19,911,143	35-5	5,538,686	5-5
1935...	303	7,200,000	12-4	214,738	0-4	1,942,879	3-4	2,164,943	3-7	46,242,018	80-0	57,164,578	12,708,087	17-8	1,672,330	3-0	22,649,009	39-9	31,967,147	34-1	5,193,905	5-5
1936...	303	7,200,000	12-1	233,067	0-4	1,888,182	3-2	2,373,292	4-0	47,702,312	83-0	59,391,853	9,982,015	16-8	3,369,902	5-7	23,564,218	39-7	71,193,123	32-2	3,343,428	5-6
1937...	302	7,200,000	12-0	255,417	0-4	1,732,050	2-9	2,225,037	3-7	48,483,437	81-0	59,895,941	10,390,452	17-3	2,142,477	3-6	24,337,808	40-0	62,036,190	33-5	2,989,089	5-0
1938...	302	7,200,000	11-7	276,411	0-5	1,734,908	2-8	1,991,603	3-2	50,658,211	81-9	61,811,163	10,961,843	17-7	1,890,077	3-1	3,125,418	41,941	1,204,674	21,333	4,916,611	4-7
1939...	297	7,200,000	10-5	307,275	0-5	1,659,075	2-3	3,578,651	5-2	55,933,302	81-5	68,698,303	13,425,021	19-5	1,262,440	1-9	7,213,091	39-6	62,584,969	34-3	2,711,782	4-7

THE CANADIAN BANK OF COMMERCE

INCORPORATED 1867 IN CANADA WITH LIMITED LIABILITY

Head office, Toronto, Canada.

CAPITAL				Market Price	Year Ended Nov. 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved						
\$	\$	\$	\$	Per Share,					
30,000,000	30,000,000	Nil	24,000,000	Nov. 5,	1939	1,041,006	13	1,302,572*	97,627
					1930	1,105,155	13	337,697†	106,100
					1931	981,149	12	237,450	110,072
					1932	855,885	11	199,121	103,900
					1933	729,766	8½	191,233	132,433
					1934	682,731	8	199,360	135,797
					1935	677,804	8	200,522	133,079
					1936	581,325	8	91,801	143,103
					1937	586,823	8	102,061	147,865
					1938	529,795	8	87,444	150,216
					1939	587,621	8	101,277	156,560

(Converted at par of exchange.)

* Includes £1,022,180 received as premiums on new shares issued.
† Includes £41,505 premium on new issue.

Year Ended November 30	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Undi- vided Profits	Per Cent.	Notes	Per Cent.	Bills Payable etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and Due by Agents	Per Cent.	Call and Short Loans	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances	Per Cent.	Real Estate, Pre- mises and Sundries	Per Cent.
1929	795	12,245,758	7-5	341,873	0-2	7,197,131	4-4	23,958,784	14-5	120,891,894	73-4	164,635,440	27,639,805	16-8	32,854,326	20-0	15,780,455	9-6	76,331,630	46-3	1,196,927,247	7-3
1930	782	12,328,768	8-7	353,543	0-2	5,994,748	4-2	24,408,885	9-5	109,102,609	77-1	141,189,548	25,915,886	18-3	26,364,806	18-7	18,278,427	12-9	60,532,443	42-9	1,006,987,988	7-1
1931	749	12,328,768	8-4	296,542	0-2	5,410,443	4-1	7,993,875	6-1	105,634,509	80-2	133,663,237	23,105,340	17-5	17,736,442	13-5	26,792,089	20-3	56,569,301	43-0	47,645,265	7-7
1932	735	12,000,000	10-0	255,687	0-2	24,501,973	1-7	6,914,740	5-2	96,991,126	80-9	120,063,025	20,906,336	17-4	14,211,681	11-9	27,691,520	23-1	49,936,974	41-7	318,516,414	1-7
1933	691	10,000,000	8-7	254,420	0-2	24,698,961	1-4	7,404,377	6-5	92,401,442	80-5	114,839,200	18,347,285	16-0	12,214,567	10-6	30,670,675	26-7	46,127,395	40-2	479,278,651	0-5
1934	636	10,000,000	8-7	256,700	0-2	25,194,592	1-5	3,953,314	3-4	95,658,196	83-2	115,062,802	18,510,088	16-1	11,579,562	9-1	32,699,693	28-4	44,880,560	38-8	584,899,961	0-1
1935	599	10,000,000	8-7	256,700	0-2	25,194,592	1-5	3,429,759	2-7	106,877,688	84-9	125,907,302	21,537,925	17-1	7,174,486	5-7	43,729,133	34-8	44,930,804	35-5	8,334,954	6-6
1936	599	10,000,000	8-0	254,040	0-2	25,345,815	4-2	3,809,973	3-0	106,581,654	85-0	127,547,580	23,805,970	18-7	10,428,277	8-2	44,459,026	34-9	40,167,974	31-4	6,886,336	3-3
1937	599	10,000,000	7-8	264,000	0-2	24,911,950	3-9	3,439,258	2-6	112,135,180	80-2	130,179,908	22,105,048	17-0	6,479,356	5-0	52,571,428	40-4	40,767,359	31-8	2,856,717	6-3
1938	578	10,000,000	7-7	269,697	0-2	24,335,773	3-3	3,553,092	2-7	115,602,847	88-6	133,046,658	25,411,697	17-6	6,264,340	4-7	51,508,390	43-3	49,137,324	38-3	303,136	3-3
1939	571	10,000,000	6-5	272,021	0-2	23,185,791	1-2	3,123,653	2-1	132,341,685	88-9	149,130,149	25,165,809	19-9	4,624,286	3-3	10,367,750	40-5	51,197,954	44-7	774,350	0-5

CHARTERED BANK OF INDIA, AUSTRALIA, AND CHINA

Incorporated 1843

Took over the P. and O. Banking Corporation, Ltd., as from February 1, 1939.

CAPITAL					Year	Net Profit	Dividend and Bonus	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Market Value					
£	£	£	£	Nov. 3, 1940					
3,000,000	3,000,000	Nil	3,000,000	4,200,000	1929	601,508	20%	50,000	190,754
					1930	634,313	20%	30,000	187,597
					1931	381,787	14	...	149,384
					1932	451,499	14	...	183,884
					1933	467,167	14	25,000	206,351
					1934	466,014	14	75,000	177,395
					1935	498,683	14	75,000	181,038
					1936	496,987	14	75,000	182,729
					1937	491,063	14	75,000	178,785
					1938	335,309	10	35,000	179,094
					1939	338,318	10	35,000	182,443

* Free of tax. † Of which 7% free of tax.

Year Ended Dec. 31	No. of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Acceptances, Bills Payable, etc.		Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand, at Bankers, and in Transit	Per Cent.	Investments	Per Cent.
1929	47	7,000,000	11.5	638,255	1.0	2,105,222	3.4	6,420,718	10.5	44,917,490	73.6	61,081,685	5,145,503	8.4	13,521,919	22.2
1930	47	7,000,000	12.7	615,097	1.1	1,909,534	3.5	4,443,995	8.5	40,833,796	74.6	54,302,422	5,961,121	10.0	13,838,039	25.2
1931	44	6,000,000	11.3	359,885	0.7	1,965,159	3.7	6,189,242	11.1	38,616,008	72.7	53,129,794	5,626,050	10.6	13,811,086	26.0
1932	43	6,000,000	10.2	393,884	0.7	1,894,552	3.2	6,802,640	11.6	33,632,955	74.3	58,724,031	8,131,303	14.3	17,950,239	30.6
1933	43	6,000,000	10.0	41,351	0.1	1,356,821	2.2	5,893,731	9.8	46,695,658	77.3	60,297,561	12,094,382	20.0	19,439,269	32.2
1934	43	6,000,000	9.7	462,395	0.8	1,851,109	3.0	6,788,806	11.0	46,548,424	75.5	61,650,731	7,815,503	12.7	19,696,110	31.9
1935	43	6,000,000	10.0	466,038	0.8	1,685,152	2.7	5,420,627	9.1	45,986,112	77.4	59,557,929	5,260,778	8.9	21,782,356	36.5
1936	44	6,000,000	9.3	467,220	0.7	1,609,224	2.5	8,217,075	2.8	48,184,255	74.7	61,508,274	6,602,893	10.2	25,456,080	39.5
1937	44	6,000,000	9.4	463,785	0.7	1,689,862	2.6	6,245,103	9.7	49,741,350	77.6	61,139,008	7,150,586	11.2	23,610,811	36.9
1938	46	6,000,000	9.9	364,094	0.6	1,579,692	2.6	6,386,349	10.6	46,141,968	76.3	60,522,110	7,610,197	12.6	25,758,123	42.6
1939	45	6,000,000	8.9	367,443	0.5	1,645,622	2.4	5,893,424	8.7	53,692,308	79.4	67,508,707	7,146,619	10.6	21,158,809	31.3

* Includes Treasury Bills.

THE EASTERN BANK, LIMITED

Registered 1909

CAPITAL					Year	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Reserve Liability of Shareholders	Market Value	Nov. 3, 1940					
£	£	£	£						
2,000,000	1,000,000	1,000,000	825,000	1929	123,521	9	30,000	47,991	49,685
				1930	116,634	9	25,000	49,685	34,292
				1931	119,697	6	75,000	41,236	51,767
				1932	121,944	6	55,000	51,767	62,153
				1933	125,525	6	55,000	62,153	74,018
				1934	130,006	6	40,000	81,191	82,792
				1935	125,586	6	55,000	82,792	82,281
				1936	127,173	7	50,000	82,281	82,281
				1937	111,601	7	40,000	82,281	82,281
				1938	104,490	7	45,000	82,281	82,281

Year Ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Bills Payable (including Acceptances)	Per Cent.	Miscellaneous Credits, etc.		Per Cent.	Deposits and Current Accounts	Per Cent.	Cash in Hand, at Bankers, and in Transit	Per Cent.	Investments	Per Cent.
1929	12	1,450,000	2.9	127,991	1.1	1,477,478	13.2	1,959,804	17.4	6,223,523	55.4	11,238,796	1,272,491	11.3	2,851,330	25.4
1930	12	1,480,000	14.0	124,685	1.2	1,789,414	16.9	1,603,973	15.2	5,576,819	52.7	10,574,891	1,260,932	11.9	3,161,022	30.0
1931	12	1,480,000	15.2	139,292	1.4	1,246,163	12.8	1,256,001	12.9	5,605,915	57.7	9,727,371	1,322,414	13.6	3,285,156	33.7
1932	12	1,500,000	15.4	126,236	1.3	1,304,855	13.4	804,400	8.3	6,007,095	61.6	9,742,786	1,335,467	13.7	3,361,430	44.8
1933	12	1,500,000	15.6	136,761	1.4	1,226,928	12.7	1,153,368	12.0	5,604,674	58.3	9,621,731	1,257,570	13.1	3,481,878	47.6
1934	12	1,500,000	14.0	151,787	1.4	993,553	9.3	1,595,689	14.9	6,450,187	60.4	10,696,198	1,165,011	10.9	3,637,647	52.6
1935	12	1,500,000	14.1	147,153	1.4	982,000	9.2	1,209,960	11.3	6,799,354	64.0	10,639,067	1,202,691	11.3	3,654,321	53.1
1936	12	1,500,000	12.6	164,018	1.4	949,834	8.0	1,519,332	12.7	7,712,024	64.8	11,904,994	1,233,248	9.4	4,122,064	51.5
1937	12	1,500,000	12.6	171,191	1.4	1,029,566	8.6	1,503,567	12.6	7,712,024	64.8	11,904,994	1,233,248	9.4	4,122,064	51.5
1938	12	1,500,000	13.0	162,792	1.4	1,007,231	8.8	1,351,697	11.7	7,499,725	65.1	11,841,321	1,212,538	10.2	4,122,064	51.5
1939	12	1,500,000	13.8	167,282	1.5	667,951	6.1	346,295	3.2	8,202,492	75.4	10,834,020	1,287,239	11.8	4,704,650	43.2

THE MERCANTILE BANK OF INDIA, LIMITED

Registered 1892

Absorbed the Bank of Calcutta, Limited, as from March 31, 1906

Absorbed the Bank of Mauritius, Limited, as from January 1, 1916

CAPITAL					Year	Net Profit	Dividend	To Reserve, Pension Fund, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Nov. 3, 1940					
£	£	£	£						
"A" Shares	£750,000	£375,000	£187,500	1929	257,459	16	85,000	166,506	166,506
Per Share	£25	£12 10s.	£6 5s.	1930	213,340	16	45,000	167,927	167,927
"B" Shares	£750,000	£375,000	£187,500	1931	152,081	12	25,000	177,336	177,336
Per Share	£25	£12 10s.	£6 5s.	1932	179,809	12	50,000	172,433	172,433
"C" Shares	£1,500,000	£300,000	...	1933	173,398	12	35,000	172,829	172,829
Per Share	£5	£12 10s.	£6 5s.	1934	174,266	12	47,000	174,097	174,097
				1935	181,732	12	57,000	173,327	173,327
				1936	183,497	12	57,000	177,770	177,770
				1937	182,443	12	62,000	179,639	179,639
				1938	185,809	12	68,000	179,639	179,639

* Premises and Pension Fund only. £450,000 was transferred from Reserve Fund to Inner Reserves.

Continued on page 35

THE MERCANTILE BANK OF INDIA, LIMITED—Continued from page 34.

Year Ended Dec. 31	No. of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes in Circulation	Per Cent.	Acceptances		Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand, at Bankers, and at Call	Per Cent.	Investments	Per Cent.
1929	25	2,530,000	14.2	250,503	1.4	246,566	1.3	247,024	1.4	1,905,194	10.7	12,678,126	71.0	17,857,416	2,152,479	12.0
1930	25	2,550,000	14.4	250,816	1.4	275,227	1.6	149,109	0.8	439,173	2.5	13,979,289	79.3	17,643,624	2,666,812	15.1
1931	24	2,100,000	14.3	230,427	1.5	174,825	1.2	122,724	0.8	839,768	5.7	11,220,837	76.5	14,868,283	1,458,044	9.9
1932	24	2,125,000	13.1	234,736	1.4	162,110	1.0	187,688	1.2	467,207	2.9	13,034,918	80.4	16,211,689	2,141,647	13.2
1933	22	2,125,000	13.9	235,432	1.5	103,990	0.7	125,134	0.8	416,638	2.7	12,974,356	77.7	16,730,419	1,760,773	10.5
1934	22	2,125,000	13.6	235,831	1.4	155,637	0.9	214,212	1.3	1,025,356	3.2	13,916,615	81.1	17,160,163	2,024,631	11.8
1935	23	2,125,000	12.4	237,097	1.4	160,412	0.9	171,383	1.0	519,656	4.9	14,675,061	79.4	18,468,464	1,847,224	10.1
1936	23	2,125,000	11.5	235,829	1.3	254,573	1.4	336,856	1.7	919,044	4.3	14,675,061	79.4	19,673,948	2,232,768	11.3
1937	21	2,125,000	10.8	236,327	1.2	276,652	1.5	187,793	1.0	718,276	3.9	14,852,169	80.7	18,400,690	2,706,484	14.7
1938	21	2,125,000	11.6	240,770	1.3	276,652	1.5	187,793	1.0	718,276	3.9	14,852,169	80.7	18,400,690	2,706,484	14.7
1939	24	2,125,000	9.7	242,639	1.1	302,363	1.4	168,330	0.8	1,109,060	5.0	18,077,610	82.0	22,025,002	3,283,199	14.9

NATIONAL BANK OF INDIA, LIMITED

Established 1863

CAPITAL				Market Value	Year	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved						
£4,000,000	£2,000,000	£2,000,000	£ Nil	£4,240,000	1929	£511,133	%20*	£110,000	£278,462
					1930	480,329	20*	80,000	278,791
					1931	470,019	20	70,000	278,810
					1932	450,197	20	80,000	249,007
					1933	450,785	20	50,000	249,790
					1934	469,510	18	100,000	250,100
					1935	457,569	18	100,000	247,669
					1936	458,286	18	100,000	243,955
					1937	465,862	18	100,000	249,817
					1938	444,063	16	125,000	248,880
					1939	442,692	16	125,000	246,572

Per Share	Per Share	Per Share	Per Share	Per Share,
£25	£12 10s.	£12 10s.	Nil	Nov. 5, 1940
				£261

* Free of tax

COUTTS AND COMPANY

Year Ended Dec. 31	LIABILITIES						Total Liabi- lities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings & Sundries, including Cover for Acceptances	Per Cent.
1930...	£ 2,000,000	9.1	£ 534,018	2.4	£ 19,487,171	88.5	22,021,189	2,951,895	13.4	3,525,929	16.0	£ 3,758,115	17.2	£ 10,871,741	49.3	£ 913,518	4.1
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	3,901,796	20.0	10,091,075	51.7	876,816	4.5
1932...	2,000,000	8.6	590,262	2.6	20,084,621	88.6	22,674,853	2,911,158	12.8	1,840,900	8.1	6,082,901	26.8	10,837,664	47.9	1,002,262	4.4
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,889,400	8.1	7,334,438	31.4	9,596,939	41.2	1,181,189	5.1
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,769,659	11.8	2,410,300	10.3	7,870,749	33.6	9,288,283	39.6	1,121,492	4.7
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,339,700	11.1	8,519,163	33.4	9,989,353	39.1	1,210,456	4.5
1936...	2,000,000	7.6	500,745	1.9	23,864,920	90.5	26,365,665	3,180,455	12.1	1,676,500	6.4	8,925,122	33.8	11,670,844	44.2	912,745	3.7
1937...	2,000,000	7.6	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	8,900,917	34.0	10,696,630	40.8	1,156,173	4.4
1938...	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,652	12.8	1,955,050	8.2	7,550,476	31.6	10,264,326	43.0	1,053,900	4.4
1939...	2,000,000	7.4	730,316	2.7	23,927,170	89.6	26,657,486	3,470,645	13.0	3,146,900	11.8	6,970,651	26.2	11,926,973	44.7	1,142,316	4.3
June 30 1940	2,000,000	7.1	713,525	2.5	25,612,880	90.4	28,326,405	3,767,031	13.3	5,121,400	18.1	6,823,664	24.1	11,488,785	40.5	1,125,525	4.0

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

DISTRICT BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS													
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Exchange	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
1930	396	£ 4,212,000	7.2	390,864	0.7	1,071,945	1.8	52,443,952	90.3	58,118,761	7,849,197	13.5	4,409,670	7.6	16,651,547	28.7	6,798,985	11.7	20,577,119	35.3	1,832,243	3.2
1931	400	£ 4,212,000	7.4	391,703	0.7	1,796,045	3.2	50,322,361	88.7	56,722,109	7,108,669	12.5	4,274,545	7.5	18,893,206	33.3	3,837,726	6.9	19,952,329	35.2	2,606,634	4.6
1932	400	£ 4,212,000	6.6	409,516	0.6	1,999,827	3.2	56,829,351	89.6	63,441,694	8,476,606	13.3	5,441,095	8.6	21,805,876	34.4	7,188,260	11.3	17,680,457	27.9	2,839,400	4.5
1933	400	£ 4,212,000	6.6	411,445	0.6	5,239,159	8.3	53,957,883	84.5	63,820,497	7,708,349	12.4	4,436,950	6.9	23,565,795	36.9	4,886,484	7.7	17,107,971	26.8	6,114,948	9.6
1934	405	£ 4,212,000	6.7	424,074	0.7	5,376,865	8.5	52,888,706	84.1	62,901,645	7,605,511	12.4	4,436,950	7.0	21,266,507	33.8	6,838,482	10.9	16,463,613	26.2	6,318,822	10.6
1935	583	£ 5,952,856	7.0	445,168	0.5	6,194,213	7.2	72,984,452	85.3	85,576,689	10,594,439	12.4	4,728,285	5.5	29,417,700	34.3	6,534,395	7.1	27,398,278	32.9	7,892,802	11.1
1936	555	£ 5,952,856	6.5	450,332	0.5	7,282,046	7.9	78,218,013	85.1	91,903,248	10,972,877	11.1	9,674,618	9.5	29,398,248	32.0	6,119,319	9.5	24,363,769	29.2	7,759,186	9.1
1937	559	£ 5,952,856	6.2	480,365	0.5	9,346,536	9.7	81,059,979	83.7	96,839,736	11,693,311	12.1	8,283,450	8.5	29,621,613	30.6	5,473,397	5.7	30,834,823	31.8	10,926,801	9.6
1938	569	£ 5,952,856	6.0	476,157	0.5	9,022,586	9.1	83,468,949	84.4	98,925,408	11,532,903	11.7	7,869,718	8.2	29,668,304	29.6	6,201,704	6.3	32,583,940	32.9	10,648,749	10.6
1939	600	£ 5,952,856	5.8	459,721	0.4	5,212,162	5.0	90,781,706	88.6	102,406,445	13,733,168	13.4	4,758,960	7.4	29,441,003	28.7	10,801,652	10.5	34,056,595	33.3	6,805,366	6.6
June 30, 1940		£ 5,952,856	5.7	...	...	4,485,785	4.3	93,050,047	90.0	103,488,688	14,129,661	13.7	8,300,867	8.0	30,756,520	29.7	11,114,860	10.7	33,058,790	32.0	6,078,990	5.9

(a) Including balances with, and cheques in course of collection on, other banks in Great Britain and Ireland.

§ Included with deposits and other accounts.

MARTINS BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS													
		Capital and Re- serves	Per Cent.	Un- divi- ded Profits	Per Cent.	Accept- ances, Endorse- ments, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Advances	Per Cent.	Buildings & Sundries including Cover for Accept- ances	Per Cent.
1930	571	7,667,914	8.3	442,879	0.5	5,599,786	6.1	78,562,604	85.1	92,289,957	11,969,514	13.0	6,952,126	7.5	18,677,148	20.2	7,382,145	8.0	39,134,819	42.4	8,171,205	8.9
1931	578	7,090,042	8.0	422,027	0.5	4,750,674	5.4	75,927,392	86.1	88,176,777	11,166,374	12.7	7,094,914	8.0	18,947,309	21.5	7,313,868	8.3	36,098,900	40.9	7,555,412	8.6
1932	555	7,080,042	7.2	476,571	0.5	4,752,518	4.8	85,832,338	87.5	98,121,469	12,568,850	12.8	6,176,814	6.3	30,560,921	31.1	1,050,389	1.0	70,368,895	31.2	7,704,100	7.9
1933	557	7,160,042	7.5	499,106	0.5	4,714,436	5.0	81,578,548	86.8	93,952,129	12,323,624	13.1	5,291,162	6.3	31,180,934	32.3	6,893,785	7.3	69,684,058	31.6	7,577,592	7.9
1934	550	7,180,042	7.5	513,958	0.5	4,693,136	4.9	82,030,837	87.1	94,987,168	12,619,902	13.3	5,671,209	6.0	32,235,451	33.3	9,534,208	5.8	31,472,599	33.1	7,453,799	8.1
1935	550	7,260,042	7.2	524,669	0.5	4,695,096	5.0	82,030,837	87.1	94,987,168	12,619,902	13.3	5,671,209	6.0	32,235,451	33.3	9,534,208	5.8	31,472,599	33.1	7,453,799	8.1
1936	565	7,460,042	6.8	587,251	0.5	4,781,223	7.2	83,475,145	88.5	100,939,664	13,685,277	12.5	5,275,000	5.1	32,982,921	30.0	6,368,960	8.3	784,584	30.6	8,585,677	8.5
1937	562	7,660,042	6.7	683,411	0.6	4,839,580	8.6	95,508,182	94.1	113,691,214	14,256,626	12.8	5,333,000	6.4	31,392,280	27.6	3,585,442	3.4	44,181,798	38.2	12,465,038	11.0
1938	584	7,710,042	6.6	640,733	0.6	4,838,191	7.0	100,058,889	98.1	116,607,645	15,465,384	13.3	6,100,000	5.2	33,564,780	28.8	4,678,707	4.0	45,359,178	39.3	10,941,396	9.4
1939	600	7,760,042	6.1	642,752	0.5	4,724,632	6.1	110,438,689	87.3	126,566,116	16,958,956	12.8	8,330,000	6.7	34,171,927	27.0	7,193,931	5.7	50,031,849	39.5	10,471,488	8.3
June 30, 1940	760	7,660,042	6.0	...	...	4,895,195	6.9	113,017,350	87.1	129,762,587	16,558,821	12.8	6,456,240	5.0	37,756,721	29.1	10,947,889	7.6	43,241,747	33.1	80,160,112	62.2

(a) Includes balances with, and cheques in course of collection on, other banks.

§ Included with Deposit and Current Accounts.

GLYN, MILLS AND CO.

Year ended Dec. 31	LIABILITIES						Total Liabilities Assets	ASSETS											
	Capital and Reserve	Per Cent.	Reduction of Premises Account	Per Cent.	Acceptances	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts, Loans and Other Securities	Per Cent.	Premises and Cover for Acceptances	Per Cent.
1930	1,590,000	3.6	220,000	0.5	2,552,858	5.8	39,535,509	90.1	43,898,167	8,725,397	19.9	8,153,400	18.6	6,638,253	15.1	17,133,459	39.0	3,247,658	7.4
1931	1,590,000	4.4	230,000	0.6	2,339,290	6.5	32,104,080	88.5	36,263,370	7,358,282	20.3	6,102,450	16.8	7,093,766	19.6	12,674,572	34.9	3,034,290	8.4
1932	1,590,000	4.0	240,000	0.6	1,767,023	4.5	35,731,879	90.9	39,828,902	7,129,281	18.1	6,355,000	16.7	11,545,881	29.4	11,636,717	29.6	2,462,023	6.3
1933	1,590,000	4.0	250,000	0.6	1,551,925	3.9	36,535,215	91.5	39,927,140	7,733,738	19.4	7,241,000	18.1	11,589,788	29.0	11,079,689	27.7	2,281,925	5.8
1934	1,590,000	3.8	260,000	0.6	1,750,479	4.2	38,137,375	91.4	41,737,854	7,354,089	17.6	8,251,950	19.8	11,258,105	27.0	12,343,231	29.6	2,490,479	6.0
1935	1,590,000	3.8	270,000	0.6	1,533,582	3.7	38,200,591	91.4	41,594,173	8,151,939	19.6	8,733,300	21.1	11,379,160	28.5	10,556,222	25.3	2,273,582	5.5
1936	1,590,000	3.4	280,000	0.6	3,203,905	7.0	41,039,207	89.0	46,113,112	9,182,980	20.9	14,170,100	30.7	10,403,118	22.6	8,413,009	18.2	3,343,903	8.6
1937	1,590,000	3.7	290,000	0.7	3,222,131	7.6	37,375,503	88.0	42,477,834	8,845,095	20.8	9,349,950	22.0	10,552,599	24.9	9,767,859	23.0	3,962,131	9.3
1938	1,590,000	3.9	300,000	0.7	3,203,545	7.7	35,809,496	87.5	40,903,041	7,635,038	18.7	8,587,600	21.0	10,138,921	24.8	10,577,940	25.9	3,943,545	9.6
1939	1,590,000	3.6	310,000	0.7	4,706,205	10.5	38,062,341	85.2	44,668,346	8,554,338	19.4	8,767,700	14.9	11,578,884	25.9	12,221,419	27.4	5,446,205	12.2
June, 1940	1,910,000	4.3	...	...	4,097,336	9.1	38,862,873	86.6	44,870,209	8,965,405	20.0	6,985,700	15.6	12,238,924	27.2	11,812,141	26.4	4,267,332	10.0

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

LLOYDS BANK LIMITED

Year ended December 31	LIABILITIES										ASSETS											
	Number of Offices	Paid-up Capital and Reserves		Un- divided Profits	Accept- ances and Endorse- ments		Current, Deposit and Other Accounts	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Cash at Call and Short Notice	Invest- ments	Bills of Ex- change		Advances	Buildings and Sundries, including Cover for Accept- ances							
		Per Cent.	Per Cent.		Per Cent.	Per Cent.						Per Cent.	Per Cent.									
		£		£		£		£		£		£		£		£						
1930	1,947	25,810,252	5.0	1,281,649	0.3	42,513,352	8.8	364,655,289	84.0	434,250,542	55,787,776	12.8	30,492,445	7.0	53,789,393	13.5	53,733,112	12.4	185,329,180	42.7	50,128,636	11.6
1931	1,963	23,310,252	5.0	1,267,652	0.3	36,154,878	8.2	333,741,091	84.6	394,453,873	51,134,804	12.9	22,188,477	5.6	56,639,358	14.4	42,587,499	10.8	177,961,605	45.1	44,022,130	11.1
1932	1,924	23,810,252	5.4	1,116,614	0.3	31,978,804	7.3	332,148,416	87.0	459,054,089	54,475,674	12.4	25,588,689	5.8	60,091,685	20.5	76,788,343	17.5	52,219,480	34.7	39,890,215	9.1
1933	1,955	23,810,252	5.4	1,179,836	0.3	42,640,910	9.8	364,558,953	84.4	432,190,961	54,270,955	12.6	23,479,970	5.4	104,081,083	24.3	58,873,317	13.1	142,001,089	33.0	50,470,600	11.7
1934	1,917	24,310,252	5.5	1,211,420	0.3	46,214,918	10.4	372,146,372	83.8	443,882,262	56,854,348	12.8	36,313,120	8.2	102,826,293	23.2	47,214,847	10.6	146,626,866	33.0	50,404,152	12.2
1935	1,914	24,310,252	5.5	1,211,825	0.3	31,741,415	6.9	400,375,711	87.5	457,631,203	59,805,857	13.1	133,051,075	7.2	112,068,391	24.5	63,377,093	13.8	149,754,184	32.8	39,550,603	8.6
1936	1,901	24,810,252	5.4	1,224,629	0.3	32,971,501	7.1	406,067,241	87.3	465,073,623	64,583,213	13.9	37,781,806	8.1	119,573,888	25.7	45,070,460	9.7	157,559,039	33.8	40,371,696	8.7
1937	1,902	24,810,252	5.4	1,198,437	0.3	32,851,965	6.1	410,077,609	88.2	465,073,623	64,583,213	13.9	37,781,806	8.1	119,573,888	25.7	45,070,460	9.7	157,559,039	33.8	40,371,696	8.7
1938	1,914	25,310,252	5.1	1,178,730	0.3	40,542,400	8.7	397,673,912	85.2	464,705,318	60,920,350	13.0	30,545,485	6.6	111,851,129	24.0	40,955,247	8.8	173,354,442	37.3	48,940,961	10.6
1939	1,909	25,310,252	5.1	1,102,727	0.2	29,536,217	6.0	433,590,889	88.6	489,540,095	68,917,735	14.1	30,345,659	6.2	111,851,129	22.9	70,184,808	14.3	171,219,672	34.9	36,997,837	7.6
	+																					
June 30,																						
1940		25,310,252	5.1	\$		33,585,105	6.9	439,962,326	88.0	499,857,683	66,707,089	13.3	29,692,811	5.9	113,603,242	22.7	72,267,423	14.4	175,555,545	35.1	42,031,172	8.4

WILLIAMS DEACON'S BANK, LIMITED

Year ended Dec. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS										
		Capital and Reserves	Per Cent.	Undivided Profits	Per Cent.	Acceptances, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances
1930	202	2,875,000	8.0	144,565	0.4	795,522	2.1	32,000,087	89.5	35,765,174	14.4	2,488,863	7.0	8,306,444	23.2	18,082,980	50.6	1,730,753	4.8
1931	202	2,875,000	8.0	145,405	0.4	1,561,497	4.7	29,043,586	86.9	33,425,488	12.6	3,274,307	9.8	7,408,886	22.2	15,923,271	47.6	2,607,422	7.8
1932	202	2,875,000	7.1	151,035	0.4	1,164,066	3.1	33,812,463	89.4	37,805,351	12.6	3,861,067	15.8	8,416,463	22.7	9,753,392	25.8	15,086,118	39.8
1933	202	2,875,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	86.5	38,771,171	16.3	5,060,835	16.3	9,818,038	24.2	10,124,277	26.2	13,381,376	34.5
1934	203	2,875,000	6.9	177,459	0.5	2,068,097	5.3	33,742,876	87.3	38,663,432	15.5	6,003,721	15.5	6,116,738	15.8	8,575,350	24.8	13,847,722	35.9
1935	205	2,875,000	6.6	191,620	0.5	2,047,759	5.1	33,129,329	87.8	38,344,008	16.7	6,172,435	15.3	7,287,659	18.1	9,703,398	24.1	14,105,960	34.9
1936	205	2,875,000	6.4	220,882	0.5	1,360,678	3.3	37,577,981	89.8	41,844,541	15.4	6,458,137	15.4	6,000,269	13.4	12,878,442	30.8	14,451,651	34.6
1937	206	2,875,000	6.2	267,428	0.6	1,524,551	3.5	38,564,411	89.7	43,033,390	15.0	6,455,189	15.0	6,036,683	14.0	11,504,635	26.8	16,442,422	38.2
1938	209	2,775,000	6.4	204,471	0.5	1,996,530	4.6	38,335,188	88.5	43,311,189	16.4	7,008,838	16.4	5,887,068	13.6	11,561,672	26.7	15,739,138	36.3
1939	200	2,775,000	5.9	237,313	0.5	2,315,904	4.9	41,631,393	88.7	46,953,323	17.5	8,108,019	17.5	7,085,196	15.1	11,597,383	24.7	16,742,673	35.6
June 30, 1940	197	2,775,000	5.7	...	...	2,101,610	4.3	43,748,384	90.0	48,824,091	15.8	7,676,071	15.8	8,610,695	17.7	12,238,808	25.2	16,977,319	34.9

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

YORKSHIRE PENNY BANK, LIMITED

December 31	LIABILITIES				ASSETS					
	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and Other Accounts	Premises	
1935	2,000,000	35,400,246	500,000	9,607,552	23,334,204	260,413	1,281,083	2,386,995	550,000	
1936	2,500,000	37,036,892	500,000	9,267,022	25,592,627	105,863	...	4,051,380	550,000	
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000	
1938	2,500,000	39,251,804	500,000	8,089,656	29,998,294	...	...	3,113,855	550,000	
1939	2,500,000	38,745,760	500,000	7,466,921	30,211,310	...	...	3,017,498	550,000	
June 30, 1940	2,500,000	37,773,941	500,000	6,087,574	30,545,690	...	...	3,090,677	550,000	

PRIVATE BANKS

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.
1930	500,000	15.5	2,718,857	84.5	3,218,857	750,808	22.4	850,004	26.4	186,457	5.8	1,361,588	42.3	100,000	3.1
1931	500,000	15.9	2,629,718	84.1	3,129,718	825,480	26.4	647,550	20.7	121,778	3.9	1,434,910	45.8	100,000	3.4
1932	500,000	16.9	2,463,636	83.1	2,963,636	858,682	28.9	588,850	19.9	182,688	5.5	1,253,416	42.3	100,000	3.4
1933	500,000	12.2	3,592,297	87.8	4,092,297	1,179,450	28.9	894,483	21.9	271,719	6.6	1,646,645	40.2	100,000	2.4
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,200	30.6	205,741	5.4	1,301,687	34.3	100,000	2.4
1935	500,000	11.9	3,711,318	88.1	4,211,318	1,122,347	26.7	1,341,086	31.8	200,487	4.9	1,447,418	34.3	100,000	2.4
1936	500,000	11.4	3,853,504	88.6	4,353,504	1,176,466	27.0	1,291,210	29.6	261,397	6.1	1,524,432	35.0	100,000	2.3
1937	500,000	11.9	3,686,793	88.1	4,186,793	977,761	23.3	832,950	19.9	451,169	10.8	1,824,913	43.6	100,000	2.4
1938	500,000	12.6	3,476,892	87.4	3,976,892	919,445	23.1	812,499	20.4	348,047	8.8	1,798,901	45.2	100,000	2.5
1939	500,000	13.0	3,362,925	87.0	3,862,925	1,083,349	28.1	745,707	19.3	370,467	9.7	1,557,402	40.3	100,000	2.6
1940	500,000	12.5	3,508,678	87.5	4,008,678	1,162,997	29.0	1,102,792	27.5	231,119	5.8	1,411,771	35.2	100,000	2.5

FOREIGN BANKS HAVING LONDON OFFICES AND BRITISH BANKS
TRADING ABROAD

ANGLO-PALESTINE BANK, LIMITED

December 31	LIABILITIES				ASSETS					
	Capital and Reserves	Bills Payable	Current, Deposit and other Accounts	Guarantees, Endorsements and other Engagements	Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments	Advances, etc.	Premises
1935	£ 890,854	297,590	7,152,865	378,294	£ 725,725	231,149	703,556	3,070,658	2,785,670	95,004
1936	1,079,497	209,341	7,425,525	378,839	818,639	195,935	533,995	3,935,138	2,626,658	159,856
1937	1,079,497	176,520	6,844,919	496,604	918,264	144,818	881,799	2,690,201	3,010,144	169,446
1938	1,079,497	454,964	7,269,524	487,629	924,534	271,150	505,819	3,098,458	3,419,193	202,458
1939	1,079,497	295,673	7,360,575	619,252	1,057,873	285,923	463,170	2,636,233	4,133,580	219,761

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD	£2,253,466
DEPOSITS and CREDIT BALANCES as at 29th February, 1940	£42,137,116

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
J. W. MACFARLANE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 St. VINCENT PLACE. JAMES CRAIG, Manager.

LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2. A. BALLINGALL, Manager.

Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

262 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

Branches throughout Scotland.

ASSOCIATED BANKS—WILLIAMS DEACON'S BANK, LD. (Member of the London Bankers' Clearing House)
GLYN MILLS & CO. (Member of the London Bankers' Clearing House)THE
Commercial Bank of Scotland
LIMITED

Established 1810

Incorporated by Royal Charter and Act of Parliament

OVER 340 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3

KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2

PICCADILLY: 4 OLD BOND STREET, W.1

Head Office: 14 George Street, EDINBURGH

THE NATIONAL BANK OF SCOTLAND LIMITED

Head Office:
EDINBURGHBranches throughout
SCOTLAND

ESTABD 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

The report of the directors for the year ended January 31, 1940, states that the net profits, after making provision for bad and doubtful debts, national defence contribution, income

tax and depreciation of investments, amount to £12,088, which, with the balance of £65,807 brought forward from last year, make a total of £77,895; this it is proposed to carry forward.

January 31	LIABILITIES				ASSETS					
	Capital and Reserves	Current, Deposit and Other Accounts	Acceptances and Confirmed Credits	Cash at Bankers, in Hand and at Call	Balances with Banks abroad	Bills discounted	Investments	Advances, etc.	Banco Nacional Ultramarino, Lisbon and Branches, Accounts	
1935	1,000,000	838,995	535,922	379,349	202,048	691,770	231,018	235,425	83,668	
1936	1,000,000	985,217	787,666	378,528	62,854	712,590	277,932	399,069	158,749	
1937	1,050,000	1,399,193	803,801	590,214	50,716	874,025	540,497	304,322	...	
1938	1,050,000	1,897,471	786,374	814,438	104,595	1,028,467	489,796	500,983	...	
1939	1,050,000	1,238,016	615,920	521,906	63,881	674,413	384,196	624,480	...	

BANKERS' TRUST COMPANY, NEW YORK

December 31	LIABILITIES				ASSETS									
	Capital and Surplus Fund	Undivided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Banks	Ex-changes for Clearing House	U.S. Govt. Securities	Demand Loans	Time Loans and Discounts	Securities and Investments	Customers' Liability on Acceptances	Premises
1935	75,000,000	23,937,771	8,200,000	910,920,321	42,709,840	9,273,253	225,816,844	59,575,789	448,876,818	76,987,807	175,958,646	52,383,310	8,341,325	19,822,258
1936	75,000,000	28,932,372	5,500,000	819,473,017	33,323,824	5,873,894	282,518,353	57,568,449	343,935,274	59,246,989	185,131,887	30,473,728	5,522,563	19,522,483
1937	75,000,000	29,461,116	5,000,000	890,465,428	21,833,118	3,708,108	331,521,905	...	381,891,763	...	216,953,410	62,367,499	3,429,746	21,249,913
1938	75,000,000	31,047,727	5,000,000	1,116,275,604	9,131,194	5,272,012	403,561,197	...	498,411,117	...	229,586,520	80,700,313	4,549,810	20,955,407
1939	75,000,000	31,775,226	5,000,000	1,211,566,981	6,790,687	2,535,805	473,182,673	...	544,491,637	...	209,715,240	84,954,994	1,903,572	20,482,981

* Including demand loans.

BANK OF AMERICA

December 31	LIABILITIES			ASSETS					
	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.	
1935	104,107,653	18,046,264	1,155,265,465	134,989,708	620,219,559	2,475,000	451,009,354	35,394,076	
1936	108,139,177	23,221,264	1,298,976,759	204,171,712	623,304,982	2,505,000	532,076,966	34,759,618	
1937	111,995,831	23,998,508	1,357,378,758	244,970,758	550,551,379	2,580,000	630,668,811	35,369,955	
1938	116,840,362	20,853,817	1,437,027,491	280,169,299	554,932,428	2,700,000	673,828,309	35,531,684	
1939	118,853,366	18,815,872	1,482,791,676	248,265,914	601,478,671	2,790,000	711,054,697	31,530,785	

BANK OF ATHENS

The report of the directors for the year ended December 31, 1939, states that net profits, after making the necessary provisions for amortisation, general expenses, taxes, installations, repairs to

premises, and staff pension fund, amount to Drs. 18,089,840. It was proposed to declare a dividend of Drs. 10 per share, and to carry forward the balance of Drs. 4,940,572.

December 31	LIABILITIES				ASSETS									
	Capital and Reserves	Sight Deposits	Fixed Deposits	Deposits in Guarantees	Savings Bank	Current Accounts	Cheques Payable	Cash in Hand, at Banks and Treasury Bills	Due from Banks Abroad	Bills Receivable	Loans, Advances, Discounts, etc.	Current Accounts	Securities	
1935	176,000,000	878,179,945	450,565,388	38,321,310	682,618,617	289,309,334	32,984,305	284,800,580	68,709,082	476,246,778	905,662,225	538,848,341	221,152,785*	
1936	176,000,000	878,777,476	439,856,921	41,611,858	742,909,968	280,095,182	31,831,272	321,376,249	96,642,880	494,204,055	831,244,476	528,925,193	203,861,204	
1937	176,000,000	909,207,911	473,483,521	41,825,249	832,322,114	302,630,622	34,374,678	256,036,402	94,991,250	608,264,044	846,682,955	597,128,877	226,641,771	
1938	176,000,000	880,112,189	469,992,955	38,133,597	868,683,455	350,099,624	35,887,081	283,495,956	78,024,790	618,294,209	869,129,488	697,135,927	236,880,214	
1939	176,000,000	874,614,321	443,942,560	70,924,044	797,907,731	301,864,235	36,119,494	300,322,433	58,776,295	520,694,957	717,288,297	640,637,186	309,984,737	

* Including participations.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

September 30	LIABILITIES				ASSETS					
	Capital and Reserves	Current and Deposit Accounts, and Contingency Reserve	Bills Payable	Acceptances on behalf of Customers	Bills for Collection on account of Customers	Cash in Hand, at Bankers, and at Call	Bills Receivable	Advances, Securities, etc.	Premises	
1935	5,540,000	28,288,764	680,544	1,719,341	6,350,249	7,144,293	6,025,981	19,662,878	1,912,704	
1936	6,040,000	55,403,372	1,167,703	2,604,644	9,892,718	19,520,531	10,118,592	26,700,291	2,852,808	
1937	6,040,000	56,303,757	1,401,739	5,031,938	10,188,406	18,314,448	10,549,290	37,026,450	2,696,393	
1938	6,040,000	56,286,068	1,123,305	2,688,608	9,550,592	14,865,394	9,418,322	37,163,361	2,697,791	
1939	6,040,000	60,494,690	1,568,955	2,304,256	9,921,880	21,445,637	10,883,812	33,618,472	2,884,508	

THE BANK OF TAIWAN, LIMITED

LIABILITIES								ASSETS						
June 30	Capital and Reserves	Notes in Circulation	Deposits, etc.	Bills Payable	Bills Redis-counted	Acceptances and Guarantees, etc.	Due to Correspondents	Cash in Hand and at Banks	Bullion	Discounts, Loans, etc.	Interest Bills, Bills Bought and Export Advances	Government Bonds, etc.	Due from Correspondents	Premises and Estate
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1935	18,504,000	58,631,534	254,237,244	34,702,655	27,580,212	3,000,881	2,461,996	18,599,787	18,469,065	203,319,084	66,860,881	81,830,916	1,317,407	4,761,013
1936	18,504,000	63,673,700	257,690,982	57,938,643	3,600,616	3,078,606	1,713,804	12,883,140	15,537,040	203,674,503	61,833,236	103,812,628	659,541	4,887,700
1937	20,700,000	75,489,725	266,414,839	70,592,610	7,758,065	4,099,807	1,808,884	13,240,285	12,369,151	205,309,580	83,378,043	114,827,664	999,087	6,025,434
1938	21,900,000	105,440,193	284,353,313	81,314,998	1,843,166	9,076,067	2,000,663	945,211	236,409,550	58,231,807	117,115,691	1,493,629	6,693,555	
1939	23,200,000	146,468,754	334,860,016	57,462,521	750,520	6,912,041	2,664,606	82,733,876	7,436,656	234,013,837	68,933,997	165,983,304	1,799,404	1,875,000

BRITISH OVERSEAS BANK, LIMITED

LIABILITIES				ASSETS								
October 31	Capital and Reserves	Current Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Premises
	£	£	£	£	£	£	£	£	£	£	£	£
1935	2,250,000	2,638,403	2,988,526	247,417	869,329	208,471	553,525	370,629	587,013	1,782,860	14,715	336,961
1936	2,250,000	3,982,509	4,078,265	255,894	1,259,943	456,753	973,462	446,345	594,389	1,956,870	33,485	337,076
1937	2,250,000	3,840,339	3,088,195	278,043	1,149,195	196,622	138,099	446,345	703,779	3,031,211	53,593	337,338
1938	2,250,000	2,464,730	1,782,352	84,770	245,687	164,963	144,644	420,391	693,714	2,608,433	125,141	337,346
1939	2,000,000	1,252,483	543,354	100,850	1,740,000	107,862	...	399,435	131,350	3,330,088*	...	337,346

* Customers accounts in countries where extended credit is in force, £1,295,945; in German occupied territories, £1,583,714; in other countries, £450,429. There are also £2,000,000 of Special Deferred Deposits ranking after all other Deposits and Liabilities.

CENTRAL HANOVER BANK AND TRUST COMPANY

December 31	LIABILITIES				ASSETS						
	Capital and Reserves, etc.	Undivided Profits and Dividend payable	Deposits	Acceptances	Cash and Due from Banks	U.S. Government Securities	Other Securities	Real Estate Mortgage	Stock in Federal Reserve Bank	Loans and Bills	Premises and other Assets
1935	83,434,160	3,647,416	821,020,293	6,669,859	246,294,609	326,681,341	53,737,242	3,312,336	2,430,000	255,219,621	27,116,579
1936	86,658,515	7,848,132	879,465,253	5,336,539	296,704,424	352,771,167	39,698,791	3,741,490	2,430,000	258,803,677	25,659,890
1937	85,878,573	11,526,231	831,259,130	6,109,852	342,480,367	313,446,253	31,134,372	6,989,089	2,430,000	212,614,650	25,679,055
1938	86,037,329	12,587,029	939,260,374	4,818,235	639,591,439	153,446,609	45,259,609	7,376,603	2,430,000	171,263,070	23,336,227
1939	85,241,578	13,795,640	1,106,736,120	6,034,749	627,536,800	333,761,612	50,946,499	7,064,670	2,430,000	165,748,815	24,319,692
June 30, '40	86,735,816	14,335,329	1,238,311,827	3,949,260	729,766,475	371,281,369	51,346,787	7,089,953	2,430,000	158,964,711	22,472,937

CITY BANK FARMERS TRUST COMPANY

Dec. 31	LIABILITIES				ASSETS						
	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds Mortgages and Securities	Stock in Federal Reserve Bank	Real Estate	Other Assets
1935	20,000,000	2,805,961	1,057,513	87,526,709	56,275,953	9,409,432	39,771,668	18,572,843	600,000	4,577,240	2,182,045
1936	20,000,000	2,237,917	1,237,917	106,445,371	48,200,130	7,708,245	32,044,003	18,681,002	600,000	4,427,972	2,785,780
1937	20,000,000	4,120,759	3,115,261	73,396,510	54,183,863	10,296,211	31,740,359	18,828,779	600,000	4,278,704	2,704,611
1938	20,000,000	4,438,098	3,303,305	80,108,923	39,482,154	12,471,945	33,082,456	15,837,290	600,000	4,669,675	1,906,808
1939	20,000,000	4,749,635	1,701,138	79,052,596	45,003,248	11,260,695	28,469,956	13,908,621	600,000	4,565,820	1,695,018

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

THE CHASE NATIONAL BANK										ASSETS			
LIABILITIES													
December 31	Capital and Reserves, etc.	Deposits	Acceptances	Liability for Acceptances and Foreign Bills	Other Liabilities	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages	Customers' Acceptance Liability	Other Assets	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
1935	241,858,177	2,075,121,091	2,518,920	7,771,009	5,279,997	855,637,783	775,522,673	638,002,317	43,477,738	2,550,793	18,674,106	17,113,783	
1936	243,248,456	2,236,209,092	17,380,230	8,174,216	7,190,078	689,417,860	636,739,883	728,522,484	41,474,888	10,681,010	15,193,893	16,671,183	
1937	250,132,186	1,989,989,515	25,707,614	23,637,678	5,865,442	708,510,518	510,510,578	728,522,484	42,662,488	11,738,121	23,646,901	14,271,287	
1938	253,933,343	2,234,332,982	25,062,029	5,630,250	4,188,572	882,617,333*	917,830,432	638,733,623	41,282,157	11,297,921	23,542,486	8,863,224	
1939	255,906,860	2,603,730,236	19,884,330	1,570,732	7,276,819	1,293,142,975	1,077,729,983	636,176,032	41,433,142	10,423,953	17,688,488	7,146,711	
June, 1940	258,983,206	3,190,822,926	18,348,305	1,004,017	11,201,031	1,467,007,453	1,234,880,593	607,858,801	40,900,255	10,677,143	11,944,899	9,510,537	

HAMBROS BANK, LIMITED

LIABILITIES				ASSETS				
March 31	Capital and Reserves	Profit and Loss Account	Current, Deposit and Other Accounts	Acceptances	Cash in Hand, at Bankers and at Call	Bills of Exchange	Investments	Loans, Advances and Other Accounts
1936	2,800,000	189,330	14,324,037	10,031,923	4,859,694	2,906,703	4,903,012	4,775,978
1937	2,800,000	183,001	16,114,477	13,737,385	5,397,388	2,823,995	5,201,780	5,201,780
1938	2,800,000	168,678	17,224,100	15,113,219	4,981,174	2,823,995	5,201,780	5,201,780
1939	2,800,000	175,815	15,219,762	11,410,472	5,333,908	4,388,001	5,111,387	5,111,387
1940	1,400,000	138,922	10,908,082	3,467,335	3,228,661	2,202,596	2,494,543	4,139,669

THE HONGKONG AND SHANGHAI BANKING CORPORATION

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Profit and Loss Account	Cash	Bullion in Hand and in Transit	British Government, Indian, Colonial and other Securities	Discounts, Loans and Credits	Bills Receivable, etc.	Premises
1935	129,810,000	119,010,770	568,131,918	208,027,823	12,424,354	2,366,387	11,699,860	154,181,307	41,909,294	262,233,304	435,863,291	132,776,563	22,170,985
1936	134,873,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,213	...	301,419,785	493,812,564	112,890,956	21,772,530
1937	134,873,950	200,251,180	700,261,011	159,896,537	21,500,995	3,086,612	12,127,512	257,931,297	...	324,334,289	467,314,472	158,531,999	20,801,157
1938	134,873,950	210,579,120	721,131,216	148,137,618	21,410,619	2,560,588	12,145,172	310,511,018	...	351,117,612	451,001,438	112,845,053	19,802,645
1939	134,873,950	195,498,930	691,030,085	148,765,401	39,137,795	5,989,811	10,165,111	27,915,073	...	321,917,404	452,273,935	147,683,083	18,652,376

THE IMPERIAL BANK OF IRAN

The profits for the year ended March 20, 1940, after making provision for expenses of management, general charges in London and at chief office and branches, income tax, N.D.C., Exchange, and bad and doubtful debts, etc., amount to £98,437, to which has to be added £56,930 brought forward from last account, making a total of £155,367. The assets and liabilities of the branches in Iran have been converted at the rate of exchange of Rials 64.35 per £ sterling, being the rate on March 20, 1940. Last year the rate was 80. The directors now recommend payment of a final dividend of 6 per cent., subject to income tax, making with the interim dividend of 3 per cent. a total for the year of 9 per cent., subject to tax. After the addition of £10,000 to reserve account, this leaves a sum of £55,367 to be carried forward.

LIABILITIES						ASSETS					
March 20	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises	
1936	1,590,000	3,587,911	1,827,576	970,266	55,604	1,102,424	3,259,738	2,082,757	654,581	1,592	
1937	1,750,000	3,539,235	1,643,817	891,497	98,034	899,602	2,844,780	2,447,445	838,219	1,041	
1938	1,750,000	3,740,552	1,605,191	627,361	99,098	868,211	3,050,518	2,720,367	550,655	1,000	
1939	1,750,000	3,355,430	1,689,603	853,530	115,030	1,070,617	3,167,910	2,128,528	512,847	1,000	
1940	1,760,000	4,514,830	1,738,014	1,149,689	115,367	928,267	2,719,517	3,120,788	1,058,608	1,000	

INTERNATIONAL BANKING CORPORATION

LIABILITIES							ASSETS						
December 31	Capital and Surplus	Undivided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Other Liabilities	Cash and Due from Banks and Bankers	Loans, Discounts and Advances	Bonds and Securities	Customers' Liability Account of Acceptances	Other Assets
1935	6,000,000	2,173,144	12,044,103	453,671	213,944	3,073,316	406,064	2,466	9,285,434	4,792,330	7,186,085	3,067,000	58,850
1936	6,000,000	2,170,008	7,276,808	315,907	155,899	794,400	355,626	...	7,173,602	3,330,125	5,791,085	723,300	50,837
1937	6,000,000	2,228,750	5,084,560	384,698	601	1,330,780	386,001	...	5,040,896	3,406,923	5,616,021	330,000	21,551
1938	6,500,000	1,736,972	5,492,890	192,674	...	439,760	385,587	...	6,353,761	2,319,871	5,500,920	438,984	104,348*
1939	6,500,000	1,725,666	7,626,075	83,084	...	772,600	421,400	...	7,488,293	3,092,730	5,660,068	772,600	55,225*

* Including items in transit with branches.

IONIAN BANK, LIMITED

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current and Deposit Accounts, Outstanding Advances, Letters of Credit, etc.	Bills Payable	Profit and Loss	Cash in Hand, at Bankers, in Transit	Balances with Banking Correspondents	Investments	Bills receivable	Loans and Advances, Outstanding Advances, Exchange Contracts, etc.	Liability of Customers for Acceptances	Mortgaged Property in Possession	Premises
1935†	800,000	3,265,850	40,708	26,646	41,365	33,285	851,946	601,318	1,990,124	182,131	34,002	217,992
1936†	800,000	3,151,042	41,615	18,823	373,020	55,006	707,223	488,746	2,130,562	310,774	36,253	217,992
1937	800,000	3,511,320	69,203	24,462	407,854	30,416	699,242	633,068	2,377,994	191,396	43,563	217,992
1938	800,000	3,958,583	51,065	26,935	271,383	40,787	749,709	685,837	2,833,855	147,397	42,885	217,992
1939	800,000	3,970,940	107,626	31,048	382,837	81,768	728,017	621,823	2,713,431	99,292	42,292	217,992

* 16 months.

† August 31st.

THE MOSCOW NARODNY BANK, LIMITED

LIABILITIES						ASSETS						
December 31	Capital and Reserves	Current and Deposit Accounts	Correspondents of the Bank	Bills Rediscounted	Miscellaneous Creditors	Liabilities in respect of Guarantees	Cash at Banks on Current Accounts and in hand	Correspondents of the Bank	Bills Discounted	Advances	Miscellaneous Debtors	Premises
1935	1,855,000	669,319	191,516	11,119	37,227	1,550,388	820,538	192,624	11,708	1,800,000	116,785	11,531
1936	1,855,000	148,684	1,445,908	76,764	41,470	113,730	2,272,155	1,210,955	77,479	361,464	1,650	12,307
1937	725,000	915,998	1,809,615	18,584	32,731	20,182	2,213,460	233,227	18,584	471,776	1,718	13,728
1938	725,000	260,966	859,715	22,004	20,216	68,019	1,336,159	298,309	22,004	973,737	1,921	3,165
1939	725,000	101,854	81,196	...	...	...	235,130	551,652	...	246,684	5,561	2,991

THE NATIONAL BANK OF EGYPT

LIABILITIES								ASSETS						
Dec. 31	Capital and Reserves	Current, Deposit and other Accounts	Egyptian Govt.	Sudan Govt.	Mixed Tribunals	Cheques and Bills Payable	Acceptances, etc.	Bankers' Accounts	Cash in Hand	Money at Call and Short Notice	Securities	Advances	Bills of Exchange	Bankers' Accounts
1935	6,000,000	21,855,049	6,220,582	958,364	1,810,345	229,140	1,107,923	1,103,622	2,551,852	1,955,000	23,823,189	7,150,069	2,400,018	467,080
1936	6,000,000	20,891,810	4,868,663	1,082,380	1,978,266	235,081	1,288,091	1,068,816	2,512,833	2,205,000	22,071,850	6,920,928	1,936,460	877,075
1937	6,000,000	18,996,926	6,413,153	952,033	1,817,904	222,088	1,663,621	849,311	2,441,081	1,635,000	23,059,647	6,592,907	1,043,933	699,182
1938	6,000,000	17,615,959	2,292,279	1,061,383	1,806,069	187,220	1,513,230	624,026	2,512,330	1,505,000	14,849,536	8,470,596	1,786,564	537,783
1939	6,000,000	17,396,685	882,663	409,534	1,408,366	328,582	2,217,687	1,540,047	2,263,748	595,000	10,291,679	12,325,280	1,909,436	808,696

THE NATIONAL CITY BANK OF NEW YORK

LIABILITIES						ASSETS							
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Liability as Acceptor, Endorser or Maker on Acceptances and Bills	Deposits	Cash and Due from Banks and Bankers	U.S. Govt. Obligations	State, Municipal and other Bonds and Securities	Loans, Discounts and Bankers' Acceptances	Customers' Liability Account of Acceptances	Stock in Federal Reserve Bank and Ownership of International Banking Corp.	Items in Transit	Premises
1934	157,500,000	8,273,298	10,576,359	65,779,526	1,394,694,398	450,285,755	431,938,339	135,518,004	482,834,614	56,678,257	14,600,000	*3,377,340	58,162,279
1935	157,500,000	10,844,279	16,111,917	57,444,517	1,632,306,244	527,491,424	510,764,888	179,788,459	547,223,821	30,634,183	12,725,341	10,670,332	54,215,505
1936	157,500,000	13,462,953	13,821,556	49,978,612	1,713,840,229	463,258,611	526,917,831	228,001,549	588,448,848	23,692,029	11,600,000	4,729,858	52,836,932
1937	121,750,000	13,414,079	14,124,774	48,350,792	1,711,552,124	516,778,467	482,958,934	207,301,765	609,441,410	13,315,994	11,652,500	*4,903,780	50,543,249
1938	121,000,000	13,554,910	11,842,323	34,485,831	1,835,286,500	531,718,814	668,795,370	195,441,421	521,981,489	12,238,747	11,705,000	2,956,756	48,556,997
1939	130,000,000	15,018,584	11,896,049	17,955,978	2,331,257,944	933,912,307	773,592,491	121,449,630	530,725,121	14,371,236	11,735,000	*3,267,134	42,676,271

* Appears on Liability side.

OTTOMAN BANK

LIABILITIES								ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Bills Payable and Sight Drafts	Current Accounts of Sundries	Deposits for Fixed Terms	Acceptances	Profit and Loss Account	Cash in Hand and at Bankers	Money at Call and Notice	Bills receivable	Investments	Current Accounts of Sundries	Advances on Securities	Premises
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1935	6,250,000	351,418	252,955	12,849,731	1,639,177	587,656	104,784	3,806,526	872,678	4,740,036	2,887,728	6,266,797	2,256,222	618,077
1936	6,250,000	320,062	250,132	14,089,612	1,887,342	412,572	108,149	4,733,630	1,023,582	5,403,323	2,419,895	5,830,009	2,398,529	596,079
1937	6,250,000	299,685	257,792	16,325,412	1,569,422	914,433	112,498	4,389,759	1,206,303	5,018,641	3,205,068	7,717,350	2,700,156	587,535
1938	6,250,000	307,813	222,597	16,403,004	1,408,533	1,159,241	114,220	5,587,877	1,390,089	4,604,280	2,339,177	7,293,835	2,863,669	587,261
1939	6,250,000	342,369	272,050	18,723,068	1,304,978	1,069,463	132,618	8,432,207	1,400,000	4,536,068	2,387,243	7,024,590	2,664,801	580,175

SOCIÉTÉ GÉNÉRALE Pour Favoriser le Développement du Commerce et de l'Industrie en France

LIABILITIES						ASSETS							
Dec. 31	Capital and Reserves	Cheque Accounts	Deposits for Fixed Periods	Sundry Current Accounts	Acceptances	Cash in Hand and at Banks	Bills and National Defence Bonds	Coupons for En-cashment and Contangoes	Advances on Security	Sundry Current Accounts	Govt. Stocks, Shares, etc., and Investments	Real Estate, etc.	Calls on Shares
	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1935	1,015,000,000	2,768,754,206	254,149,000	5,791,175,422	106,200,601	1,899,854,145	4,645,216,991	142,313,613	518,942,213	2,430,580,782	52,776,806	71,381,788	302,785,000
1936	1,015,000,000	2,630,640,932	216,889,500	6,205,868,323	125,075,801	2,054,522,366	4,990,977,468	135,588,637	415,978,334	2,205,733,416	52,320,479	71,381,788	302,590,000
1937	1,015,000,000	2,723,080,831	244,993,300	6,281,233,380	175,171,441	2,728,070,198	4,905,150,365	159,887,922	383,562,590	2,147,955,618	52,327,981	71,381,788	302,443,750
1938	1,015,000,000	3,026,885,956	265,201,500	6,864,967,424	153,671,556	2,312,988,295	4,819,866,247	158,370,793	332,863,878	2,068,496,991	52,352,485	71,381,788	302,326,500
1939	1,015,000,000	3,802,135,499	261,100,500	9,375,486,837	260,157,756	2,620,490,823	3,798,081,856	265,189,026	361,547,603	2,521,972,477	52,537,317	71,381,788	302,247,250

NATIONAL BANK OF INDIA, LIMITED

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

Established in Calcutta 29th September, 1863

Bankers to the Government in KENYA (B. E. Africa) and UGANDA

Subscribed Capital	-	-	-	£4,000,000
Paid-up Capital	-	-	-	£2,000,000
Reserve Fund	-	-	-	£2,200,000

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES

CALCUTTA	CAWNPORE	MANDALAY	STEAMER POINT.	ENTEBBE	} Uganda
BOMBAY	DELHI	COLOMBO	ADEN	KAMPALA	
MADRAS	LAHORE	KANDY	MOMBASA	JINJA	} Tanganyika Territory
KARACHI	TUTICORIN	NUWARA ELIYA	NAIROBI	TANGA	
CHITTAGONG	COCHIN	ADEN	NAKURU	DAR-ES-SALAAM	
AMRITSAR	RANGOON	ZANZIBAR	KISUMU	MWANZA	

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business. Current Accounts are opened and Deposits are received for fixed periods, not exceeding one year, at rates to be obtained on application. Circular Letters of Credit and Travellers' Cheques available throughout the World are issued to Constituents by the Head Office and Branches. Trusteeships and Executorships undertaken.

THE Commercial Banking Company of Sydney, LIMITED

(with which is amalgamated the BANK OF VICTORIA LTD.)

ESTABLISHED 1834

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

Authorised Capital	£12,000,000	0	0
Capital Paid up	£4,739,012	10	0
Reserve Fund	£4,300,000	0	0
Reserve Capital	£4,739,012	10	0
	£13,778,025	0	0
Total Assets			
30th June, 1940	£66,292,946	6	5

Head Office: Sydney—343 George Street
General Manager: C. Darvall

441 Offices and Branches in New South Wales, Queensland, Victoria, South Australia and Australian Capital Territory. Agencies throughout Australia and New Zealand, and all other parts of the world.

Drafts payable on demand and Letters of Credit are issued by the London Office on the Head Office Branches and Agencies of the Bank. Bills on Australasia negotiated and collected. Remittances cabled and mailed.

LONDON OFFICE:
18 BIRCHINGDALE, LOMBARD STREET, E.C.3
G. M. AINSWORTH, Manager; E. A. BARRETT, Accountant.

ALEXANDERS DISCOUNT CO. LIMITED

24 Lombard Street, E.C.3

Capital Authorised	-	-	£1,800,000
Subscribed	-	-	1,800,000
Paid-up Preference Shares			200,000
Paid-up Ordinary Shares			800,000
Reserve Fund	-	-	1,000,000

DIRECTORS

COLIN FREDERICK CAMPBELL, *Chairman*
GEORGE CLEVERLY ALEXANDER
ROBERT ALEXANDER
MARK DINELEY
ERIC GORE BROWNE, D.S.O.
SIR AUSTIN EDWARD HARRIS, K.B.E.
FRANK NEWCOMB
Manager—F. NEWCOMB
Sub-Managers { E. J. BOWIE
A. MACNAGHTEN
Secretary—P. C. TONG

Approved Mercantile Bills discounted. Loans granted on negotiable securities. Money received on deposit at call and short notices at current market rates, as advertised from time to time in the daily papers. For longer periods on specially agreed terms.

The Company deals in British Treasury Bills of any maturity

IONIAN BANK, LIMITED

ESTABLISHED 1839

CAPITAL — Authorised	-	£1,000,000	Subscribed and Paid up	-	£800,000
OVER 100 years of Banking Service in			ENGLAND AND GREECE		
" 32 " " " " "			EGYPT		
" 13 " " " " "			CYPRUS		

THE BRITISH BANK FOR THE NEAR EAST, WITH OVER 80 BRANCHES AND SUB-OFFICES

HEAD OFFICE:
25/31 MOORGATE, LONDON, E.C.2

Principal Offices in the Near East—
ATHENS · ALEXANDRIA · NICOSIA